



## WEALTHBUILDING STRATEGIES

### SUMMARY

The decision for making inclusion and wealthbuilding key goals of the master planning process was made by DRWC's board of directors, working in close collaboration with the Office of the Mayor. Inclusion and wealthbuilding are reflective of the organization's desire to be an exemplary leader in this field within the Philadelphia region.

The Urban Affairs Coalition (UAC) was tasked with developing recommendations to incorporate inclusion and wealth building opportunities for businesses owned by minorities and women in the redevelopment activities proposed by the Master Plan.

In order to formulate the most promising wealthbuilding options for the Plan within the areas of equity investment, procurement and contracting, leasing, permanent hiring, and financial services, the UAC, in consultation with Econsult Corporation and Milligan and Company conducted more than 25 interviews with business development advocates, business associations, business owners, the capital community and elected officials. The research also included a review of policy and legislation created by federal, state, and local governments; programs, business tools, and services available from both the public and private sectors; and case studies for ten projects, including the Marriott-Philadelphia.

What follows is a summary of the case for inclusive participation in wealthbuilding activities as well as a description of specific opportunities for inclusive participation within this Master Plan. For a complete version of the wealthbuilding report, which includes a review of existing policies and programs and case studies, see the Appendix.

## **THE CASE FOR INCLUSIVE PARTICIPATION IN WEALTHBUILDING ACTIVITIES**

The overall focus of this engagement is on wealthbuilding as a project goal. Historically, advocates have observed, supported and promoted inclusion in contract, procurement, professional services and employment opportunities, though these activities do not always build wealth. It is important to advocate for economic opportunity, not only as an important end, but as a means for minorities and women to build wealth as an outcome when entrepreneurs are able to participate in an inclusive environment and grow their businesses; workers are able to freely participate in professional endeavors; and individual investors are able to capture profit from well-placed risk. The local economy is healthier when total engagement of all members, contributing and benefitting in various means throughout the entire economic cycle is possible. Inclusion through economic opportunity planning will facilitate the full participation of all members in the Delaware River waterfront community through investment, entrepreneurship and employment.

Structural and historic barriers make it necessary to require economic opportunity planning in contract, procurement, professional services, employment, and investment opportunities. Where well-intentioned policies and programs meet inspired leadership and political will, inclusive participation occurs and projects are successful. While DRWC is presently the project owner of a small portion of the planning area, its leadership through its economic opportunity practices, including its adherence to the following general principles of inclusion, will be an influential element in the overall redevelopment of the planning area.

### **The Role of Public Sector Influence, Legislation and Advocacy**

- Public sector influence can be a combination of “soft” authority – working collaboratively to create an environment in which inclusion is good for everyone - and “hard” authority – using regulatory power and related influence to enforce compliance with established policies and adherence to stated goals, particularly where the public sector is the owner or an investor.
- In efforts that require public input such as zoning, permitting or public investment, local and state representatives have an obligation to enforce legislation to ensure inclusive participation. Legislation requiring participation and enforcing it is important because without it, many majority firms might not take the time to consider new partnerships with M/W/DSBEs (Minority/Women/Disadvantaged Business Enterprises).
- Technical assistance and advocacy need to be comprehensive, following through every aspect of the business development process; and leadership similarly needs to be comprehensive, sustaining focus and momentum.

### **Coordinated Technical Assistance**

- Understand the overlaps and differences between different types of economic development and wealth-building opportunities, and keep track of the progress in each. Contracting opportunities (both for one-time engagements and ongoing ones), retailing opportunities, employment opportunities, and investment opportunities are all opportunities for wealthbuilding, but they need to be differentiated so that resources and strategies can be correctly deployed to them.
- Technical assistance must help M/W/DSBEs to be seamless in their business operations, so that there is no point of weakness. M/W/DSBE inclusion is not just about participation for the sake of spreading out economic opportunities, it is also about providing M/W/DSBEs with opportunities to compete, deliver, and grow.

- Technical assistance and advocacy also need to account for the challenging road faced by minorities and women seeking contracting, procurement and professional services opportunities. Minorities and women may face additional challenges, and may have fewer outlets for receiving both “soft” encouragement and “hard” critique to bounce back from those challenges and continue forward. Technical assistance providers must ensure that constructive feedback tools are integrated into programs.
- Technical assistance should focus on helping M/W/DSBEs grow to the point where they no longer need to derive their opportunities from their M/W/DSBE status. Otherwise, there is limited wealth creation because equity-- or wealth-- results when broadly transferable value is created.

### **Management Capacity**

- A firm’s ability to profitably deliver value-added services is paramount. Nevertheless, “capacity” cannot be an excuse for avoiding the inclusion of M/W/DSBEs. Capacity is an issue with any emerging business but appropriately matched opportunities yields growth for all stakeholders.
- Grow the pie, don’t just redistribute the slices. The fundamental premise has to be about adding value by ensuring a diversity of perspectives, skills, experiences, approaches, and networks. Evaluate measures based on whether they add value to everyone involved rather than merely trying to redistribute opportunity.

### **Ownership, Equity and Wealth Creation**

- Pursue inclusive participation with a focus on wealthbuilding. As noted above, equity in contract, employment, and investment opportunities is to be promoted as a gateway to building wealth. Growing firms to scale, and not trapping them within a permanent business underclass, increases revenue generation and job creation, and allows more positive exit outcomes, whether selling the venture they have grown or passing it on to the next generation.

### **Access to Capital**

- Financing is important. Debt and equity providers must be engaged to plan and promote coordinated investment in M/W/DSBEs. Equity positions held by minorities, women, and disabled persons also create a lever for influence in all aspects of a project, from the standpoint of M/W/DSBE inclusion, and employment opportunities.

### **The Role of Organized Labor in Employment**

- Philadelphia-based building trade unions have been protective of the distribution of employment opportunities so they are key participants in identifying equitable solutions for a diverse construction workforce. The Mayor's Advisory Commission on Construction Industry Diversity (MACCID) has made nine recommendations, which if implemented, would promote greater workforce equity.

### **Marketing, Public Relations and Reporting**

- Publicity matters to sustain momentum, acknowledge positive behavior, inform and demonstrate. Past successes can create positive momentum for future efforts. Ultimately, progress happens best when goals are set and performance is measured, without which there is no shared sense of what is to be accomplished and how projects are doing against those objectives. Tracking and publicizing those metrics is therefore an important, momentum-sustaining aspect of any good economic inclusion effort.

## **SPECIFIC OPPORTUNITIES FOR INCLUSION AND WEALTH BUILDING WITHIN THE DRWC MASTER PLAN ACTIVITIES**

The redevelopment of the Central Delaware waterfront presents a unique opportunity for advancing the efforts to increase participation and investment by groups that are traditionally not well represented in developments of this scale. The redevelopment projects of DRWC can be in the forefront of creating such a culture in the greater Philadelphia region by integrating the following recommendations in its plans to create a world-class waterfront.

During the projected 25-year timeline for the master plan, DRWC can function in four different roles in terms of implementation of inclusionary and wealth building activities.

### **I. DRWC as an Organization**

Throughout the life of the project, DRWC may be called upon to directly manage the design and construction of various public improvements, including open space projects such as the Race Street Pier; streetscape improvement projects such as the Race Street Connector; structural modifications and improvements to its core assets, such as the Great Plaza and the marina basin; and various other public works projects. These projects vary in scope and size. For the early stage anchor projects, illustrative costs are indicated.

DRWC will be guided by its organizational Economic Opportunity Plan (EOP), which is currently in development under a consultative contract to the Urban Affairs Coalition. The EOP will establish an aggressive set of inclusionary goals and practices for DRWC's development and operations activities, as well as a strong compliance monitoring and reporting system. DRWC will undertake a proactive marketing campaign to alert M/W/DSBEs to upcoming opportunities to do business with DRWC. DRWC will also incorporate into its practices the guidelines and resources set forth in the following programs and documents developed by the City of Philadelphia Office of Economic Opportunity (OEO), under the leadership of Mayor Michael Nutter:

- "Recommendations from the Mayor's Advisory Commission on Construction Industry Diversity", dated March 2009, which outlines key steps in creating economic opportunity in the construction industry
- "Inclusion Works: Economic Opportunity Strategic Plan", dated February 2010, which outlines how the City of Philadelphia proposes to create economic opportunity through a set of approaches
- "Building Businesses & Putting People to Work", a program which helps businesses network for key opportunities

Professional services needed for proposed projects will include architectural and landscape design, environmental engineering and consulting, construction management services, civil engineering and marine engineering, etc. Construction projects that DRWC shall undertake will require contractors, including but not limited to firms with expertise in landscaping, electrical, concrete, mechanical, lighting and general site work. In addition to these construction projects, DRWC will also engage the services of various professional services firms in the management of its routine activities, in addition to the purchase of a variety of supplies and equipment to maintain its assets, such as parks, trails and other real estate.

## **II. DRWC as Property Owner**

DRWC's most important, large scale and direct role in wealth building shall derive from the private development of land that DRWC currently owns.

Presently, DRWC owns the ten-acre Festival Pier site on the east side of the intersection of Delaware Avenue and Spring Garden Street, as well as the 25-acre parcel at Penn's Landing.

In accordance with the phasing strategy recommended for the development of priority sites identified in the master plan, within the next ten years, DRWC will issue three Request(s) for Proposal(s) or RFPs for private developers for the sites.

Each of these RFPs shall set forth the recommended development program for the respective site, as well as a set of wealth building goals, which shall include but not necessarily be limited to the following activities:

- Equity investment by M/W/DSBEs
- Professional services, not limited to the design and construction of the project such as legal services, financial consulting, marketing, etc.
- Workforce diversity program negotiated between the project developer and the building trades, supported by existing and new training programs
- Construction contracts and related supplies and materials
- Entrepreneurship opportunities in retail, entertainment, and dining
- Ongoing maintenance services for the completed projects

A formal part of the selection process will be based on the preferred developer's willingness to enter into a project-specific EOP which sets forth specific wealthbuilding goals, and that EOP would then become part of the overall project agreement. Following selection of the developer, there will be a period of time needed to finalize the project agreement. The three RFPs currently contemplated are as follows:

### 1. Festival Pier

Depending on market conditions, DRWC plans to issue a comprehensive RFP for the development of the ten-acre site within the next eighteen months to three years. The development program calls for construction, in two or more phases, approximately 700 units of housing and 55,000 square feet of retail, dining, and entertainment and 55,000 square feet of service retail. It is contemplated that construction would begin within eighteen to twenty-four months of the execution of the project agreement, and construction of the entire project could take six to eight years, again, depending on market conditions. The order of magnitude value of the project in 2011 dollars is in the range of \$250-\$350 million.

### 2. Penn's Landing Basin

Depending on market conditions, DRWC also plans to issue an RFP for residential and retail development along the Penn's Landing basin within the next eighteen months to three years. This two-phase development program proposes the construction of approximately 370 units of housing with 89,000 square feet of retail, dining, and entertainment. As with the Festival Pier site, it is contemplated that construction would begin within eighteen to twenty-four months of the execution of the project agreement, and that construction of the first phase would take approximately two years; depending on market conditions, construction of the second phase could begin soon after completion of the first phase of development. The order of magnitude value of this project in 2011 dollars is in the range of \$150-\$200 million.

### 3. Penn's Landing-Market Street Lot

The development of the Market Street lot at the northern end of Penn's Landing will necessitate a significant amount of public investment associated with completing the decks over I-95 and Columbus Boulevard; the construction of a new pedestrian bridge at Market Street; and building a new park to replace the Great Plaza. This project will involve extensive consultation with PennDOT and significant lead-time associated with various federal, state, and local approvals and permits. For these reasons, the Plan estimates eight to ten years before DRWC would be in a position to issue an RFP for the project. The contemplated development program for this seven-acre parcel is for the construction of a 350-room hotel, approximately 300 units of housing, 50,000 square feet of retail, dining, and entertainment, and 25,000 square feet of service retail. The order of magnitude value of this project in 2011 dollars is \$250,000-\$350,000 million.

### **III. DRWC as Project Facilitator**

Approximately 90% of the land covered by the master plan is owned privately, and most of the new development projected in the master plan will be on these private parcels. In these cases, DRWC's ability to influence these private entities to engage in inclusionary and wealth building practices will be much less direct than in the case of the three parcels of land described above.

At the same time, development on privately owned land might involve the need for funding for public improvements in the form of parks, trails, roads, utilities, etc. In these instances, DRWC can play a facilitating role in assisting the private developer to access the appropriate sources of public funding. In return, DRWC can use such incentives to encourage private investors to incorporate inclusionary and wealth building policies into their development plans.

### **IV. DRWC as Inclusion Champion**

The redevelopment of the central Delaware River waterfront provides DRWC with the opportunity to play a lead role in orchestrating and implementing a wealth building strategy that includes businesses owned by minorities and women and addresses equity investment opportunities by these communities. Given the three early stage anchor projects outlined in the master plan, there is an opportunity for the members of the local business community to be consultants, contractors, commercial tenants, and equity investors. This redevelopment also creates employment for Philadelphians both in the construction trades and in the various businesses that will be created in support of the redevelopment of the waterfront. The overall economic and social impact of DRWC's successful implementation of the wealth building strategy can be profound.

