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FROM THE EDITOR



City tax abatement: The facts matter

[Craig Ey](#) Editor-in-Chief-*Philadelphia Business Journal*

Government in big city America is fascinating to watch because it has little in common with government and politics at just about any other level.

If you'll allow me to generalize, people who live in urban America — from the young and hip to the working poor — are more politically liberal than anywhere else. As a result, you get a larger share of “progressive” policies, some of which are quite sane and ahead of their time (see Councilman [Jim Kenney](#)'s recent effort to lift the mandatory arrest requirement for marijuana possession) and some of which are just plain foolish (see the ‘sick pay’ requirement on businesses that occasionally raises its ugly head.)

Philadelphia did something very smart and progressive in the late 1990s when it enacted a 10-year tax abatement program, first to encourage residential renovation and, then, to encourage new development. The abatement was a key part of Center City's renaissance. There's nothing like giving a 10-year break on property taxes to help overcome the stigma of being a tax hell.

The [New York Times](#) even declared the abatement a raging success in a 2006 article. But there are forces that are trying to get rid of it; they claim it cheats Philadelphia and, especially, the fiscally challenged city school system out of revenue. A popular claim is that it props up millionaire developers at the expense of children.

But does it? One of those developers, Westrum Development CEO [John Westrum](#), wanted to find out, so he turned to [Kevin Gillen](#), an economist affiliated with the [University of Pennsylvania's](#) Fels Institute of Government for a study on whether or not the tax abatement is fiscally good for the city long term or not. Evidently and unbelievably, this is the first study of its kind.

The study took an in-depth look at Westrum's Brewerytown Square development. It found that for every \$1 that was abated through the program, Philadelphia took in \$2 in tax revenue from other sources directly related to the project. It also found that 47 percent of its new owners came from outside the city — a key point, because the city is getting absolutely new revenue from these folks. The abatement would be much less effective if people were just moving from one end of the city to another.

Westrum, of course, has a vested interest. He told us that Brewerytown Square would have been too risky without the abatement. But if you're skeptical of the results of the study, consider that Gillen's reputation as an economist is on the line and all of the data he used are in the report and available for review.

Here's the bottom line: Let's consider the facts before we throw out a program that's become a successful model for other jurisdictions. Let's not base our decisions on emotion. Otherwise, we may end up putting a damper on our hard-won momentum.