FixItPhilly: A Coalition Case Study

March 2012

The FixItPhilly Coalition was founded in 2004 when ten non-profit groups endorsed a Building Industry Association of Philadelphia report titled, *If We Fix It, They Will Come.* The report identified ten key challenges to developing real estate in Philadelphia and articulated a detailed action plan to eliminate these obstacles. Armed with a common agenda, the coalition reformed the city's development review process over seven years and two mayoral administrations. This case study explores what this coalition has achieved to date and what made the collaboration both innovative and effective.

Coalition Goal	Increase investment in Philadelphia by lowering the cost to develop real estate and by creating a streamlined, predictable development review process.
Key Challenge	In 2003, in 87% of Philadelphia neighborhoods it cost more to build a home than the home could be sold for. As a result, in the fifth largest city in the country, only 310 residential properties were built in that year.[1]
Key Strategy	Mobilize non-profit, government and business practitioners to collaboratively reform the economics of building in Philadelphia by changing government laws and policies that increase the cost of real estate development.
Leadership and Staff	Building Industry Association of Philadelphia Government Affairs Committee and May 8 Consulting, Inc.
Funder	William Penn Foundation
Members	10,000 Friends of Pennsylvania; American Institute of Architects, Philadelphia Chapter; Building Industry Association of Philadelphia; Central Philadelphia Development Corporation; Design Advocacy Group; Housing Alliance of Pennsylvania; Philadelphia LISC; Pennsylvania Environmental Council; Philadelphia Association of Community Development Corporations; The Reinvestment Fund; and ULI Philadelphia
Key Partner	City of Philadelphia
Achievements	Nine out of ten of the FixItPhilly agenda items were achieved, including the 2011 adoption of the city's first new zoning code in fifty years.
Measurable Outcomes	• Cut development review process time in half • Helped to open 8% more neighborhoods to investment • Eliminated thousands of hours of city staff time dedicated to obsolete tasks

FixItPhilly.ORG

Ill-Prepared to Welcome Investment

In the summer of 2003, Philadelphia's managing director asked the Building Industry Association of Philadelphia (BIA) to put in writing what is wrong with the city's development review process and to share recommendations for change.

Developers described the process of arriving at an agency looking for approvals as "you show me what you want to build and I will tell you why you can't."

The BIA, the city's home builders association, enthusiastically took Managing Director Estelle Richman up on her request. In just a few months, the BIA had obtained funding from the William Penn Foundation, hired May 8 Consulting, Inc. to author a report, and held the first of dozens of focus groups and interviews to understand what parts of the process created the most delay and cost to for-profit and non-profit developers.

Interviews with stakeholders made clear that after a half-century of managing decline, Philadelphia was ill-prepared to welcome investment. Having lost a quarter of its population and inherited the challenge of almost 60,000 abandoned properties, by 2003 Philadelphia had developed a defensive bureaucracy that focused on stopping development that might have a negative impact, rather than facilitating positive development to refill its neighborhoods. As a result, each siloed city agency and each district councilperson held fast to their subjective authority to prohibit potentially inappropriate real estate development even as their discretion stretched the approval time beyond a year. Developers described the process of arriving at an agency looking for approvals as "you show me what you want to build and I will tell you why you can't."

Rules for development were unwritten. In 2003, no written guide or manual spelled out all of the permits and approvals required before construction could start. As a result, non-profit and for-profit developers tended to hire one of a few insiders who understood the process—expediters and lawyers who made their living obtaining approvals, and establishing relationships with city staff to help move things along.

Fourteen city agencies held approval power over development and it was left up to the developer or property owner to go to each agency's office location, determine its requirements, and negotiate with staff. Conflicts between agency rules frequently existed, and it was the responsibility of the customer to shuttle in between the agencies and try to reconcile conflicting demands. In addition, a powerful form of councilmanic prerogative gave, and continues to give, district councilmembers virtually unlimited authority to stop a project where a district councilperson opposes a variance, a rezoning, or a change to the street network that is essential for a project to move forward.

The city made very little information public, so anyone wishing to build was forced to rely on verbal staff answers that could not be verified or appealed. In 2003, Philadelphia had 55 zoning designations and 33 zoning overlays that defined the type of building and use allowed on a specific property. To identify the zoning on a parcel, a homeowner or developer needed to stand in line for two to six hours at the Licenses and Inspections (L&I) counter. The staff person then would go look up the property on one of dozens of maps in the backroom and return with an answer which they would share verbally. In some cases, the initial zoning classification was later found to be inaccurate, impacting projects already under construction.

The city's 1962 zoning code was identified as a major impediment to investment in Philadelphia. The decades old code did not recognize modern building types or uses and required 40 percent of all projects, and an even higher percentage of large-scale development projects, to go before the Zoning Board of Adjustment (ZBA) for a variance, adding unpredictability and several months to the process. The ZBA's practice of requiring developers to gain community support before granting the variance frequently resulted in improved projects, but it also allowed neighbors to use their power to obtain a cash donation or to request that the developer build or improve an unrelated site in exchange for their support.

Ill-Prepared to Welcome Investment

The Ten Recommendations of *If We Fix It, They Will Come*:

1 Adopt a modern zoning code to replace the 1962 code and eliminate the need for thousands of variances annually.

2 Create a comprehensive online zoning map to replace hand-drawn maps and backroom zoning determinations.

3 Post concierge at development review gateway to inform and advise permit applicants.

4 Establish Large-Scale Development Services Team to bring all departments into a single room to evaluate large projects.

5 Establish an inspection scheduling system to allow inspection requests to be received and performed efficiently.

6 Adopt new plumbing code that will accept technologically-advanced materials.

7 Introduce written guide to the city's development review process.

8 Modernize city's stormwater regulations and assign one agency, rather than three, to ensure compliance.

9 Use technology and data collection to increase efficiency.

10 Reform vacant land disposition process to bring 10,000 publicly-owned properties back to market.

 Scheduling a mandatory inspection was time-consuming as well. It often took four to five days for an inspector to arrive at a site after an inspection request. In fact, just making a request for an inspection could take days because the city had no formal inspection request system. A builder had to reach the assigned inspector by office phone in the morning before the inspector went out into the field. If the builder missed that small window of time, he or she needed to wait until the next day to make the request. A builder was not allowed to phone a supervisor to request an inspection, nor was he or she permitted to fax or email a request.

As a result, Philadelphia had a confusing, burdensome development process that could take months or even years to complete. And there was little if any transparency, consistency or predictability to approvals, making it difficult for developers to estimate costs or to obtain the financing or investment necessary to build. The takeaway for the building industry was that you had to know someone to get something built in the city.

The 2004 report, *If We Fix It, They Will Come*, identified ten common-sense actions that the city could take to lower the cost to develop. The report was an eye-opener for the city and propelled change from the start. The Philadelphia Inquirer credited the report with providing "fresh insight into why the city seems so starved for private development. . . . Building anything in the city, from a new deck to a $100 million housing project, requires a trip through permit purgatory. Capricious regulations and inconsistent inspections eat up time and money, while local politicians retain absolute power to stop anything at any time."[2] Ten non-profit organizations endorsed the report and agreed to work with BIA and city government leaders to create a welcoming investment climate.
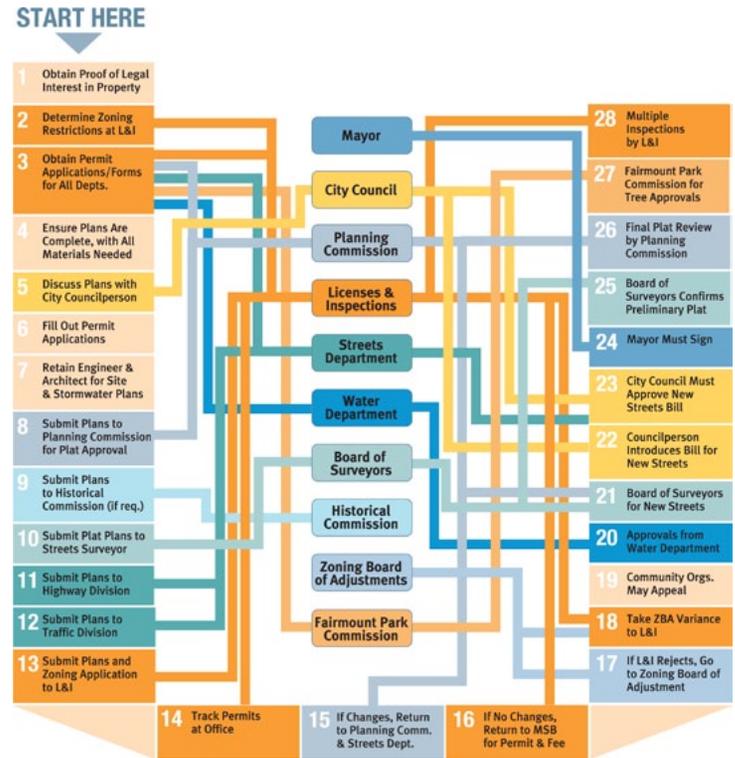
Philadelphia's Development Review Process (2004)

The FixItPhilly Story

The FixItPhilly Coalition is a proactive and effective collaboration between business, non-profit and government practitioners.

With funding from the William Penn Foundation, Karen Black of May 8 Consulting, Inc. who authored the report stayed on to staff the effort, coordinating the organizations and acting as project manager, constantly pushing their common agenda forward. May 8 also tracked the coalition's reform achievements and measurable outcomes. Robert Rosenthal, Chair of the Building Industry Association Government Affairs Committee, led the effort from 2005 to 2012. The expertise, influence and relationships coalition members contributed were essential to catalyze change. Conversations at monthly meetings between those inside and outside of government were candid and frank and never shared with the press. The goal was to build trust. Over seven years and two mayors, this structured and staffed collaborative effort achieved a dramatic reform of the development review process and the adoption of a modern zoning code.

FixItPhilly, in collaboration with government, markedly increased the information available to the public and the building industry, reducing wait times and saving thousands of hours of city staff time. The coalition began by writing and releasing with the city the first written guide to the development review process. The city provided extraordinary access to staff at all agencies to facilitate the writing of the guide. Next the BIA invested almost $60,000 to finance the replacement of dozens of hand drawn hard copy zoning maps kept in a backroom and updated with post-it notes and overlays colored in crayon into a single electronic zoning map. BIA gifted the map to the city, allowing the public and building industry to identify a zoning designation from a home or office. In addition, the BIA provided a pro bono architect to help the city add a zoning file window within the L&I customer service space so customers could determine the zoning history on a property quickly, rather than after a several hour long wait in the general line. In 2008, L&I scanned these written files so they can be accessed free online. This allowed L&I to reassign staff that provided zoning information to tasks that would speed the development review process.

FixItPhilly collaborated with city government on a pilot program to bring together all relevant agencies in a single room to discuss potential conflicts and demands on large-scale development projects. The coalition worked with the Managing Director's Office to establish a pilot large-scale development review process where projects with 50 or more housing units, and later 30 or more, could sit

Ten organizations endorsed the report and formed the coalition under the leadership of the Building Industry Association of Philadelphia:

- 10,000 Friends of Pennsylvania

- American Institute of Architects, Philadelphia Chapter

- Central Philadelphia Development Corporation

- Design Advocacy Group

- Housing Alliance of Pennsylvania

- Pennsylvania Environmental Council

- Philadelphia Association of Community Development Corporations

- Philadelphia LISC

- The Reinvestment Fund

- ULI Philadelphia

The FixItPhilly Story

With trust established, the coalition moved beyond the explanation that "things have always been done this way" and began to analyze whether each step in the process served a purpose.

down with all relevant agencies and resolve conflicts and talk out any concerns before beginning to obtain permits. These meetings proved very helpful and reduced time negotiating with agencies over differing requirements. Efforts by FixItPhilly to expand these meetings beyond a purely advisory role, and allow agencies present to provide approvals, however, were not successful.

FixItPhilly helped to reduce redundancy and conflicts between departments. In 2003, three agencies with three differing standards shared responsibility for stormwater management. The City Planning Commission based its review on zoning code standards, the Philadelphia Water Department (PWD) created its own specifications for detention and retention systems, and L&I inspected the systems to ensure they complied with the city's plumbing code. The result was an unknown standard that required months of negotiations with the three agencies. In 2006, working with the BIA and FixItPhilly, the city assigned one standard for stormwater management—PWD specifications—to review projects, and gave PWD sole reviewing and inspection power. As a result of clearer standards enforced by a single agency, review time for stormwater management was reduced by more than half for large-scale development projects.

FixItPhilly worked to professionalize city staff and rationalize procedures to increase consistency and accountability. One of the report's most controversial findings was that government staff reviewing building plans and making permit approval determinations often had only a high school diploma and no professional training. The city responded in 2005 by requiring advanced related degrees for the zoning examiner position. In 2008, the city similarly established a requirement that ZBA members have relevant expertise. In addition, the coalition worked with government to identify and eliminate unnecessary hurdles. With trust established, the coalition moved beyond the explanation that "things have always been done this way" and began to analyze whether each step in the process served a purpose. Coalition meetings were the perfect venue to reassess whether certain steps were necessary to ensure safe construction. In one memorable meeting, L&I Commissioner Bob Solvibile was asked why a certain staff member had to see every plan because it always added several weeks to the process. At the next meeting, Commissioner Solvibile reported that he had investigated and because there was no compelling reason for this step, it had been eliminated.

FixItPhilly Coalition Timeline: 2003–2011

2003
• City suggests BIA put complaints in writing. The Reinvestment Fund obtains William Penn Foundation grant to fund a report.

2004
• Release of *If We Fix It, They Will Come* report with ten recommendations. Ten organizations endorse report and form coalition.

2005
• City establishes large-scale development services team pilot program where developers can meet with all relevant agencies at one time to resolve conflicts.

• Zoning examiner position professionalized.

• City creates centralized inspection request system.

• City Council passes three bills to amend zoning code to eliminate need for thousands of variances.

• Convene coalition zoning drafting committee to evaluate reform priorities.

2006
• City Council passes bill to hold a voter referendum to amend the City Charter to create a Zoning Code Commission.

• Launch Zoning Matters education and outreach campaign focused on need for zoning reform.

The FixItPhilly Story

FixItPhilly supported flexible strategies to pass needed changes. One of the key recommendations of the report was to expand the permissible use of PVC pipe in construction and stormwater management systems. Yet we were told by more than one councilmember that this recommendation was a non-starter because it would mean lower use of union labor trained in welding cast iron pipe. In July 2004, Philadelphia made the decision to retain its plumbing code from 1804 rather than adopt the International Plumbing Code with the rest of the state. While the coalition could not overcome the opposition of the plumbers union to adopt a state-of-the-art code, L&I successfully passed amendments to its regulations to increase the use of PVC pipe.

FixItPhilly achieved the adoption of a new zoning code. FixItPhilly led two successful campaigns to obtain zoning reform. The first, in 2007, resulted in a voter referendum that established a Zoning Code Commission empowered to rewrite the code and submit it to City Council for a vote of yea, nay or to table the matter. The second, in 2011, resulted in a unanimous City Council vote passing Philadelphia's first new zoning code in fifty years. In between

there was an extraordinary amount of work to gain the support of business, non-profit and governmental leaders for a modern, effective zoning code.

The coalition's major challenge was to convince City Council and neighborhood organizations to trade some of their power to influence individual proposed projects for the ability to establish rules for what can be built on a site upfront. Support was gathered using photos of huge land use mistakes that could have been avoided with a relevant zoning code, and stories from developers, community organizations, environmental groups and small businesses about how dysfunctional zoning impacted them. The coalition's campaign theme was "zoning matters" because it influences job creation, investment and neighborhood revitalization. The goal was to establish sensible, fair and smart zoning that will make it easier to invest in Philadelphia.

In 2006, Councilman DiCicco and a unanimous City Council passed Bill No. 060699 to add a referendum to the May 2007 ballot to establish an independent Zoning Code Commission. An intensive education and

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FixItPhilly Coalition Timeline: 2003–2011 (cont'd)

2006 (cont'd)

• BIA finances creation of city online zoning maps to make zoning information available to public.

• BIA and City jointly publish first written guide detailing city's development review process.

• City implements stormwater regulations naming the Philadelphia

Water Department as sole review and inspection agency.

• Commission economic analysis to examine the impact of tax abatements.

• Redesign Licenses and Inspections customer space with BIA pro bono professionals.

• Zoning file window added, reducing time to obtain file from 2-6 hours to 15 minutes.

2007

• More than 80% of voters pass charter change establishing a Zoning Code Commission.

• Zoning Code Commission formed.

• Coalition donates Zoning Matters website to city as official website. FixItPhilly.org website launched.

2008

• Online zoning maps reconciled with official city property borders and made public.

• Mayor reforms Zoning Board of Adjustment requiring professional expertise and strict ethical standards.

The FixItPhilly Story

FixItPhilly coalition members perceive the adoption of a new zoning code as one of their most significant victories to date.

outreach campaign resulted in its passage by 80 percent of voters. The next step was to ensure the city hired an experienced staff and nationally recognized consultants to support the Zoning Code Commission, rather than politically connected local consultants who were vying for the work. Once an able director and consultant staff were obtained, FixItPhilly agreed to Mayor Nutter's request to donate its successful www.zoningmatters.org website to be the official site of the commission. Over the next four years, the Zoning Code Commission redrafted the code as part of a uniquely transparent and inclusive process with FixItPhilly watching and participating using its new website, www.fixitphilly.org.

The Zoning Code Commission drafted a new code and submitted it to City Council in May 2011 for a vote later that year. The timing of a City Council vote was critical as the votes to pass it did not exist in spring 2011 and in January 2012 a new council would take power. Any delay beyond 2011 would significantly lower chances of passage and require appointing new members to the Zoning Code Commission and educating new councilmembers who had not been involved in the process. The schedule was tight and the majority opinion was that it

could not be done, but the coalition in partnership with the commission, achieved a unanimous vote by City Council. To agree to support passage of the new code, City Council required about forty changes to specific provisions. An effort to prevent the code from going into effect until the city had remapped all of its neighborhoods, a process that would take five to ten years, failed. FixItPhilly coalition members perceive the adoption of a new zoning code as one of their most significant victories to date.

FixItPhilly Coalition Timeline: 2003–2011 (cont'd)

2008 (cont'd)
- L&I implements queuing system, ending multiple hour customer waits in line.
- Zoning files scanned and made available online.

2009
- *Going Mod: Reducing Housing Costs in Philadelphia with Modular Construction* released. Report explores cost savings to be realized by using modular building techniques.

- L&I reduces average review time from 30 business days after application to 20 days. L&I reduces average customer wait time from 87 minutes to 26–49 minutes.

2010
- L&I amends plumbing code regulations to allow for expanded use of PVC pipe.
- City releases its analysis finding its development review process flawed and in need of reform.
- ZBA begins "fast track" process for uncontested development.

2011
- Philadelphia adopts first new zoning code in 50 years.
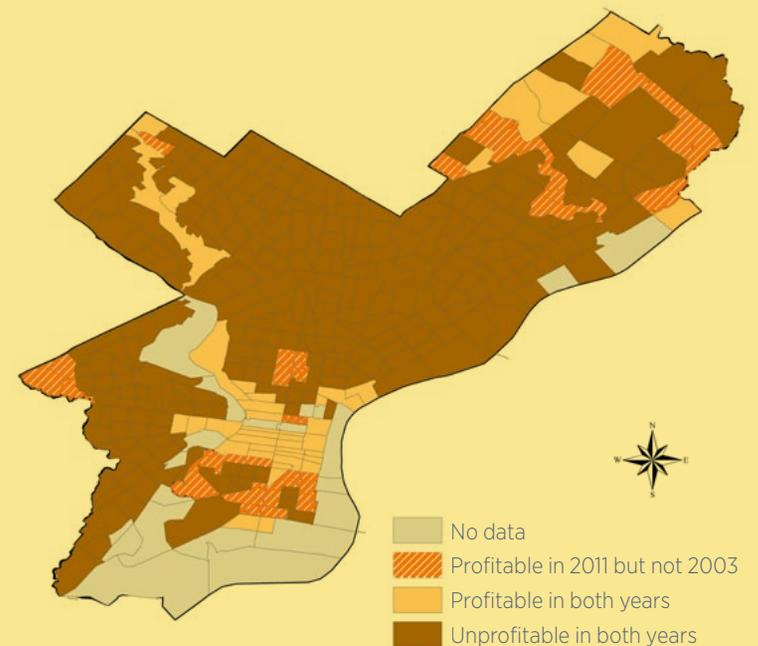
Measurable FixItPhilly Coalition Outcomes

Time spent obtaining all necessary approvals and permits for infill and larger scale development has been cut in half.

While Philadelphia does not track the time it takes from submission of an initial plan to final permit, anecdotally we know the time to move through the development review process has effectively been cut in half since 2003. An informal survey of residential building industry professionals in March 2012 found that developers are able to obtain all necessary approvals in half the time and with far less cost. While the advances in turnaround time were aided by the lower volume of projects being reviewed because of the economic downturn, most industry professionals had seen reduced time frames as early as 2008. Building industry professionals attributed the reduced development review time to coalition reforms including (1) the ability to determine zoning online; (2) having a single, clear standard for stormwater management that expedites approvals often within just two weeks; (3) obtaining accelerated reviews by L&I in twenty, rather than thirty days; and (4) moving forward without costly variance hearings on uncontested small matters and obtaining a hearing in just three weeks for contentious matters. The new zoning code will go into effect in August 2012, and it is expected to dramatically increase as-of-right development and lower time for government approvals further.

The experience for homeowners and business owners seeking to add a deck or addition to their property is much better. For instance, in 2003, a homeowner had to travel to the Municipal Services Building several times to add a deck to his or her home. First the homeowner had to go to L&I and acquire a zoning determination, a process that often forced customers to wait in line for up to six hours. Then the homeowner had to obtain approvals based on the verbal advice of the zoning examiner since there were no written procedures. Virtually all applicants for decks were required to obtain a variance, a process that added significant cost and an additional three months to the process.

8% More Neighborhoods Can Support Development in 2011

Philadelphia Census Tracts Color-Coded by Change in 2003–2011 Ratio of (House Price/House Construction Cost)

- No data
- Profitable in 2011 but not 2003
- Profitable in both years
- Unprofitable in both years

Sources:
House Prices: Philadelphia Dept. of Records
House Characteristics: Philadelphia Ofc. Property Assessment
House Cost of Construction: ENR/McGraw-Hill
Created by Kevin C. Gillen, PhD

Measurable FixItPhilly Coalition Outcomes

As a result, many homeowners built illegally. Today L&I has clear written guidelines for decks and other typical additions that meet market specifications. These guidelines are available online and at a concierge desk in the Municipal Services Building Concourse with virtually no wait time. Variances for simple additions are now rare.

Several new neighborhoods have been opened to development as market prices begin to exceed the cost of construction. In 2003, the city had some of the highest costs to build of any major city in the country. At the same time, it had some of the lowest market values of any major city in the country. This created a situation where it was very difficult to build for a profit. Kevin Gillen, an economist with Econsult Corporation, created the map on page eight of Philadelphia showing neighborhoods where residential development is viable. Shaded in orange are neighborhoods where the cost to build a single family home is lower than the market values in the community, allowing the developer to make a profit. In 2003, 13 percent of Philadelphia neighborhoods were viable for market-rate residential building. As a result the City attracted very low levels of investment—only 310 residential

properties were built in 2003. Because so few Philadelphia neighborhood markets could support new construction, most development required some form of subsidy or tax break to make the numbers work and even small additional costs or time delays could squash a project. A tax abatement on new construction passed by City Council in 1999 was the only reason private sector developers had reentered the Philadelphia market at all after decades of virtually no market-rate development.

In 2011, 21 percent of Philadelphia census tracts can support new home building—an 8 percent increase from 2003. The addition of these new markets is due to a rise in housing values that exceeded construction cost increases during this period, as well as the achievements of the coalition in reducing some of the specific costs of building in Philadelphia.

Efficiencies achieved by FixItPhilly saved the city significant staff time. The creation of an accurate online zoning map and the scanning of zoning files alone saved the agency the time of two full time staff people each and every day. These thousands of hours of annual staff time could be dedicated to other duties that would speed up the development review process.[3]

FixItPhilly also lowered the cost of construction. The coalition had less impact on material and labor costs, but it is still notable. While the BIA was able to obtain some small concessions from unions, for the most part they were unreceptive. Yet, L&I's adoption of amended regulations that allow more liberal use of PVC pipe, to replace more expensive cast iron pipe, offered savings of approximately $3000 per unit. In addition, several new developers have entered the Philadelphia market using modular construction techniques to reduce labor costs and make development viable as defined in the coalition report *Going Mod: Reducing Housing Costs in Philadelphia with Modular Construction.*

New Construction of Residential Properties by Year[4]

Development of residential properties remains well above 2003 levels.

Year	No. Properties	Total Square Footage
2003	310	845,094
2004	808	2,454,502
2005	1,092	3,798,083
2006	3,168	5,585,254
2007	2,960	5,093,222
2008	1,113	3,240,887
2009	1,462	3,592,379
2010	957	2,737,039
2011	476	1,131,265

Conclusion

The FixItPhilly Coalition experience offers many lessons to others seeking to improve the investment climate.

The coalition was successful because it was formed around clearly written, practical and measurable agenda items. The agenda included a combination of "low hanging fruit," to achieve early wins, and systemic reforms. Bringing government to the table monthly as a partner in the process allowed the coalition to create opportunities to push smaller reforms forward and to build shared trust to jointly work towards more difficult, higher impact goals. Having access to government leadership at each meeting also motivated for-profit businesses and non-profit organizations to attend. Another important lesson was that the coalition needed an effective paid facilitator/coordinator to ensure value was added at each meeting, to consistently follow up with partners, and to act as project manager to ensure reforms were accomplished. Finally, coalition efforts needed to be seen as ancillary to the individual members' ongoing efforts. The coalition encouraged business, government and non-profit members to launch their own reform initiatives and to inform the coalition if it could be helpful. No member needed to feel constrained by the common agenda. There is clearly a great deal more work to be done. The city's vacant land management system remains broken. FixItPhilly will continue to work in 2012 to ensure reforms are passed to create an objective, transparent, and predictable vacant land disposition system. This case study does not proclaim victory. It does, however, describe a model that has resulted in measurable high impact improvements to real estate development in the city.

Notes

1. Residential Properties" includes houses, condos and apartments. A "property" is defined as a unique taxable parcel of real estate. Any dwelling with 1-4 units is recorded as a single property. A 50-unit condo building is recored as 50 properties. But, a 50-unit apartment building is recorded as a single property.

2. Andrew Cassel, Building Code Boondoggles, Philadelphia Inquirer (October 24, 2004).

3. Deputy Licenses and Inspections Commissioner Michael Fink provided the estimate of fifteen employee hours per day saved.

4. Definition of residential properties above n.1.

Credits

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