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VISION

FOR A JUST, GREEN, AND THRIVING LOCAL ECONOMY



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NOTE FROM EXECUTIVE DIRECTOR

Dear SBN Members, Partners, and Allies,

Our mission to build a just, green, and thriving economy has never been more relevant. Across the globe, there exists systemic oppression and injustice based on race, gender, sexual orientation, faith, and ability; declining economic mobility coupled with increasing income inequality; highly concentrated power for an elite few; and the climate crisis. These dire challenges have been informed in large part by a values system that prioritizes profit above all else.

To attain a modern, climate resilient, and socially just future, we must all realize the interdependence of people, planet, and profitability; reorient our values system and success metrics to reflect this mutuality; and maximize our investments in local, stakeholder-based economic models.

SBN keeps the global context in mind in our local work. We are shifting the economic ecosystem by empowering our members and the broader local business community to be change agents in the movement toward social equity and climate resilience by practicing - and measuring success by - the triple bottom line of people, planet, and profitability. We do this by building and nurturing a strong community of practice of socially and environmentally responsible businesses, and by advocating with them and on their behalf throughout the year.

While our mission is concise, our vision is broad and far-reaching. We developed this position paper to be transparent with and accountable to our stakeholders about the range of issues SBN sees being intrinsically interdependent with a just, green, and thriving economy and to put a stake in the ground on where SBN stands on these issues. We hope that by highlighting the degree to which the Philadelphia region faces these challenges, we are also highlighting the world of opportunities that exist to make our region's economy equitable, inclusive, climate resilient, and vibrant.

In this position paper, you'll find what SBN stands for. We will continue our strong support for triple bottom line businesses, as well as the organizations and government leaders that bolster their efforts. We invite your membership, partnership, and support in our necessary work.

A handwritten signature in dark ink, consisting of a stylized 'A' and 'S'.

Anna Shipp



ABOUT SBN

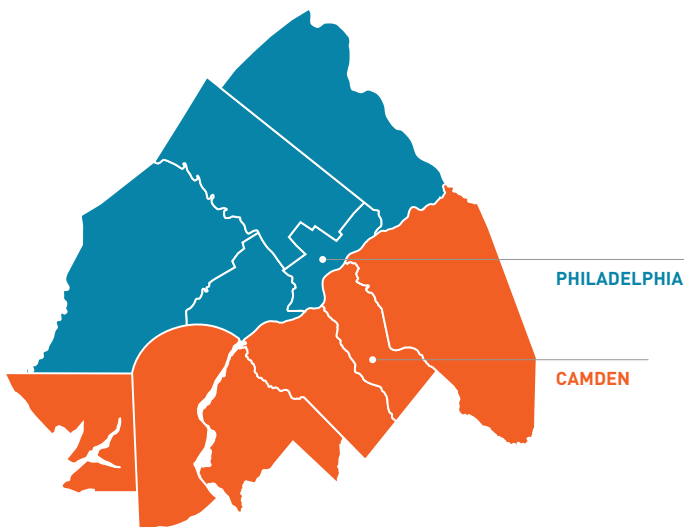
The Sustainable Business Network of Greater Philadelphia (SBN) is building a just, green, and thriving economy in the region. We inspire, challenge, and support the local independent business community to be change agents in the movement towards social equity and climate resilience.

Since our founding in 2001, SBN has remained the region's leading advocacy and membership organization for businesses committed to improving their environmental and social impact as well as their profitability.

We often get asked, "What does a just, green, and thriving economy look like?" This position paper offers an answer by identifying key issues we feel need to be addressed in the Greater Philadelphia region. The web of issues that impact social equity, climate resilience, and a thriving economy is vast. Informed by SBN's 20 years of leadership, and with substantive member input, we selected 25 issues that are core to any metropolitan area and relate to each pillar of our mission: just, green, and thriving.

This position paper is not a policy agenda, so SBN may not actively work on policy solutions that address every single one of these issues. We will focus on the areas in which we can have great impact and are relevant to the time, and continue to represent the voice of local, independent, values-based businesses and push others to recognize the power of the triple bottom line to create a regional economy that works for all.

GREATER
PHILADELPHIA



This work is big, and cannot be done alone, so we will also continue to seek mutually beneficial collaborations to bolster our work. Together, and with intention, the business community and governments can shift our economic ecosystem toward industries, practices, and policies that offer high returns on investment that include advancing a sustainable and equitable future for generations to come.

We will continue to represent the voice of local, independent, values-based businesses and push others to recognize the power of the triple bottom line to create a region that works for all.

BACKGROUND

Our vision for the future of the Philadelphia region is broad and far-reaching; so we developed this position paper to clarify what SBN stands for. Our goal is to be transparent with and accountable to our stakeholders about the range of issues SBN sees being intrinsically interdependent with our mission.

We hope to both highlight Philadelphia's challenges as well as the world of opportunities that exist to make our region economically vibrant, equitable, and climate resilient.

SBN believes in the extraordinary power businesses have to be a force for good, and we know triple bottom line businesses can't move the needle alone. The business community must work with government to shift our economic ecosystem toward industries, practices, and policies that offer high returns on investment that include advancing a sustainable and equitable future.

This position paper is for business owners and policymakers to learn SBN's stance on critical issues affecting our region. It is meant to facilitate new conversations and create new opportunities for our government and SBN's business community in addition to bringing new energy to the issues we have advocated for since the beginning of SBN.

As an organization serving the businesses community, we regularly engage our members to ensure that our work continues to be relevant to their needs. In that spirit, SBN embarked on a robust stakeholder-informed process to develop this paper. Our process began with SBN's Board of Directors' Policy Task Force. This group invested significant time in creating a framework and vision for this project, evaluating research, and identifying issues. During SBN's 2019 Annual Members Meeting, we engaged with SBN's membership to learn which issues were most relevant to them. Over 100 responses were distilled into the final list included in this paper. Additional research and writing for this project were conducted in the spring and summer of 2019 by SBN's Government Relations Manager in collaboration with the Executive Director and the Board's Policy Task Force. After an initial draft the document was reviewed and approved by SBN's Board of Directors, SBN's members were re-engaged to share their feedback via three focus groups in July 2019.

This paper was approved by SBN's Board of Directors.

POSITION CATEGORIES AND KEY ISSUES

We used the 3 pillars of our mission - just, green, and thriving - as a lens through which we organized the key issues that we believe will enact change in the Greater Philadelphia region. **It is important to note that this is not an exhaustive list of issues; rather it represents the issues that we see as most relevant in our current social and economic climate.**



The sustainable business community has a long and successful history in the region and will continue to push the region to become a leader in sustainability, equity, and economic prosperity for all.

JUST

- Triple bottom line ownership structures
- Labor force participation
- Wage gaps
- Robust worker benefits
- Succession planning and wealth gap
- Local businesses as community anchors
- Housing affordability
- Educational opportunity
- Immigration
- Community-oriented development and land use
- Transportation systems

GREEN

- Climate resilience in planning
- Climate resilience in development
- Energy market transition
- Nature-based stormwater management
- Waste
- Food systems

THRIVING

- Business development
- Equitable access to capital
- Fair accessible tax structures
- Services for local, independent businesses
- Support for business owners from historically marginalized communities
- Procurement
- Incentives for values-driven businesses
- Commercial rental protections

INTRODUCTION

Businesses that Practice the Triple Bottom Line Do Well by Doing Good

By implementing a wide range of practices that prioritize environmental and social impacts as well as economic metrics, businesses can be positive influences in their communities and the world at large. Additionally, trends toward shopping with and working for companies that align with personal values are growing. Known as the “Values-Based Consumer,” studies show a company’s ethics and values are increasingly influencing consumer choice.² A recent study found job seekers are looking beyond the perks a company offers to find workplaces that support what they care about personally.³ With attitudes about values shifting and a growing understanding of the need to mitigate climate change, address inequalities, and create strong local economies, values-based businesses are poised to see growth across industries.

All businesses should practice the triple bottom line, understand their individual impacts on their local communities and our economy, and challenge and support each other to continue improving their practices. Smart public policies are needed to create a solid baseline, ensuring that all workplaces are equitable, inclusive, practice environmental sustainability, and promote the long-term health and well-being of their communities.



THE TRIPLE BOTTOM LINE

The Triple Bottom Line (TBL) is an accounting framework developed by John Elkington in the mid-1990s.¹ It uses a comprehensive model that accounts for social, environmental, and financial performance — which has become known as people, planet, and profit or the 3Ps.



Governments are a Critical Stakeholder and Collaborator

Governments — local, regional, and state — should also be leaders in creating a just, green, and thriving economy. As a regional business organization, SBN focuses its policy and advocacy efforts where we feel we can be the most effective for our member businesses: state and local government.

In addition to creating policies that incentivize and regulate a triple bottom line economy, governments, as an integral part of local economic ecosystems, can lead by example in their own operations to participate in the systemic changes a triple bottom line vision demands. For example, the government of New Zealand recently released a budget focused on the well-being of its citizens — thinking beyond traditional bottom line performance and recognizing a vibrant economy depends on prosperity for all and long-term environmental sustainability.⁴

By investing in climate resilience, economic and racial equity, and shared prosperity, governments should use their tremendous influence to invest in climate resilience, economic and racial equity, and shared prosperity; model the triple bottom line in their own practices; and incentivize anchor institutions and the business community to do the same. Operating with transparency, coordinating across agencies, and collaborating internally and with external stakeholders will allow governments to run more efficiently and address problems more effectively. Governments have the opportunity and the responsibility to be strong leaders for their communities and set the tone for the future.



VISION FOR A JUST, GREEN, AND THRIVING ECONOMY





JUST:

Inclusive economic development creates prosperity for all

Southeastern Pennsylvania is experiencing strong growth but is hampered by its long history of systemic racism, classism, and lack of equal opportunity.

In 2009, the Delaware Regional Valley Planning Authority created the Greater Philadelphia Economic Development Framework to meet the U.S. Economic Development Administration's requirement for a Comprehensive Economic Development Strategy for the region. Through this regularly updated report, DVRPC found the Philadelphia region has a strong base of highly skilled workers, leading universities, and infrastructure supports for high-tech industries. This leads to a thriving cluster of life sciences and chemicals companies, higher education institutions, IT products and services companies, and high-tech manufacturing.⁵

Although Philadelphia has enjoyed higher graduation rates and a significant increase in college-educated 25-to 34-year-olds, as well as a decline in unemployment, jail populations, and rates of violent crime, regional weaknesses also abound. Both government and private sector policies have led to deliberate and widespread disinvestment, particularly in communities of color and immigrant communities.^{6,7} National economic shifts over the last several decades have also radically changed the workforce landscape.

Similar to other large industrial U.S. cities, Philadelphia remains significantly below its highest historical level of employment: Over 938,000 people were employed in the City in the late 1960s compared to 724,000 today.⁸ Philadelphia was once referred to as the "Workshop of the World," with over 350,000 jobs in manufacturing in the middle of the 20th century.⁹ By 1981, The New York Times reported a significant decline in manufacturing jobs in Philadelphia.¹⁰ While the decline in manufacturing jobs was a national trend, Philadelphia saw particularly negative impacts to its local economy.

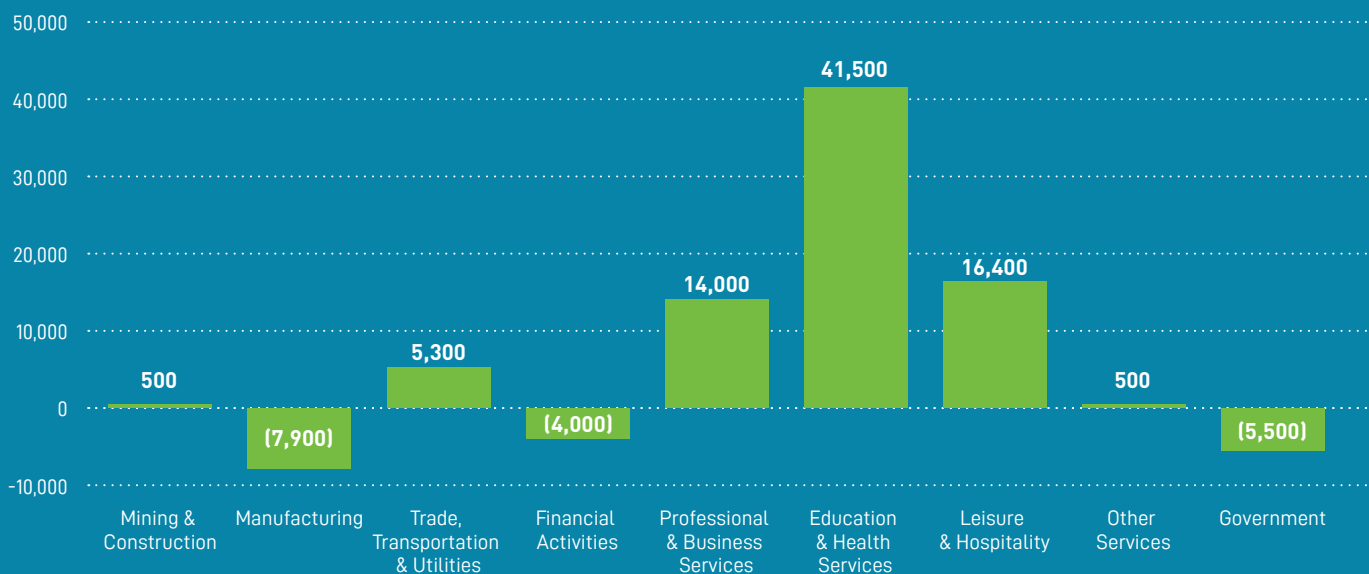
From 2008 – 2018, the manufacturing sector remained the largest declining industry in the region, shedding 7,900 jobs, the equivalent of 28 percent of the workforce. Over the same period, the leisure and hospitality industry saw the biggest job gains (28 percent increase) followed by education and health services (21 percent increase).¹¹ While these growing industries provide significant value to the City, not all of them provide the same opportunities for high-wage jobs compared to the jobs that were lost.

Philadelphia remains the poorest big city in America: 25 percent of residents live in poverty and the poorest neighborhoods remain predominantly communities of color and immigrant communities.¹² Like many American metropolitan regions, income inequality is growing in Philadelphia. A Bloomberg study ranked Philadelphia the third most unequal large city in the U.S., a 17-spot jump in one year. This was the largest increase among the top cities on the list.¹³

Philadelphia also remains behind peer cities. Cushman and Wakefield ranked 35 Metropolitan Statistical Areas (MSA) in the U.S. in three categories: overachievers, middle of the road, and late bloomers. The Philadelphia MSA was ranked as a late bloomer, meaning it experienced modest growth early in the post-recession expansion with the majority of the economic growth over the last four years.¹⁴

In order for the region to recover and sustain it, we need to invest in a collective vision of a strong regional economy that is accessible to all, prepared for next-generation industries, and resilient to a changing climate.

PHILADELPHIA JOBS LOST OR GAINED BY SECTOR between 2008 and 2018



Source: *Philadelphia 2019: The State of the City*, Pew Charitable Trusts

ISSUES



Triple-bottom-line ownership structures

Local, independent businesses have a significant role to play in ensuring equitable economic growth and creating prosperity throughout the local community. A business can recognize this challenge and demonstrate that equity, sustainability, and profitability are all crucial to its mission and operating practice by becoming a public benefit corporation, pursuing certification with an organization like B Lab, understanding and utilizing cooperative models and democratic governance principles, and/or joining a local community of practice like SBN. Large corporations must recognize market shifts in consumer-based values and build company policies around Corporate Social Responsibility (CSR). Different forms of incorporation and ownership have a significant impact on business practices, which in turn can help support worker growth and provide community benefits.

Public benefit corporations are a legal corporation structure that allow companies to build a solid foundation for their mission into the structure of their business. This provides the legal framework for companies to preserve their values and mission during leadership transitions and when raising capital. Benefit corporations also provide more protections to companies who want to engage in values-based activities, make it easier for stockholders to hold a company accountable to the mission, provide a strong marketing hook to a values-based market of consumers and workers, and attract social impact investors. As benefit corporations have the freedom to consider factors beyond profit, they have significantly more flexibility to use resources to improve their local communities, donate to non-profits or charitable enterprises, and invest in workers.¹⁵

Different from a public benefit corporation, B Corp Certification allows businesses to incorporate in any form while demonstrating a validated commitment to triple-bottom-line practices, including environmental sustainability, supportive workplace practices, democratic and transparent governance, and accountability. B Lab, the international accrediting body for B Corps, headquartered in the Philadelphia suburbs, has certified over 2,700 companies in 150 industries and 64 countries.¹⁶

The cooperative model also provides significant benefits to businesses, workers, and communities. This model can take a multitude of forms from the worker-owned cooperative business to a large-scale supplier cooperative.

In the worker cooperative model, each worker owns an equal share of the company, typically gets one vote toward governance decisions, and earns profits in line with their contribution to labor. Worker-owned cooperatives offer significant economic benefits to those involved, see less turnover, have greater stability during economic downturns, and provide an important option for retiring business owners.¹⁷ Research has shown these businesses are profitable, pay higher wages, promote improvement in healthcare and child care benefits, create more access to capital, and provide new pathways to entrepreneurship for groups who have been historically excluded.^{18,19} For example, a study by Democracy at Work Institute and the U.S. Federation of Worker Cooperatives found the average entry wage for worker cooperatives is \$19.67 per hour plus an average annual owner earning of \$8,241.²⁰ The study also found that a majority of worker owners self-identified as people of color (38 percent Latinx, 13 percent Black) and female (62.5 percent), highlighting the significant economic opportunities worker cooperatives provide to demographic groups who disproportionately face barriers to entrepreneurship.²¹

Another form of collective ownership, Employee Stock Ownership Plans (ESOPs), create a trust for workers and contribute money or stock shares, or they match retirement contributions with stock shares.²² The ESOP model also provides significant benefits to workers, especially when it comes to savings. A 2010 study found ESOP participants received nearly \$4,500 a year in company contributions to the ESOP and had an account balance of over \$55,000.²³

In addition to worker-owned cooperatives, organizations that operate on the cooperative model help ease the resource burden of operating a business and/or provide benefits to community members interested in participating in the work. For example, a local cooperatively owned grocery store is often run on the consumer co-op model. The store's patrons can buy a membership to receive a discount on products, as well as a yearly dividend, and/or they contribute their labor to help operate the store. This is a low-cost way to build capital and reduce labor costs for the business and encourage community-based ownership.

Another model includes cooperatives of local, independent businesses, such as producer/supplier co-ops or purchasing co-ops. Companies like Florida's Natural, Cabot Creamery Cooperative, and Organic Valley are all examples of a producer/supplier cooperative, meaning member businesses work together to supply products to companies. Each individual member owner runs their own operation and earns a percentage of ownership profits. While this model is not a huge part of the U.S. economy, a company like Organic Valley has seen significant growth in recent years, reporting annual sales of almost \$1.1 billion in 2015.²⁴ The cooperative model goes far in eliminating the challenges small suppliers face in providing goods and services to larger markets, supporting historically marginalized communities to have more access to ownership and entrepreneurship, and creating sustainable, family-supporting jobs.

These alternative business models create significant benefits for businesses, local communities, workers, and the economy. Businesses need to be supported to start up with or transition to these values-based ownership structures so they can be stronger partners in helping to address the social, environmental, and economic challenges facing our region.

Cooperatives

- » Business entity controlled and owned by the business' members, who can be consumers, workers, or producers
- » Democratic governance (each member has one vote to elect board of directors)
- » Members collectively earn and decide on how to allocate profits

Employee Stock Ownership Plans

- » Benefit plan that offers workers an ownership stake in the company
- » Company contributes money or stock to a trust, distributed when the employees leaves or retires



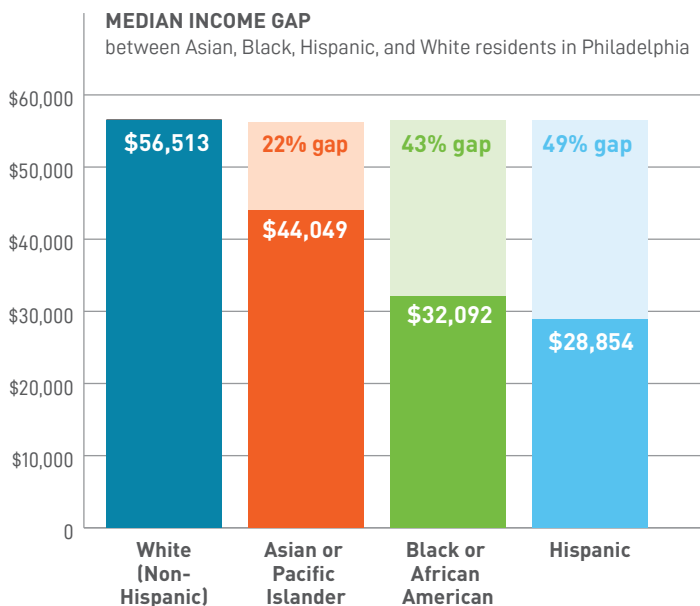
Labor force participation

Prioritizing labor force participation and economic mobility for individuals facing employment barriers is a critical strategy to grow our local economy, create equitable and resilient communities, and reduce our poverty rate.

Philadelphia's labor force participation rate is 8 percent below the average rate for other top 10 cities, and it has the third lowest participation rate among residents 16-64.^{25,26} Moreover, women and people of color tend to experience higher instances of poverty and barriers to the labor market, leading to lower rates of participation.²⁷

In order to move the needle on economic mobility, programs that reduce barriers to gaining and maintaining employment are needed. Groups with barriers to employment include those who lack opportunities for educational advancement; returning citizens and others with experience in the justice system; non-native English speakers; veterans; persons with physical and/or mental disabilities; and people with chronic health conditions, like obesity, diabetes, and substance use disorder.

In order to increase labor participation among these groups, we must prioritize criminal justice reform, adult education courses, language learning services, and access to primary healthcare and addiction treatment in addition to traditional job programs. There also need to be more ways to save for all types of secondary education programs, including trade and technical schools and 2- and 4-year colleges. We must expand our vision for job training, placement, and retention programs to be career-oriented, and to focus them on the industries that will continue to drive long term growth and respond to the needs of local, independent business owners. State and local governments should use workplace development funding to focus on achieving these goals.



Source: *Growing with Equity: Philadelphia's Vision for Inclusive Growth*, City of Philadelphia



Wage gaps

Wages are a crucial component in the problem of income inequality.

While the overall economy has been improving since the Great Recession with record low unemployment and years of steady private sector job creation, wages have been frustratingly stagnant.²⁸ Pew Research Center found year over year wage growth was only 2 to 3 percent from 2013 to 2018, and after adjusting for inflation, purchasing power for most American workers is about the same as it was in 1978.²⁹

This disconnect, between the growing economy and workers' paychecks, has inspired new movements to close gender and racial wage gaps, raise the minimum wage, and reduce the discrepancy between CEO and average worker pay. The New York Times reported CEO pay grew at twice the rate of ordinary worker pay in 2018.³⁰ On average, women at every education level and nearly every occupation continue to earn 80 cents on the dollar compared to men.³¹ This gap is even wider for women of color, translating into an annual loss of over \$23,000 for Black women, \$24,000 for Native women, and nearly \$30,000 for Latinas.³²

In addition to the discrepancies in pay for women based on race, women face other barriers leading to lower pay including motherhood, age, disability, gender identity, and sexual orientation.³³ Research shows the black-white wage gap expanded from 1979 to 2015 despite the narrowing of the black-white college attainment gap and that men of color also suffer from pay discrimination.³⁴

All jobs should pay a thriving wage — one that not only covers the most basic needs, but also pays enough for retirement and emergency expenses, as well as health care, childcare, and other standard cost of living expenses that are often overlooked. Inequities such as disparities in pay because of gender, race, or ability, as well as discrepancies between CEO and worker pay, are barriers to achieving a thriving, equitable economy and must be remedied through public policy solutions and changes to business practices.

“ON AVERAGE, WOMEN AT EVERY EDUCATION LEVEL AND NEARLY EVERY OCCUPATION CONTINUE TO EARN 80 CENTS ON THE DOLLAR COMPARED TO MEN.”

—NATIONAL WOMEN'S LAW CENTER



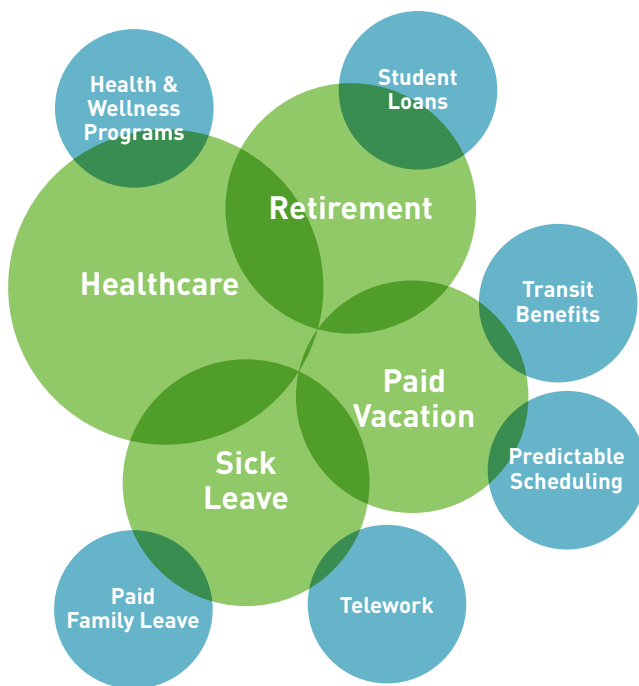
Robust worker benefits

Benefits are a major component of employee compensation packages and can sometimes be the most important reason someone chooses an employment opportunity. Healthcare, retirement, paid vacation, and sick leave are more standard offerings, but the definition of employee benefits should grow to include flexible scheduling, telework, paid family leave, transit benefits, predictable scheduling, and access to health and wellness programs.³⁵

While some workplaces are offering more or newer benefits, others have shifted more costs to workers (such as high deductible health care plans), reduced the number of benefits offered overall, or have shifted away from traditional benefits to offer newer "perks" without providing for more critical needs, like family leave.³⁶

Small and mid-sized business owners continue to state that the cost of health insurance for employees is a top concern.³⁷ Research has continued to show growing concerns over the cost of benefits has shifted the way business owners think about hiring, leading to the growth of "gig economy" work and making critical benefits increasingly scarce for many Americans.^{38, 39} By 2021, an estimated 9.2 million U.S. workers will be gig-economy workers.⁴⁰ Policy changes can support businesses to hire workers without the burden of increased costs from benefits. These include, but are not limited to, a national paid family leave program (similar to social security), and health care reform that creates a more affordable and accessible health care system. A paid family leave program would improve the lives of workers by offering more flexibility in the workplace and helping to reduce the gender pay gap.

Policy changes also must address the growing shift toward gig economy work, which allows employers to cut costs by hiring contract workers, slashing full-time employment opportunities and reducing protections and benefits for workers.





Succession planning and the wealth gap

As Baby Boomers begin to retire at significant rates, our economy is ignoring a significant question: what will happen to the businesses and the local economies that depend on them?

IN PENNSYLVANIA, BABY BOOMERS:			
OWN	EMPLOY	PAY NEARLY	GENERATE OVER
≈90,000	1	\$40	\$200
BUSINESSES	million	billion	billion
	PEOPLE	IN WAGES	IN SALES

BUT ONLY 47% OF OWNERS OVER AGE 65 HAVE A LONG-TERM TRANSITION PLAN

Often referred to as the “Silver Tsunami,” concerns over Baby Boomer retirement have led to conversations about loss of institutional knowledge, a shift in the job market, rising healthcare costs, and the long-term sustainability of social security. Less attention has been given to the question of business ownership. Baby Boomers own over 2.3 million businesses across the United States, employing nearly 25 million people, paying \$949 billion in wages, and generating over \$5 trillion in sales.⁴¹

In Pennsylvania, Boomers own nearly 90,000 businesses, employ 1 million people, pay nearly \$40 billion in wages, and generate over \$200 billion in sales.⁴² A 2017 Wilmington Trust Study found 58 percent of business owners had not created a specific long-term transition plan, including 47 percent of owners over age 65.⁴³

Succession planning should be a vital part of any business plan, and there are many options available for business owners in transition, including transferring ownership to a partner, passing the business to a family member, selling to an outside person, or selling to another company. While all these options benefit the business owner and the workers by ensuring the business remains in operation, one form of succession planning, transferring ownership to workers, would help support equitable community development.

Research has shown transitions to worker cooperatives help long-time, community-based businesses remain open and in community hands when the business owner retires.⁴⁴ Encouraging retiring business owners to sell to their workers will keep jobs and wealth in the community, teach new skills, and help sustain commercial corridors.⁴⁵

This is an especially significant opportunity for minority-owned businesses. Democracy at Work Institute along with the National Urban League and Citi Bank found 83 percent of the 284,000 business owners of color in the U.S. who are nearing retirement don't have a succession plan.⁴⁶ These businesses are important community anchors and with the right policies, educational opportunities, and technical support, businesses can transition from a single owner of color to a worker ownership model. While lack of succession planning is not a problem unique to business owners of color, focusing succession planning on retiring business owners of color, especially in historically marginalized communities, would support a significant generational wealth transfer, narrow the racial wealth gap, and support these communities in the long term with family-sustaining jobs, resilient businesses, and stabilized commercial corridors.⁴⁷



Local businesses as community anchors

Inclusive and intentional planning for growth is key to ensuring rents and property taxes remain affordable for local business owners, businesses that have long anchored communities are recognized for their contributions, and new and re-development projects are planned in ways that support growth while retaining community cohesion and cultural values.

The Philadelphia region has a strong history of identity and place. Ranging from small towns in the collar counties to historic immigrant neighborhoods in the City, there is much to preserve and appreciate about the region. As our region grows and, along with many other large metropolitan areas in America, begins to see new levels of opportunity, it is vital that communities and the local, independent businesses at their core are not displaced. While some intentional development work has begun, much more must be done.⁴⁸

Officials at all levels of government have created new incentives to try to drive investment to historically underserved communities. Investment in these communities and the independent businesses that anchor them is a crucial aspect of shared prosperity, but it is important to ensure that the who, how, and why driving these projects are considered. Growth, unchecked, will not provide equitable opportunities to all. Therefore, diverse public, private, and non-profit organizations must continue to push decision makers and developers to consider the needs and wants of communities in the planning and development processes. Additionally, inequitable policies, like Philadelphia's tax abatement and certain aspects of the zoning code, that don't support investment in the places that need it most must be revised.



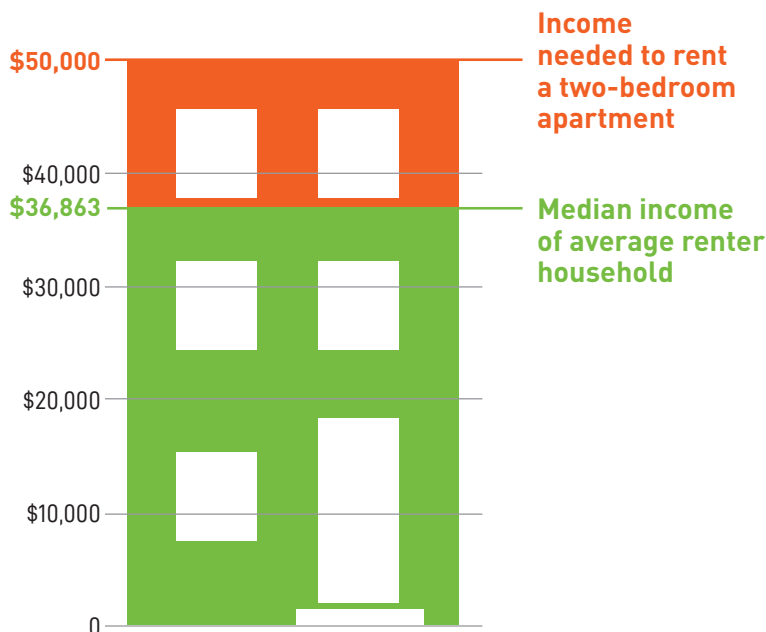
Housing affordability

Housing affordability has become an American crisis, and lack of stable housing has significant impacts on families, as well as the future of growth and development for communities and businesses. As the region considers how to compete with other large metropolitan areas to attract new talent and retain existing residents and businesses, we must advocate to keep the region's housing stock affordable.

The combination of higher home prices and rents leads to displacement around the region as longtime residents, especially in communities of color, are being priced out instead of benefitting from new investment or opportunities.⁴⁹ According to the National Low Income Housing Coalition, in the Philadelphia region, a renter needs to earn over \$24/hour in order to afford a two-bedroom apartment, putting the need for average renter household income at over \$50,000.⁵⁰ Most of the 48 percent of renter households in the area would need to work an average of 3.4 minimum wage jobs in order to afford an average two-bedroom apartment.⁵¹ The increase becomes even larger when you evaluate specific neighborhoods.

For example, nearly half of residents in Chinatown are rent-burdened, meaning they spend more than 30 percent of their income on rent, a 10 percent increase since 2010; those spending over 50 percent of their income on rent has more than doubled in the same period.⁵² Home sale prices in the region have also increased. According to Zillow, the average value of a home in Philadelphia in May 2009 was \$113,000. By February 2019, it peaked at \$160,000.⁵³ Home prices also drastically differ by neighborhood, with some parts of the city seeing home values at nearly \$1 million and others with values under \$75,000.⁵⁴

High-cost housing is a problem across the economy. With increasing costs, labor markets become less mobile, infrastructure becomes strained, and businesses struggle to pay higher wages and attract better talent. Policies must address housing affordability to protect communities from continued skyrocketing costs and their detrimental effects which can be seen here and in other major cities across the country.





Educational opportunity

The regional education system has a significant impact on the success of our local economy and the future of Greater Philadelphia. Adults in Philadelphia without a high school credential experience poverty and unemployment at considerably higher rates than the citywide average.⁵⁵



Significant research has also shown the benefits of high-quality early childhood education. Investing in children from the start through programs like PHLPReK, leads to significant economic benefits in the future, including reductions in the educational achievement gap, reduced likelihood of teen pregnancy, higher employment rates, and higher earnings.⁵⁶

The City of Philadelphia's public school system has been plagued by decades of under- investment and mismanagement.⁵⁷ Suburban counties also struggle with school funding as parents from the City relocate to suburban schools every year. A recent study found the Upper Darby School District in Delaware County is overcrowded and facing budget deficits.⁵⁸ Lower Merion School District in Montgomery County is now the fastest growing district in the state with a nearly 25 percent increase in total enrollment in the last ten years and another 600 students anticipated in the next 5 years. Both communities need more space and funding to deal with growing enrollment.⁵⁹

Pennsylvania overall has a lower regional average of school funding per district than neighboring states: the statewide median for Pennsylvania instructional costs is \$8,838 per student compared to \$9,504 per student for neighboring states.⁶⁰ Additionally, the state allocates funding based on a "hold harmless" policy implemented in 1991, meaning the state doesn't consider the number of students in the district when it allocates funding. This has led to an inverse relationship between the district's receiving the largest increases and the districts with the most students.⁶¹ Not one of the districts that the state considers to be the most challenged (including Philadelphia) is in the top 25 of per pupil state funding.⁶²

According to a PennLive analysis of the Commonwealth's 500 school districts, 19 of the top 25 districts for overall spending per student were in Bucks, Chester, Montgomery, or Delaware counties. The top 3 schools on the list were Bryn Athyn (Montgomery), Lower Merion (Montgomery), and New Hope-Solebury (Bucks).⁶³

While the Philadelphia School District continues to struggle with funding and resource allocation, reclaimed local control of the school system is an important step, as are policies to evaluate the system, improve graduation rates, and identify more sources of funding.⁶⁴ Additionally, the strategy of investing in pre-K and community schools should be grown, so all students in Philadelphia have access to a high-quality education and strong social services from the time they start school. This also makes it easier for parents to balance childcare and work.⁶⁵ More funding from the state will help all regional schools improve infrastructure, educational programs, and offer more community services.

Supporting strong public schools in both the City and the region at large will impact how attractive the Philadelphia metro area is to business owners and increasing graduation rates for high schools, career technical and trade schools, and two- and four-year colleges is key to making the region a hub for next generation industries and inclusive economic growth.⁶⁶



Immigration

Immigrants contribute significantly to the American economy. The Minority Business Development Agency (MBDA) found immigrants have higher rates of business ownership and formation than non-immigrants.⁶⁷ Data from New American Economy found immigrants account for 1 in 5 entrepreneurs in the U.S., and they employ almost 8 million Americans.⁶⁸



The Philadelphia region has many strong immigrant communities ranging from Italian, Irish, and Polish families in the 20th century to East African, Central American, and Southeast Asian families today. New immigrants in the last ten years have reinvigorated the City and helped foster a rich cultural landscape.⁶⁹ Philly is on par with the national average for attracting immigrants, but it lags far behind other large metropolitan areas like Boston and New York City.

13.8 percent of Philadelphia residents were born outside of the US, and 23 percent of residents speak a language other than English at home.⁷⁰ Policies and resources continue to encourage immigration, welcome new residents to the region, and support their business ownership are vital to our regional growth and development.^{71,72}

As illustrated by the richness of our Philadelphia neighborhoods and all the surrounding towns, our economy is best served through diversity. Just as immigrants formed the bedrock of our country, our region also prospers through economic opportunities that are accessible to all our residents.



Community-oriented development and land use

The region's built environment ranges from highly industrial to rural agricultural communities. As issues of social equity, environmental justice, and climate resilience continue to challenge the region, it is crucial to consider these issues in how we manage and plan for growth, development, and land use.

One significant priority should be access to green and open space. Studies show access to green space leads to improved physical and mental health and function, improves air and water quality, and reduces urban heat islands.⁷³ Through institutions and initiatives like *Green City, Clean Waters*, the Philadelphia Land Bank, and the *Redevelopment Authority*, Philadelphia has the opportunity to transform vacant properties into parks, recreation centers, and other community spaces. In 2010, the City of Philadelphia released *Green2015*, a plan for creating equitable access to public green space. Recommitting to these goals through current City initiatives like *Green City, Clean Waters* and *Rebuild*, and transforming vacant land acquired through the Land Bank or the Redevelopment Authority would go far in improving environmental resilience and social equity in the City. Additionally, preserving existing and/or creating more open space leads to new opportunities for agriculture.

In large urban areas, community gardens have helped reduce blight; increase access to healthy, fresh food; and create opportunities for outdoor recreation.⁷⁴

How and where development occurs is also of vital importance. Philadelphia's ten-year tax abatement has led to significant new development, especially in Center City and University City; however, much of it has led to displacement of communities of color, changing of community character, and an abundance of construction waste.⁷⁵ Public prioritization of sustainable redevelopment, adaptive reuse, and community wants and needs; implementing LEED building standards; requiring energy audits and green stormwater management; incentivizing renewable energy and energy efficiency; and funding maintenance for public green spaces will ensure all communities can see the benefits of reinvestment.



Transportation systems

Creating a robust and equitable transportation system is one of the single largest ways to achieve a just, green, and thriving Philadelphia region.

In 2017, transportation sector carbon emissions eclipsed the power sector as the largest contributor to carbon emissions in the U.S.⁷⁶ Additionally, lack of access to and unaffordability of transportation are significant barriers to equitable opportunity for employment and full participation in the economy.⁷⁷ Access to affordable and reliable public transit systems; safe crosswalks, sidewalks, and bike lanes; and well-managed roads are all crucial for workers to make it to their jobs, for businesses to succeed in a community, and for residents to engage in the local economy overall.⁷⁸ Both employers and community residents benefit from strong and safe transportation networks.



Transportation is also a regional issue with networks spanning multiple counties and states; therefore, regional planning and cooperation is vital to making the system efficient and effective.⁷⁹ Ensuring adequate funding at the federal, state, and local level for roads, bridges, rails, subways, and bike and pedestrian areas is crucial. A strong, regional, multi-modal transportation network will build a strong, local economy that provides goods and services for those in the region and outside of it.⁸⁰



GREEN:

Investments in climate change mitigation and adaptation support business growth and community resiliency

Climate change presents the biggest threat to our region's future.

Climate change is a global disaster with local repercussions. Rising seas and temperatures could knock as much as 10 percent off of the U.S. GDP by the end of the century,⁸¹ and studies estimate climate change will cost more than \$1.75 trillion in 2019 alone.⁸² A recent study by the Climate Disclosure Project (CDP) interviewed over 200 of the world's largest companies and determined climate change is likely to impact their business in the next five years with a total cost of \$1 trillion.⁸³

Data has shown Philadelphia's average temperature has increased by 2 degrees Fahrenheit over the last 30 years.⁸⁴ The Union of Concerned Scientists projected over the next several decades, the Commonwealth will warm by 2.5 degrees and experience substantially more 90+ degree days. Overall, precipitation in Pennsylvania is projected to increase by 5 percent over historical averages.⁸⁵ Without curbing emissions now, winter temperatures are projected to rise 8 degrees and summer temperatures by 11 degrees by the latter half of the century.

Heat predictions for the Southern half of the state are more dire: citizens will experience over 70 days per year with temperatures above 90 degrees.⁸⁶

These changes will have harsh impacts on our natural and built environments, such as localized flooding, poor air quality, and damage to buildings and infrastructure. This will affect everyone in the region, but it will disproportionately affect low-income communities and communities of color.

Aggressively reducing carbon emissions, transitioning to renewable energy and efficient energy systems, building nature back into our environment, and shifting our economy and communities toward environmentally regenerative practices is the only way our region will survive.

AVERAGE PENNSYLVANIA CLIMATE PREDICTIONS

+5%



Rainfall

+8°



Winters

+11°



Summers

ISSUES



Climate resiliency in planning

In order to prepare for the impacts of climate change, we must approach regional and local planning through the lens of mitigation and adaptation.

Philadelphia's geography puts the City at a particular risk for sea level rise and storm surges, negatively impacting critical infrastructure in low lying areas. The Delaware Valley Regional Planning Commission and the Philadelphia City Planning Commission have incorporated environmental impacts into their most recent plans, as have some of the outlying counties.^{87, 88, 89}

While this is a good start, there is a need to think much bigger about the role climate change will have on our region and begin to take this into account when making decisions around planning and development. Planners are in a unique position to do so as they can address the issue of climate change through both mitigation and adaptation. The American Planning Association has identified five "strategic points of intervention" for state and local governments to pursue in regards to climate and energy issues: 1) Long-range community visioning and goal setting; 2) Plan making; 3) Standards, policies, and incentives; 4) Development work; and 5) Public investment.⁹⁰ Planners should rely on the resources provided by organizations, like the American Planning Association, to include the best possible information about climate change into their work; as well as to find the best ways to communicate more broadly with the public, decision makers, and developers around the importance of climate change mitigation and adaptation.



Climate resiliency in development

Both public and private development plans must be highly informed by data, with Philadelphia leading the way on sustainable practices.

For decades, we have been changing and adding to our built environment with little consideration for natural habitats, air and water pollution, waste, sea level rise, energy usage, and numerous other environmental challenges. Additionally, we have seen a shift away from the use of public planning towards investments by private development companies.⁹¹ Environmental needs in development are typically only considered when regulation or community organizations require the developer to consider their impacts. The region has taken some strong first steps in the last few years to strengthen environmental regulations as both Pennsylvania and Philadelphia recently updated their construction codes, leading to new energy conservation standards.⁹² Philadelphia also requires any new or re-development that disturbs 15,000 square feet or more of earth to include stormwater management practices in the project.⁹³ However, as the Philadelphia region has developed over the last decade, we have missed significant opportunities to lead the way on sustainable practices. We should take these learnings and improve the way we develop in the future through new financing programs for renewable energy and energy efficiency; energy audits for large buildings; energy disclosures in home sales; requiring and/or incentivizing more green stormwater management projects; and investing heavily in putting nature back into our city and region to reduce pollution, mitigate heat islands, and improve water quality. These investments are crucial not only for mitigating climate change and creating equitable and resilient communities, but they also provide significant opportunities for local business creation and growth, workforce development, and family-sustaining jobs.



Energy market transition

As the climate catastrophe becomes even clearer, we must reduce carbon pollution, improve energy efficiency, and transition to 100 percent renewable energy as quickly as possible. The only way to truly get to net zero carbon emissions is to invest heavily in energy efficiency and electrification, while keeping in mind that electric technology is only as clean as the energy provided to the grid powering it.⁹⁴

Taking a holistic view of our energy system, it is clear the path forward includes electrification, energy efficiency, and renewables. Research by the National Renewable Energy Laboratory found electrification increases demand for electricity, and in a high use scenario, increases electric's share of energy consumption to 41 percent by 2050. However, the efficiency provided by these new electric technologies would lead to "an overall high use energy reduction of 21 percent."⁹⁵ Cleaning up our energy grid, investing in resilient microgrids, and shifting to electric end use technologies, like heat pumps and electric vehicles, is necessary, and will provide businesses and entrepreneurs new opportunities for innovation, job creation, and energy savings.

Transitioning to renewables, like solar and wind, can take many paths, but ensuring a sustainable, safe, clean form of energy for the long term is key. As one of the main drivers for action on climate, the business community is leading the charge to innovate the energy space and create more demand for renewables.⁹⁶ In order to shift our energy market to renewables, we need a mix of policy changes that both incentivize renewable energy usage and curb emissions. All communities should have access to clean, affordable, safe energy, and regional and state decision makers should work with the private sector to hear its needs and design smart public-private partnerships to help with an economy-wide change.



Nature-based stormwater management

Stormwater runoff — both urban and agricultural — is one of the biggest threats to our water quality.⁹⁷

Pennsylvania's Department of Environmental Protection is significantly understaffed and underfunded, leading to an inability to deal with the state's water quality requirements related to agricultural runoff.⁹⁸ Philadelphia and many of the surrounding municipalities are under strict agreements to reduce stormwater runoff through Consent Order and Agreements for Combined Sewer Overflows (CSO) and/or Municipal Separate Storm Sewer System (MS4) permits. While stormwater presents significant problems for communities across the region, best management practices that use nature-based solutions provide the opportunity to improve water quality and comply with state and federal regulation while creating opportunities for local business, reducing air pollution, mitigating urban heat islands, reducing crime, improving access to outdoor recreation, and investing in equitable community development.

SBN's research shows green stormwater infrastructure (GSI) is an inspiring example of the triple bottom line in action. In 2018 alone, GSI businesses in Philadelphia generated \$89 million in economic impact and supported 1,160 jobs; additionally, new and improved public open space from GSI projects supported healthier communities leading to \$50 million in avoided healthcare-related costs, \$327 million in avoided crime-related costs, and significantly cooler communities by mitigating urban heat island impacts.^{99, 100}





Philadelphia has been a leader in GSI since the implementation of *Green City, Clean Waters* in 2011. By learning from Philadelphia's program, other municipalities in the region have begun using GSI to manage their stormwater. The Wissahickon Clean Water Partnership, a coalition of municipalities in the Wissahickon Watershed, is a great example of how to approach comprehensive watershed planning in the region.¹⁰¹ Camden SMART is another example of a comprehensive network of green infrastructure programs within the Delaware River Watershed. The Initiative brings together governments, non-profits, residents, and the private sector to restore and revitalize neighborhoods through green infrastructure projects.¹⁰² Continuing to prioritize investment in green infrastructure and taking a regional approach to stormwater management presents a strong path forward to meeting our water quality goals and building a more resilient region in the face of climate change impacts.



Waste

The single biggest environmental issue facing our planet, next to climate change, is waste.



News stories highlighting the immense amounts of waste generated by single-use plastics, fast fashion, construction demolition, food production, and other facets of day-to-day modern life have shed light on the way our culture of consumption has impacted our environment. It cannot be overstated: finding solutions for waste beyond trash cans and recycling bins, while also making those systems significantly more efficient and effective, is imperative. It will improve our environment, create opportunities for a strong local economy, and support healthier communities.

The lowest hanging fruit in waste reduction is single-use materials, such as Styrofoam and plastics. Some Americans have shifted away from single-use bags, bottles, straws, and dining ware to regularly use and carry reusable options. However, we have a long way to go before we eliminate single-use materials. For example, a recent study by the University of Pennsylvania found that 43 percent of Philadelphians drink bottled water at home.¹⁰³ Municipalities across the region have started implementing policies that ban the use of single-use bags, and businesses have recently started changing cups to eliminate the use of plastic straws; however, our economy still relies heavily on these single-use products. Behavioral change is key to reducing the manufacturing and consumption of these materials, but we also need to ensure they are properly reused and recycled. This means changes not only in consumption, but also changes to almost every product we use.¹⁰⁴



Another significant problem is food waste. The U.N. Food and Agriculture Organization found 30 percent of food is wasted globally across the supply chain, equaling 8 percent of global greenhouse gas emissions.¹⁰⁵ In the U.S. specifically, up to 40 percent of food is never eaten; yet, 1 in 8 Americans are food insecure, making eliminating food waste both an equity and environmental issue.¹⁰⁶ While individuals are to learning to divert waste at home, local governments are particularly well positioned to help reduce food waste. States, municipalities, and counties can help address the issue by investing in composting programs, creating tools to identify waste, and developing incentives to encourage donations and reuse.¹⁰⁷



A strong recycling programs is an incredibly important piece in reducing the waste stream, but Philadelphia, and the country overall, have struggled with finding cost effective ways to deal with recyclables.^{108, 109} In order to address our significant problems with waste, a heavy focus on reducing inputs as well as redirecting and reusing outputs is key, and presents an opportunity for a strong local economic system that sustainably uses waste materials to create new products and focuses on developing a strong network of local businesses thinking about waste in a new way.



Food systems

Our food system is on track to be drastically disrupted by climate change. A UN report found the world's land and water resources are severely threatened.¹¹⁰ The chance of major food shortages around the world could lead to an increase in the current flow of immigration that is already impacting politics in North America and Europe, as well as higher food costs overall.

In addition to the environmental and health challenges created by a threatened food system, the U.S. economy will also be significantly impacted by these changes. Food service and other agriculture-related industries contribute over \$1 trillion to U.S. Gross Domestic Product.¹¹¹ While these industries are currently threatened by climate change, they continue to have an outsized impact on global greenhouse gas emissions. For example, ClimateWatch found in 2014, the world's agriculture sector represented 11 percent of greenhouse gas emissions worldwide.¹¹²

The vastness of the food-service and agriculture industries means changes to the global food system have the potential to reshape our entire global political system. The immensity of this threat means we must quickly and efficiently transition our agricultural and food-service industries to clean energy, sustainable land and water practices, better animal welfare conditions, more local and seasonal offerings, and improved employment conditions throughout the sector. There is significant opportunity for innovation in this space with new technology, growing methods, and large-scale industrial practice shifts. Governments must directly engage businesses to incentivize and invest in new, sustainable practices and support the transition to cleaner and more environmentally friendly industry-wide changes.

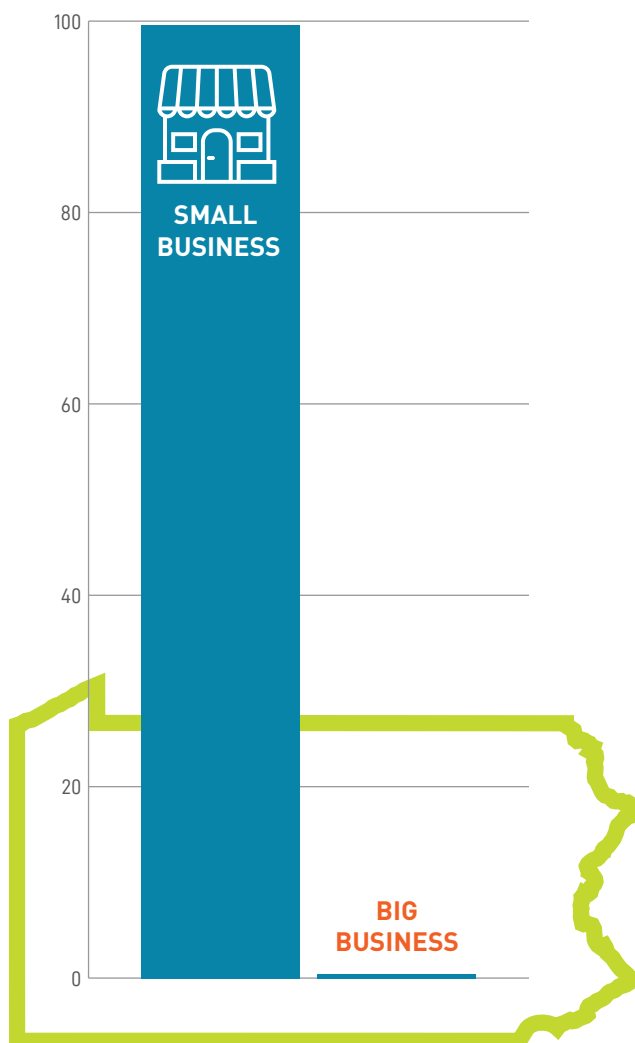




THRIVING:

Local, independent businesses
are the backbone of our economy

We must work toward an economy where local, independent businesses can start, grow, and thrive.



In 2018, 99.6 percent of businesses in Pennsylvania were small businesses, and 46.7 percent of workers were employed by a small business.¹¹³ While this impact is significant, with more support, small businesses could employ significantly more workers.

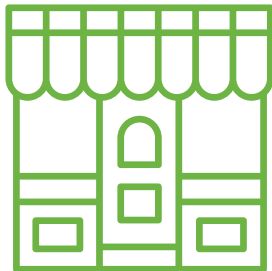
Out of the five counties that make up the Philadelphia region in Pennsylvania, only Bucks County has a small business employment rate of over 50 percent.¹¹⁴ In Philadelphia in 2017, 26.3 percent of private sector employees worked for a small business.¹¹⁵

Local, independent businesses have wide reaching positive impacts on their communities. Research consistently shows thriving independent business communities are linked to higher incomes, less economic inequality, higher rates of entrepreneurship, more tax revenues, stronger community cohesion and wellbeing, and improved environmental sustainability.¹¹⁶ A report by the Institute for Local Self-Reliance found small businesses deliver better value in many sectors, and entrepreneurship is essential to broad prosperity and a strong middle class. Dispersed economic power also supports a strong democracy.¹¹⁷ These benefits are crucial to creating a socially just, climate resilient, and economically thriving Philadelphia region.

Similar to many other American metropolitan regions, the Philadelphia region has been experiencing significant growth and development; however, while many of our neighborhoods are thriving, many others continue to struggle.¹¹⁸ Investing in local, independent businesses across the City and region will distribute economic opportunity more equitably and help all communities grow.

One of the strongest economic impacts of local, independent businesses is their multiplier effect. While every purchase has an impact in the local economy, buying from independent businesses circulates 3 times more money in the local economy: The American Independent Business Alliance found on average, 48 percent of each purchase at an independent retailer was returned to the local economy compared to 14 percent for a chain retailer.¹¹⁹

Despite the significant value local, independent businesses provide to the economy and communities, they are being driven out of many sectors of the economy, including manufacturing, construction, and retail.¹²⁰ Over the last few decades, our national economy has shifted significantly: large multinational conglomerates and chain retailers make up more of our economy; the Great Recession (December 2007 – June 2009) decimated the savings of many Americans and wiped out huge numbers of local businesses. Income inequality has grown as wages for workers have stagnated and CEO pay and the stock market have reached new highs.¹²¹ Changing antitrust laws and other deliberate policy changes, like tax incentives for economic development and relocation, led large corporations to grow as a share of our national economy.¹²²



By shifting power back to local, independent business, we can address the pressing issues of income inequality, climate change, the racial wealth gap, and the urban/rural divide. By fully supporting these businesses to start, grow, and thrive, policy makers will demonstrate their commitment to people, planet, and prosperity for all.

ISSUES



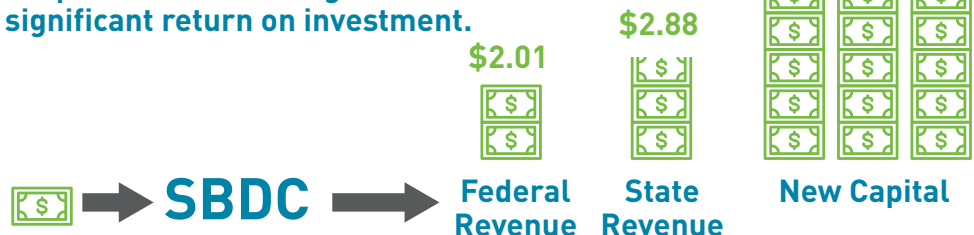
Business development

Owning a business gives people the opportunity for financial independence, creates more employment opportunities, and supports economic innovation.

Local, independent businesses are an engine for economic growth and have a significant local economic multiplier effect. Prioritizing and incentivizing more local, independent businesses by government, community organizations, and business districts is crucial for ensuring the long-term sustainability of community-based economic corridors and local economies. Small Business Development Centers (SBDCs) provide current and future business owners with free training, in-person consulting, and help with technology. SBDC clients have created 93,471 jobs and \$7 billion in new sales.¹²³ These investments in business development have significantly higher returns on investment than development incentive tax credit programs used to attract or reward large corporations. For example, every federal dollar invested in SBDCs generated \$2.01 in federal revenue, \$2.88 in state revenue, and \$47.98 in new capital whereas multiple studies have found many business attraction incentive programs to be wasteful and ineffective.^{124, 125} CDFI Funds are also a significant engine of economic growth for local businesses. The CDFI Fund has awarded over \$2 billion to CDFIs since it was created, and in 2017 alone, CDFI program awardees financed more than 14,700 business and microenterprise loans.¹²⁶

While specific business development programs are crucial, they should be tied into a larger effort at providing significantly better services to the economic engine that is local business ownership. This includes more access to capital, improved customer service from government agencies and certifying bodies, and fewer barriers to starting, operating, and growing a business. Businesses of all sizes and at all stages need support, but many resources tend to focus on start-ups. Prioritizing established businesses will also create more jobs and drive economic opportunity. Significantly more investment is needed in targeted business development programs with strong coordination and collaboration to ensure organizations are operating efficiently and businesses are getting the most effective support.¹²⁷

Federal dollars invested in Small Business Development Corporations (SBDCs) generate significant return on investment.





Equitable access to capital

One of the biggest challenges for local, independent business owners is access to capital.



While the total number of business loans grew at an annual rate of 4.7 percent from 2016 to 2017, large businesses were the drivers of that growth: large business loans grew by 5.7 percent while small business loans grew by less than 1 percent.¹²⁸ According to the Small Business Credit Survey, 43 percent of employer firms looked for external funds in 2018 with over half (53 percent) receiving less funding than they sought.¹²⁹ A study by Small Business Majority found 22 percent of business owners were concerned about access to capital.¹³⁰

Capital access is especially challenging for women and people of color.¹³¹ Research has shown women and business owners of color have higher denial rates even when controlling for other factors like business credit score, personal wealth, and revenues.¹³² When they do receive loans, women and business owners of color are still at a disadvantage as they often receive smaller loans with higher borrowing costs.^{133,134} Solutions exist that make it easier for lenders to invest in small businesses and for businesses to access non-traditional capital. These include programs, like CDFIs or "patient capital," and policy reform, like changing credit requirements for a loan. Philadelphia has a network of resources for business owners seeking capital, but more needs to be done by state and local policy makers to continue to support these lending organizations and provide more opportunities. Research has demonstrated a diverse network of local, independent businesses creates more broadly distributed economic opportunities. Creating an abundant network of capital opportunities for current and future business owners is a requirement for growing rates of business ownership and success within all communities.

Fair and accessible tax structures

Businesses of different types and sizes pay a variety of different federal, state, and local taxes. Large, national corporations have a significant advantage over local businesses when it comes to negotiating large economic development tax credits and incentives, as well as structuring their companies in ways that avoid significant tax payments.

Studies consistently show many of these specific tax incentives don't have the intended economic development impacts. For example, a study from 2017 compiled data on economic development incentives, including job creation tax credits, property tax abatements, investment tax credits, research and development tax credits, and customized job training credits, and compared their impacts to those of property taxes, sales taxes, and income taxes across 47 cities. The study found these incentives are expensive, ineffective, and often wasteful as many of these incentives are poorly targeted, give out too much money too early instead of tying them to performance or deliverables, and have little connection to the economic success of the business.¹³⁵ Another study found almost no association between these types of economic development incentives and economic performance as measured by wages, incomes, and employment.¹³⁶

Large corporations also have more resources to navigate compliance with tax laws and take advantage of incentives that are generally available to all businesses but require a lot of time and resources to access. The National Federation of Independent Businesses (NFIB) found tax compliance costs are 67 percent higher for small businesses, and 89 percent of small business owners relied on outside tax preparers as they lack internal or personal tax expertise.¹³⁷



Local businesses are also more likely to be pass-through entities, meaning the business income is reported on the owner's personal taxes. This creates more of a burden for local business owners as individual tax rates are higher than corporate rates, and research has shown businesses are more sensitive to personal tax rate increases. For example, a study found a 5 percent increase in the individual tax rate leads to a 10 percent reduction in the number of business owners making capital investments, meaning changes in personal tax rates have a significant impact on business decision making.¹³⁸ Creating a more streamlined structure that removes the burden from local, independent businesses and reforms business attraction economic development incentives to tie them to performance or effectiveness would help put local businesses on a more even playing field with large corporations and support more local, independent businesses to create jobs and invest in their communities.¹³⁹



Services for local, independent businesses

Starting, maintaining, and growing an independent business is very challenging, especially for owners who lack the time, resources, and/or connections to know how to move through these processes.¹⁴⁰ Pennsylvania has one of the lowest rates of new entrepreneurs as a percentage of the population; however, it has one of the highest rates of start-up survival after one year.¹⁴¹

Many business owners benefit significantly from assistance in planning, training, and development and rely on a network of non-profits, trade associations, and government programs to learn essential skills for running their business. For example, there are many organizations to support businesses in the region, including Small Business Development Centers; SCORE, a national organization of retired executives that provides education and resources; the Urban League of Philadelphia; City and County Commerce Departments; SBN; multiple regional Chambers of Commerce; PIDC; the Welcoming Center, and many others. These resources are especially important to business owners in historically marginalized communities who often lack the opportunity to get traditional business education or community support systems for starting or growing a business. As part of the City of Philadelphia's "Growing with Equity" strategy, the City is planning to focus on expanding entrepreneurial support for people of color, women, and immigrants by conducting a small business needs assessment, implementing the StartupPHL grant program, and continuing to fund Project NorthStar.¹⁴²



The region is also home to various incubators and office spaces available to small companies, such as the Philadelphia Fashion Incubator, NextFab, and Center City's 1776. Pennsylvania also runs the Next Generation Industry Partnership Grants and the City of Philadelphia is planning to invest more heavily in the location-based cluster model to support future industry growth and business startups.^{143, 144}

It's clear the region has a significant network of resources for business owners; however, many of them are targeted toward entrepreneurs and start-ups. In order to ensure Philadelphia remains in the highest level of start-ups that make it past the first year and that business growth is long-term, sustainable, and inclusive, there must be more resources for businesses after the start-up phase, and municipalities and the state need to continue improving the processes for permitting, licensing, paying taxes, and all other relevant business regulations and services.

Making it as easy as possible for local, independent businesses to start, grow, and thrive must be a priority for policy makers at all levels in order to support continued economic growth and job opportunities, especially among the fastest-growing groups of job creators: women, people of color, and immigrants.¹⁴⁵



Support for business owners from historically marginalized communities

Businesses owned by women, immigrants, and people of color all have a significant impact on the U.S. economy, and business ownership is one of the strongest paths to building wealth.

The National Minority Supplier Development Council researched the effects of certified minority owned businesses (MBEs) on the U.S. economy and found MBEs produce over \$400 billion in annual revenue, actively employ more than 2 million people, and contribute close to \$49 billion in tax revenues.¹⁴⁶ A report by the Center for Global Policy Solutions found businesses owned by people of color played a significant role in improving the American economy after the Great Recession. However, because of systemic discrimination toward people of color that has led to a significant racial wealth gap and lack of opportunity, the U.S. economy missed out on an estimated 1.1 million businesses owned by people of color that would have created 9 million jobs and \$300 billion in national income.¹⁴⁷

CERTIFIED MINORITY OWNED BUSINESSES (MBEs):

PRODUCE OVER	EMPLOY OVER	CONTRIBUTE
\$400	2	\$49
billion	million	billion
ANNUAL REVENUE	PEOPLE	IN TAX REVENUE

In 2012, only 29.3 percent of U.S. firms were owned by people of color;¹⁴⁸ yet, according to data from the 2012 American Community Survey, people of color constituted roughly 40 percent of the U.S. population that year.¹⁴⁹ In Pennsylvania, where people of color make up roughly 24 percent of the population and women account for 51 percent of the population, Paychex found an average of only 1.6 businesses per 100,000 residents were owned by people of color, an average of 3.9 businesses were owned by women, and only 0.4 businesses per 100,000 residents were owned by women of color.^{150, 151}

In Philadelphia, the most recent data shows 65 percent of the population identifies as a person of color, 14 percent of residents are foreign-born, and 23 percent of people speak a language other than English at home. However, business ownership rates in the city continue to be dominated by Whites.¹⁵² Recent studies have shown varying rates of Black-owned businesses in the city, but most importantly, all the studies show a significant discrepancy between demographics and business ownership.¹⁵³

To achieve significant growth in businesses owned by people of color, women, and/or immigrants, targeted programs that support historically marginalized entrepreneurs are vital. These programs should include business development organizations offering specific programming for business owners from historically marginalized communities, designating businesses as cultural or historical landmarks, and tax credits to promote capital investments in businesses located in underinvested communities.^{154, 155}



Procurement

Supply chains have a huge ripple effect on the community, the workers, and the environment.



The power of supply chains creates an immense responsibility to be intentional with purchasing and use organizational spending to promote environmental sustainability, social equity, local economic growth, and supplier diversity.¹⁵⁶ A 2014 report from the Philadelphia Office of the Controller found “every \$1 million spent by anchor institutions with local vendors actually represents \$1.5 million in expenditures within Philadelphia and supports 10 additional local jobs.”¹⁵⁷ This clear example of the local multiplier effect demonstrates how impactful anchor institution contracts are for local, independent businesses and the communities they support.

Recognizing the immense impact supply chains have on local communities, initiatives that promote values-based procurement practices and support for diverse, local, independent suppliers should be prioritized. Values-based procurement allows purchasers to look beyond lowest cost and evaluate the overall value or impact of each purchase. By taking a values-based approach to purchasing and contracting, all consumers can play an active role in advancing a thriving, sustainable, and inclusive local economy. Many barriers remain to a full shift to a values-based procurement model. It is critical that these barriers are removed so that one of the strongest tools - purchasing power - can be fully leveraged in addressing social, environmental, and economic challenges.^{158, 159}

“EVERY \$1 MILLION SPENT BY ANCHOR INSTITUTIONS WITH LOCAL VENDORS ACTUALLY REPRESENTS \$1.5 MILLION IN EXPENDITURES WITHIN PHILADELPHIA AND SUPPORTS 10 ADDITIONAL LOCAL JOBS.”

—Philadelphia Office of the Controller

Incentives for values-driven businesses

Businesses that do well by doing good should be rewarded.

Companies that practice the triple bottom line (i.e. providing comprehensive benefits to employees, reducing negative environmental impacts, shifting to values-based procurement, intentionally creating opportunities for people who face employment barriers, etc.) are supporting the local economy, mitigating climate change impacts, and reducing the number of people who struggle to make ends meet.¹⁶⁰ When businesses do more to contribute to social equity and climate resiliency, it reduces the burden on taxpayers and governments. Incentivizing companies to practice the triple bottom line through tax credits, procurement preferences, and other economic incentives will help level the playing field for companies already doing the right thing and encourage more businesses to start implementing the triple-bottom-line.

Commercial rent protections

Rising commercial rents are a significant problem in cities across the country.

As rents increase, local businesses are being forced to close because they can't afford to move or can't negotiate new leases in time. The Institute for Local Self-Reliance found five reasons behind the rise in commercial rents in US cities:

- 1) High commercial real estate prices;
- 2) Increasing popularity of cities;
- 3) Growth pressures of national chains;
- 4) Fewer small spaces; and
- 5) Preference for national chains in real estate financing.¹⁶¹

In order to ensure a vibrant local economy with a proliferation of independent businesses in all economic hubs, cities need to implement protections for local, independent businesses that ensure they can maintain affordable rents; negotiate with landlords; and are given equitable access to space in new developments.





CONCLUSION

A socially just, climate resilient, and thriving local economy requires immediate action on these issues.

SBN has a long history of pushing the envelope of environmental responsibility, equitable opportunity, and economic prosperity for all. We are proud to continue our legacy, in collaboration with our network of triple bottom line business members as well as our partners and allies, and lead the way toward a truly vibrant region.

With this paper, we seek to educate readers on our vision for that mission, outline the issues that are of most importance to our region, and boldly drive toward a future with a vibrant local economy built on environmental regeneration and diverse, equitable, and inclusive communities. The Philadelphia region has the ability and the opportunity to use proven and innovative solutions to address these immense challenges and be stronger as a result.

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