

Helping Hands

Tax Credits Offer Law Firms and Companies Incentive to Support Revitalization Efforts

In 1967, the Pennsylvania Legislature passed the Neighborhood Assistance Program (NAP), which created an innovative program — the first of its kind in the country — to encourage businesses to provide capital to improve distressed neighborhoods. The program enabled businesses to become eligible for credits toward state corporate taxes for their contributions to community-based nonprofit corporations involved in programs approved by the Department of Community and Economic Development (DCED). Success was not long in coming as thousands of businesses participated and millions of dollars were distributed to community-based organizations. Many of the businesses were banks, which used the program to help them meet their obligations to contribute to community development within their service areas.

“If we can help create jobs, support financial literacy programs, help transform struggling neighborhoods into safe communities, provide access to banking services and encourage homeownership, then the entire region benefits,” said William Mills, president of PNC Bank. “It’s responsible, smart investing, and hopefully additional corporations in Philadelphia and throughout the state will recognize the value and get involved.”

The program has served as a model for other states as it has demonstrated that, given the right state tax credit incentives, businesses will invest in programs designed to improve disinvested neighborhoods. By the late 1990s, similar programs in more than ten states have collectively generated more than \$63 million in private sector contributions to nonprofit organizations.

Originally, this incentive program was



modeled after the efforts of Northwest Philadelphia’s Tasty Baking Company, which was concerned about deterioration in the neighborhood around its headquarters. Since relocation was deemed too expensive, the company founded a community development organization — the Allegheny West Foundation — to help itself as well as area businesses and the community, and contributed funds toward its operating expenses. The Neighborhood Assistance Program, in turn, underwrote the company’s investment in the foundation. Thanks partly to NAP, Tasty Baking was able to make a long-term commitment to its neighbors and community, and benefit its operations and the value of its real estate at the same time.

When the NAP credit was established, there were few, if any, competing investment credit opportunities for businesses seeking to invest in and support neighborhood revitalization efforts. In the 1970s and 1980s, the program attracted significant investment in many community development efforts throughout Pennsylvania. Between 1993 and 2003, the Comprehensive Services Program was formed under the NAP by a cooperative effort of business, government and community leaders who applied for the state’s NAP tax credits. This program increased the credit from fifty to seventy percent of the total invested. Due to the involvement of many corporations, including many banks, based in the Philadelphia region, the program became known as the “Philadelphia Plan.” Today, the program is called the Neighborhood Partnership Program.

In recent years, due to competing investment credit opportunities for businesses, the appeal of the program has waned. In some years, more than fifty percent of available credits allocated by the Legislature went unused. This may soon change.

At the end of June 2006, state Representatives John Taylor and Thomas Petrone introduced House Bill No. 2799 to revamp the NAP by increasing the value of credits from seventy to eighty percent for certain five-year investments — or as much as ninety percent for investments longer than five years — and increasing to \$2 million the cap on the amount of credits that can be granted. Increasing the cap will allow corporations with statewide footprints to better address the needs in their markets. Another proposed change is to allow for the sale or assignment of credits so that businesses unable to use all of their credits can pass them on to others that qualify under DCED’s guidelines.

Bill 2799 passed the state House unanimously; before the legislative session ended, it was in the state Senate Finance Committee, chaired by Senator Jane Earl. It is anticipated that the bill will be reintroduced in early 2007 with language acceptable to both chambers. It would make possible a

tax credit of as much as ninety percent of the total amount invested, depending on the commitment's duration. "This will make the NAP a viable and attractive investment for those socially minded companies that have an active interest in the betterment of the communities within their footprints," said Mark Schwartz, executive director of Regional Housing Legal Services (RHLS), a nonprofit organization providing represen-

tation and technical assistance to community-based organizations throughout the state. RHLS consistently pushed to revive the financial viability and competitiveness of the NAP tax credit by providing information and education to interested parties and suggesting statutory changes to the program.

RHLS met with many people involved in the NAP tax credit — in the administration,

nonprofit and banking worlds — to seek common ground on revising the program. Dan Reisteter, vice president of government relations for the Pennsylvania Bankers Association, played a key role in giving the program new life. "This program has been fully endorsed by the Pennsylvania Bankers Association and is consistent with PBA's effort to engage its membership in community development activities," he said.

NAP PROGRAM AT WORK IN PHILADELPHIA NEIGHBORHOODS

In 2005-06, Regional Housing Legal Services (RHLS) partnered with PNC Bank to help improve several of Philadelphia's neediest neighborhoods. PNC's \$100,000 contribution to RHLS helped the agency carry out activities that furthered PNC Community Development Banking's extensive commitments to the communities where its employees and customers live and work, while the Neighborhood Assistance Program (NAP) enabled PNC to obtain a \$50,000 tax credit for its contribution.

"NAP is a win-win for both RHLS and PNC by furthering both RHLS' mission and PNC Community Development's commitment to revitalizing communities throughout Pennsylvania," said Carol Clark Lawrence, senior vice president at PNC.

Funding provided by PNC Bank to RHLS enabled the organization to provide technical assistance and legal representation to the People's Emergency Center (PEC), Project H.O.M.E. and the Allegheny West Foundation (AWF).

PNC obtained fifty percent tax credits in support of RHLS' work. The proposed changes to the NAP should enable corporate partners of RHLS and other legal services providers that support neighborhood revitalization efforts to qualify for increased levels of tax credits.

RHLS provided assistance to PEC on a number of projects including Cloisters III, a 50-unit affordable rental housing project being developed in partnership between PEC's Community Development Corporation and Pennrose Properties located in and around 38th and Spring Garden streets in Philadelphia.

This significant revitalization project provides much-needed affordable housing units in a strategic location with availability of programs and services to help special-needs tenants and is an integral part of the recently completed plan for

West Powelton/Saunders Park. Most important, Cloisters III stabilizes the area in and around past Pennsylvania Housing Finance Agency investments.

Nearby Powelton Village, home to Drexel University — where historically significant twins now command sale prices of several hundred thousand dollars — will be further strengthened by the vacancies and blight eliminated by the Cloisters III development.

Another client of RHLS supported through the PNC partnership was Project H.O.M.E., whose redevelopment plan includes the rehabilitation of forty-five boarded and vacant homes and the development of eleven new affordable housing units in the St. Elizabeth's neighborhood of lower north central Philadelphia. Not far from that area is AWF's major commercial center on North 22nd Street, where much of that organization's economic development efforts are focused. RHLS helped AWF with a construction project to erect a two-story mixed-use facility: 3,500 square feet of commercial space for retail or other commercial use; and four apartments.

NAP has been a powerful catalyst for joining public and private forces together to stimulate local revitalization efforts. Funds for general operating costs of organizations like PEC, Project H.O.M.E. and AWF, as well as intermediary organizations like RHLS that provide crucial project support, have been an invaluable resource to Philadelphia and other urban and rural localities throughout the state.

With new and improved incentives for corporations like PNC with commitments to the communities in which they do business, there may be many more exciting opportunities for collaborative efforts that address important needs at the community level.

—Kristina Klugar



NAP TAX CREDITS A CRITICAL RESOURCE FOR PHILADELPHIA ARCHDIOCESE INVESTMENTS

The Neighborhood Assistance Program (NAP) is a critical resource in the efforts of the Archdiocese of Philadelphia's Office for Community Development to help revitalize neighborhoods in North Philadelphia. Beneficial Savings Bank is the corporate sponsor of both of the office's current NAP-related initiatives. The office typically cites the NAP for its effective solicitation of additional corporate partnerships. Accordingly, the program is a centerpiece of the office's ongoing dialogue with prospective partners.

In the St. Hugh/Fairhill neighborhood, NAP funding in the form of a fifty percent tax credit has allowed the Archdiocese to begin revitalizing seventeen abandoned properties for low- to moderate-income homeownership.

The \$340,000 in NAP funds also have allowed the Archdiocese to leverage additional funding and services for the initiative and related efforts from the city of Philadelphia, the United Way of Southeastern Pennsylvania, other nonprofit organizations and individual private donors.

In the nearby Kensington neighborhood, the

Archdiocese has used the NAP/Neighborhood Partnership Program's seventy percent tax credit to engage in a more comprehensive range of services to promote neighborhood economic development.

These activities include streetscape enhancements and promotions to support the local commercial corridor, as well as financial education and counseling for local residents.

The total NAP funding allocated to this project will be \$500,000 over a five-year period, although leveraged funding and services from a diverse range of partners increase the NAP's overall value and impact.

All of these activities would be compromised, if not nonexistent, were it not for NAP. Further, the program is creating hope, neighborhood pride and a greater sense of community in the neighborhoods where it is utilized.

— John Wagner

John Wagner is director of Homeless and Housing Services for the Archdiocese of Philadelphia.

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"We are hopeful that the NAP credit — a vehicle designed to attract investment to lower-income communities throughout Pennsylvania — will now become attractive to corporations again," Schwartz said. Because this type of credit can be used by businesses, including banks and law firms that are not structured as partnerships, "We hope to collaborate with corporate counsel to encourage their support for NAP contributions to community revitalization efforts," he said.

"This program is a unique private-public partnership bringing together corporations, nonprofits and the state government. Together, they provide multiple years of funding to sustain healthy neighborhood revitalization," said Bev Coleman, program director of NeighborhoodsNow, which contributes to the vitality of our city and region by strengthening Philadelphia neighborhoods.

The NAP's many successes in providing community and business benefits — and its expected increases next year — offer Philadelphia-area law firms and corporations additional incentive to support community revitalization projects in the city and throughout Pennsylvania. ■

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