Developing with Social Impact

Philadelphia's Department of Planning & Development incorporates "social impact" as a component of its review process for developers seeking public land and financing. This document explains the concept of social impact, with the intent of helping developers craft a successful social-impact strategy.

What Is Social Impact?

Social impact, in the context of real estate, refers to the way a physical project may have a positive effect on people and communities. Social impact can take a variety of forms depending on the project's location, scale, and program. Any scale of development can have social impact—even single lots or individual townhouses. When crafting social impact strategies, developers may seek ways to stimulate neighborhood economies, create affordability and opportunity, and enhance the community's quality of life. Examples of social impact in real estate projects include:

Stimulate neighborhood economies

- Create permanent jobs in development projects that are accessible to people with limited education.
- Market employment opportunities to the surrounding community.
- Offer job training and/or partnering with workforce development groups.
- Prioritize local hiring and local purchasing in supply chain decisions.
- Attract local-, minority-, women-, and disabled-owned businesses through flexible lease rates or other incentive structures.

Create affordability and opportunity

- Include affordable or workforce housing, which may be marketed through local avenues in order to provide opportunity for existing residents.
- Provide important goods and services that are currently lacking in the community, such as fresh food, local-serving retail, community services (e.g., child care, medical offices, social service nonprofits).
- Consider creative project structures to empower local residents and/or business owners with an opportunity to participate or build equity and ownership through the project.

Enhance the community's quality of life

- Develop partnerships with local public schools, community colleges, recreations centers, parks, or libraries.
- Include attractive and inviting public space, amenities, or community meeting space as part of the project.
- Commission a work of public art that engages community stakeholders in the planning and implementation process.

Why Is the Public Sector Asking for Social Impact?

Development projects present one of the most powerful tools to improve the everyday lives of residents. The City's Department of Planning & Development, and its partner agencies, leverage public resources with the aim of building thriving neighborhoods with opportunities for all. To support this mission, when there is public land or financing involved, the Department considers social impact when selecting development partners. Rather than prescribe the type of impact we are looking for, we consciously decided to challenge the private sector to be creative. Successful developers will analyze the community where they are building, form local partnerships, and engage local stakeholders.

Is There Precedent for the Public Sector Asking for Social Impact?

Yes. The U.S. Department of the Treasury's CDFI Fund scores applications for federal New Markets Tax Credits based on "the extent to which the Applicant's strategy will have positive community outcomes." The tax credit application lists 11 community outcomes, including community goods or services to low-income communities, accessible jobs, and healthy food financing. For each outcome, the application asks respondents to quantify the project's impact.

Is This Something the Private-Sector Is Already Doing?

Yes. There is a growing sub-sector of real estate professionals who position themselves as "impact developers." Some focus on this segment exclusively, while others maintain both market-rate and impact portfolios. As evidence of impact development's growing popularity, Urban Affairs Coalition convenes a quarterly group in Philadelphia called the Impact Development Roundtable, and The Urban Land Institute - Philadelphia convenes a "Small Scale & Impact Development" Local Product Council.

Why Should I Care About Social Impact?

Aside from an interest in being competitive for public land and financing, there are several reasons to care about social impact:

- **It's good business:** Developers who collaborate with community groups build good will and local support necessary to take on future projects in the city.
- **Opportunities for new financing:** Social impact projects may open eligibility for additional sources of financing, tax credits, and other subsidies unavailable in conventional deals.
- **There is plenty of room for growth:** Demand for social impact projects currently outpaces supply of capacity developers with quality product.
- **Creative problem solving:** Buildings with difficult locations, efficiency issues, or vacancy have turned to social-impact uses to diversify their programs and market base.
- **A strong corporate culture:** Companies that seek multiple bottom lines attract and retain employees who value work that serves a social purpose.
- **Supporting positive change for our communities:** This makes our city stronger, which benefits us all.

How Do I Decide What Kind of Social Impact I Should Focus On?

Designing a social impact strategy customized for your project relies on several factors: 1) community needs, 2) creative solutions, and 3) what the project can support financially. There are several ways to assess community needs. One of the best is to talk directly to residents and/or host a workshop to collaboratively think through ideas with local stakeholders. You can find information on Registered Community Organizations (RCOs) and a map interface for identifying local RCOs on the City Planning Commission's website. Another approach to assessing community needs is based on available data, looking at conditions like lack of food access, or poor access to recreational facilities. Tools like Policy Map and American Community Survey are good starting points. There are also consultants who specialize in community needs assessments.

How Do I Quantify and Measure Social Impact?

The key to measuring social impact is to determine who benefits and how, then to identify appropriate metrics that quantify the extent of the problem and how it changes as the result of the projects' social impact strategy. Some outcomes can be measured easily. For instance, increased access to fresh food may be measured by assessing the number of people within walking distance of a new grocery store. Others require creative approaches that look below the surface to capture indirect impacts. Several online resources are available as guides and some consultants specialize in capturing hard to quantify outcomes.

An Example

A developer learned through conversations with community leaders that there is a lack of jobs accessible to residents without a college degree. So this developer attracted a tenant who will offer 20 accessible full-time-equivalent jobs that pay $15/hour, available to people without a college degree. The tenant also agreed to market the jobs locally and train employees on-site. The tenant business happened to provide a service that was not previously available within a 5-mile radius. The metrics for this project could be 1) the number of individuals provided with stable employment, 2) the additional buying power of those individuals based on their current wage rate, 3) the cost savings of public benefits those individuals may no longer need to receive (unemployment, food stamps, etc.), and 4) the cost savings of transit fare or gas for local residents who no longer have to leave the neighborhood for this business's service.

How Can I Learn More?

The Department of Planning & Development welcomes our private-sector partners to strategize with us to best address the needs of our communities and fulfill the goals of the City's plans. As long as you are not currently responding to an active RFP or other solicitation, feel free to reach out to discuss your social impact strategy: **info@pra.phila.gov.**