

Legislation Details (With Text)

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Title: Authorizing the Council Committee on Commerce & Economic Development to hold hearings to investigate commercial office building market viability in Center City Philadelphia.

Sponsors: Councilmember Young, Councilmember Driscoll, Councilmember Bass, Councilmember O'Neill, Councilmember Harrity, Councilmember Thomas, Councilmember Phillips, Councilmember Ahmad, Councilmember Landau, Councilmember Squilla, Councilmember Gilmore Richardson, Councilmember Lozada, Councilmember O'Rourke, Councilmember Jones, Council President Johnson

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4/18/2024	0	CITY COUNCIL			
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Authorizing the Council Committee on Commerce & Economic Development to hold hearings to investigate commercial office building market viability in Center City Philadelphia.

WHEREAS, Center City is the commercial and economic hub of the City of Philadelphia and the Delaware Valley, containing over 42.7 million square feet of office space; and

WHEREAS, Since the COVID-19 pandemic, the increase in hybrid and remote work has caused companies to reduce their office footprints to accommodate shifting employee attitudes and trends towards in-person work; and

WHEREAS, These conditions have put immense pressure on Center City's office market, whose Class B and C office spaces that make up a larger share of the city's old office building stock than the continually popular Class A "trophy" office spaces, have faced spiking vacancies and reduced property valuations that threaten the stability of the city's finances and economy; and

WHEREAS, The office vacancy rate in the City of Philadelphia rose from 17.3% to 19.1% between 2021 and 2024 according to analysis by global real estate services firm Jones Lang LaSalle (JLL), which considers a healthy vacancy rate to be about 12%; and

WHEREAS, One South Broad, Centre Square, and the Wannamaker Building-boasting 42%, 47%, and 65% vacancy rates respectively according to *The Philadelphia Inquirer*-have faced inordinate leasing challenges, with Centre Square and the Wannamaker Building being put into receivership in 2023 after failing to pay back loans and foreclosing; and

WHEREAS, The assessed value of Philadelphia office buildings is expected to plummet by \$1 billion as

building owners appeal their property assessments downwards according to Finance Director Rob Dubow, forcing property owners to shoulder a greater burden to fund the city; and

WHEREAS, Tenants such as Radian in Centre Square have been subleasing their space to a hospital system following their relocation to the suburbs; and

WHEREAS, Office-to-residential conversion, an increasingly popular solution to growing office vacancies in commercial office markets across the country, remains an imprudent solution to Philadelphia's office vacancies woes due to the high costs of conversion, existing floor plans unsuitable for residency, and few remaining office buildings in Philadelphia for conversion; and

WHEREAS, In March 2024 Mayor Cherelle Parker announced the return of several dozen cabinet officials, commissioners and directors to the office with a gradual return for the rest of the municipal workforce to reverse declining Center City commercial activity; therefore be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That the Committee on Commerce and Economic Development is hereby authorized to hold hearings regarding the commercial office vacancy crisis in Center City Philadelphia