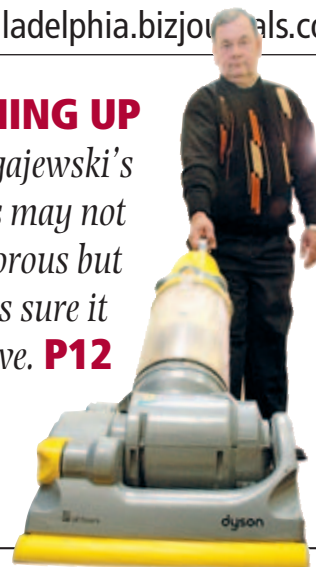


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PHILADELPHIA BUSINESS JOURNAL

CLEANING UP
Ben Bugajewski's business may not be glamorous but he makes sure it is effective. **P12**



Special report: Education
Five experts sit down for a roundtable discussion of what charter schools have accomplished. **P21**

Arts are it
Group says next mayor should make arts a priority, and has a study to show why. **P3**



A man with plans
Democratic mayoral candidate Fattah focuses on business, poverty. **P4**



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Event planners
Biggest in the region are listed by the number of event planners. **P28**

Caterers
Largest in the area are ranked by number of employees. **P30**

The future of abatement

Mayoral hopefuls praise 10-year tax program but talk about changes

NATALIE KOSTELNI
STAFF WRITER

One of the most successful tax policies implemented in Philadelphia, the 10-year tax abatement on new construction, is getting renewed attention from the mayoral candidates.

The five Democratic contenders for mayor laud the incentive, which gives commercial and residential developers a citywide 10-year abatement on property taxes on new construction projects. The tax break is typically then passed along to those buying a new residence, giving homebuyers an added incentive

to live and own in Philadelphia.

Praise of the abatement coincides with an ongoing discussion among lawmakers as well as the five Democratic candidates about whether it needs to be reviewed and fine-

SEE ABATEMENT, P46

Swedish owner sells engineering firm to founders

JOHN GEORGE
STAFF WRITER

Three of the original co-founders of Biokinetics have acquired control of the Philadelphia engineering company from its Swedish parent in a management buyout.



Biokinetics' modular decontamination unit.

The deal marks the sixth change in the ownership structure of Biokinetics since its inception in 1996.

The company provides engineering, design and technology consulting services to biotechnology and pharmaceutical companies. It has 125 employees, mostly engineers and bioprocessing facility designers. Biokinetics generated sales of about \$17 million last year.

Alfa Laval, of Lund, Sweden, acquired Bioki-

SEE BIOKINETICS, P47



NATIONAL MUSEUM OF AMERICAN JEWISH HISTORY

An artist's rendering of the National Museum of American Jewish History.

Museum to get center stage

PETER VAN ALLEN
STAFF WRITER

The National Museum of American Jewish History's plan to open a prominently placed museum on Independence Mall will follow the familiar blueprint of tourist attractions in the area.

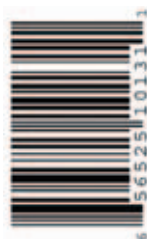
Museum leaders hope the museum's more visible site — on the southeast corner of 5th and Market streets, across from the Liberty

Bell Center — will attract tourists, conventioners, busloads of students, visitors young and old, Jews and Gentiles alike. The museum plans to use its new space to best advantage.

"It's tremendous space and a major step up," said Josh Perelman, a historian and deputy director of programming at the museum.

With the new site, the museum moves to center stage from a somewhat secluded spot,

SEE MUSEUM, P47



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BUSINESS JOURNAL FILE

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Bill Reddish (left)
president

Building Industry Association of Philadelphia

ABATEMENT: Some want changes made while others say 'if it ain't broke, don't ...'

FROM PAGE 1

tuned to ensure its benefits are hitting all of Philadelphia's neighborhoods and housing levels, particularly affordable housing.

The building industry is quick to defend the abatement as is, saying it has helped repopulate Philadelphia, trigger additional economic development and spread affordable housing around the city.

The abatement on new construction has been on the books since 2000, when City Council ratified the bill. It was preceded in 1997 by a bill that gave developers a 10-year real estate tax abatement to convert buildings, many of which were empty and aging office buildings, into apartments or condominiums.



Nutter

Both bills were sponsored by Councilman Frank DiCicco, who is seeking reelection to City Council.

The virtues of the abatement can be seen across Philadelphia, especially in Center City where conversions and newly constructed condominiums have sprouted. From 1997 through last September, 11,586 new residential units were added to the housing stock, according to a Center City District report. The organization attributed the boost in housing to the tax abatements as well as helping to increase Center City's population by 12 percent since 1990. The housing boom was accompanied by historically low interest rates and a national trend of renewed interest in downtown living.



Evans

"It has without a shadow of doubt spurred development and activity where it wouldn't have been," said former councilman Michael A. Nutter, one of the five Democrats in the race for mayor. "It worked in some sections too well. We need to provide more incentives in some parts of the city than others." More needs to be done to provide funds for affordable housing and direct develop-

ment to parts of the city that have yet to see a housing boom, he said.

"We need to be creative," Nutter said.

He suggested bumping back the abatement to 90 percent instead of 100 percent of a break on property taxes. Under that scenario, homebuyers of properties that qualify under the abatement would pay 10 percent of their property tax and that money would be put into an affordable housing fund.

"I think it's a time to continue it and a time to look at it," said Tom Knox, another candidate in the May 9 Democratic primary, in an interview.

While recognizing the abatement helped the city, it has also "created congestion, increased the load on the storm water and wastewater management systems and eliminated valuable green space," Knox said later in a statement.

Knox also believes a portion of property tax revenue that will begin to trickle in in 2009 as properties start to come off of the abatement should be set aside for a housing trust fund that can be tapped to support affordable housing.

He also proposed implementing a "lease-purchase" program, down-payment grants and low-interest financing for first-time homebuyers and those needing housing assistance.



Fattah

State Rep. Dwight Evans and U.S. Rep. Chaka Fattah, both candidates, have said they both see the virtues of the tax break and believe it can do more for affordable housing.



Brady

"It has worked and I would be in favor to keep it in place with modification," Fattah said, adding he's not going to "make any snap judgments" on where it could be tweaked. However, Fattah would favor funneling the tax revenue that starts to roll in on properties in which the abatement

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Evans is interested in using the abatement to encourage new developers of market-rate developments to include affordable housing as part of their projects. He would also consider devising a



BUSINESS JOURNAL FILE

District Councilman Frank DiCicco says the timing is wrong to fiddle with it.

tool that would reward those city residents who don't receive the abatement but have been "loyal" to Philadelphia.

"You don't have to give them a tax incentive, but at least you could give them options with education," Evans said.

Bob Brady, who has long run the Democratic Party in Philadelphia and also hopes to become the next mayor, said he is open to looking at the issue.

The Building Industry Association of Philadelphia, which promotes residential development and construction in the city, credits the abatement for bringing in new money from an increase in the city's population. It also believes the abatement has indirectly helped lure retail and entertainment establishments to Philadelphia to cater to the new residents, creating even more revenue, said Bill Reddish, president of the BIA and Gensis Group Ltd. of Philadelphia.

It also has helped the proliferation of affordable housing and given first-time homebuyers a leg up on getting a place to live, Reddish said.

"It's an excellent program for the city of Philadelphia," he said. "I would advise anyone who was looking to tweak a program that works and has produced results to make certain they fully understand the program, its benefits, why it works and how it works," Reddish said. "It's easy to use and the results show for themselves."

People who buy new homes through the Philadelphia Housing Authority also get the abatement.

Change may already be afoot in City Council, according to DiCicco, who says there is a sentiment to revisit the whole issue. "I get the sense they aren't willing to keep it as is," he said.

For one thing, City Council is concerned about the disparity between those new homeowners getting the break and those longtime homeowners who aren't. There is also consideration about creating a fund with a portion of the eventual abatement revenue dedicated for moderate- and low-income housing, DiCicco said. The issue of redirecting the tax break in some fashion to kick-start more development in targeted areas throughout the city would go against uniformity laws that require parity across a municipality.

"This is probably the worst time to tweak it," DiCicco said because of the dip in the housing market and the state of the city's zoning code, which discourages developers, especially in outlying areas.

"My message is this," DiCicco said. "The 10-year tax abatement is the single most important issue creating the building boom in Philadelphia and the likes of which we haven't seen in 50 years."

MUSEUM: 250,000 visitors a year are expected at the new site near the Liberty Bell

FROM PAGE 1

tucked away behind a line of trees at 55 N. 5th St., less than half a block from the future site.

Construction is set for the fall after the existing building on the site is demolished, which could begin as soon as this month. The goal is to open in 2010, on July 4, the busiest weekend of the year on Independence Mall, which includes the Liberty Bell Center, Independence Hall, National Constitution Center and Independence Visitor Center.

The museum's new site will be built from the ground up on the site that had been used by KYW 3, KYW-AM (1060-AM) and WYSP-FM (94.1 FM). KYW 3 moved last year to a site at 15th and Spring Garden streets, while the radio stations are relocating into 400 Market St., next door to their former site.

About \$86 million had been raised to date, with a \$25 million lead contribution from the Sidney Kimmel Foundation.

In total, the museum hopes to raise \$148 million to cover the cost of construction, acquisition of the KYW building and \$18 million for the establishment of an endowment that would pay for educational initiatives.

At present, the museum gets about 35,000 visitors a year. At the new site, 250,000 visitors a year are expected, said museum spokesman Jay Nachman.

The museum, which was established in 1976, has historically been closed on Saturday, the Jewish Shabbat, or day of rest. It's possible that could change at the new site, Nachman said.

The new building, designed by New York-based Polshek Partnership Architects LLP, will have an open, glass façade — what has been described as a “glass veil” — allowing passers-by to see into the museum. It will be five stories high and be 100,000 square feet. It will have 20,000



CURT HUDSON

Josh Perelman of the National Museum of American Jewish History in Philadelphia with pieces from the Peter H. Schweitzer Collection of Jewish Americana.

square feet of core exhibition space and another 5,000 square feet of space for temporary exhibits — a total of four floors. A subterranean level will include a theater. The ground floor will include a café and bookstore.

Perelman said the permanent exhibitions will tell a

'It's not going to be Disney World, but we want to create excitement and fun.'

Josh Perelman

National Museum of American Jewish History

story that covers 356 years — back to the founding in 1654 of the first Jewish settlement in North America, in New Amsterdam. The museum will display 10,000 artifacts.

“The biggest challenge is telling the story of 356 years in a thoughtful, articulate, clear way,” Perelman said. “It's about Jewish history in that period. But it's American Jewish history in an American context.”

Exhibits will also evoke the struggle of Jews in America in the context of two documents drafted not far away: the Constitution and the Declaration of Independence.

Exhibitions will use cutting-edge technology, including touch screens and interactive maps.

“It's not going to be Disney World, but we want to create excitement and fun,” Perelman said.

In its current location, the museum draws a number of school groups. But, at the new location, the museum hopes to broaden its appeal, attracting more walk-in visitors.

“That's one of the benefits of being on the mall, is tourists. In the new building, we're more prominent,” Perelman said. “We'll draw larger numbers of different kinds of people.”

pvanallen@bizjournals.com | 215-238-5145

BIOKINETICS: New owners expect to double revenue for biopharm engineering firm

FROM PAGE 1

netics in 2003 as a way to get more involved in the biopharmaceutical industry. Alfa Laval decided to sell the Biokinetics business late last year because of its limited connection to Alfa Laval's core business — developing specialized equipment used for heat transfer, fluid handling and centrifuge separation in the production of consumer goods.



Brydges

Officials of the Swedish company, which posted \$2.8 billion in net sales last year, approached a group of Biokinetics managers about their interest in a buyout.

“There was no question we wanted to be the owners,” said William R. Brydges, Biokinetics' president. “The question was whether could we do it financially.”



Contino

Anthony Contino, a former senior vice president who left the company in 2004 to work on developing complementary technology, was enticed back into the fold by the opportunity to be a co-owner.

“This was something we always thought about, but never had the opportunity,” Contino said. “We talked about how we could do even more innovative stuff if we weren't constrained by being owned by larger companies.”

Brydges, Contino and James J. Dougherty — three of Biokinetics' original seven

founders — reached an agreement in principle to buy the company in December. The trio are all chemical engineers who were born in different parts of Philadelphia and raised in Delaware County.

They spent the past two months finalizing the deal, which was set to be announced March 9.

Financial terms of the sale are being kept confidential. Brydges said they made an undisclosed upfront payment and worked out a deal through which Alfa Laval will provide the financing for the balance of the purchase price.



Dougherty

Brydges said the company intends to re-focus on the “design-build” aspect of its business, which includes the use of modular construction techniques to cut down on the time it takes to build bioprocessing and biomanufacturing facilities. The design-build segment of its business was not emphasized under Alfa Laval's ownership.

“Our strength is in improving design and construction efficiency to reduce the time to market for life saving pharmaceuticals,” Brydges said. “In the biotechnology and pharmaceutical industry speed is everything — how fast can you [safely] get something to patients. Our module system shortens the schedule for getting a manufacturing facility up and running.”

The company has developed a series of proprietary tools to accelerate the construction process and make existing operations more efficient. One such tool is its

K-Tops computer model that allows the engineers and designers to simulate manufacturing operations and create the best design for new facilities or “de-bottleneck” existing plants.

Brydges said with the renewed focus on its design and build services, and with the continued growth of its other professional consulting services, the company expects revenue to top \$40 million this year.

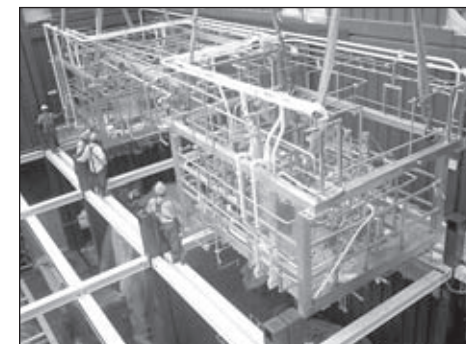
Contino said Biokinetics' strengths are in the engineering of bioreactors and fermentation and purification equipment used in the making of biopharmaceuticals.

Dougherty, senior vice president, noted the company was the engineer for Centocor's Remicade manufacturing facility built in Malvern in 1997. Remicade is Horsham-based Centocor's flagship product approved to treat rheumatoid arthritis, Crohn's disease and other autoimmune disorders.

Biokinetics' other clients include virtually every major pharmaceutical company in the country. It has done work for Glaxo-SmithKline in Conshohocken, Merck & Co. Inc. in West Point, and Sanofi-Aventis in Swiftwater.

Dougherty said the company expects to add another 20 engineers and designers by the end of the year.

All three partners said the company — which also has operations in North Carolina, California and Ireland — has no intention of leaving Philadelphia, given the large concentration of biotech and pharmaceutical companies in the tri-state area



Prefabricated drug-processing modules.

and the strong talent pool of engineers.

Biokinetics has experienced an unusually high number of ownership changes for a company that is just 11 years old.

It was originally founded in 1996 as a wholly owned subsidiary of Kinetics Systems Inc. [KSI], a major mechanical contractor in the biotech and semiconductor industries. In 1998 US Filter, a maker of high-purity water generation systems, acquired KSI. US Filter was sold to Vivendi Water, a subsidiary of Vivendi Universal, a year later. Vivendi then spun out KSI as an independent business.

In 2003, KSI sold Biokinetics to Alfa Laval.

Contino said throughout the changes Biokinetics has stuck to its areas of expertise, but it wasn't always easy. “Each time,” he said, “we had to get used to a different corporate culture.”

jgeorge@bizjournals.com | 215-238-5137



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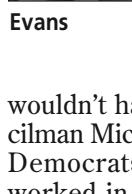
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