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THE EXPANSION OF LIFE SCIENCES CONSTRUCTION IN PHILADELPHIA: LEGAL AND REGULATORY CONSIDERATIONS

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As a national leader in life sciences innovation, Philadelphia has seen significant expansion in research and development infrastructure. The city's transformation is driven by substantial investments in life sciences construction, particularly in the areas of University City and Center City, where biotechnology firms, academic institutions, and research laboratories are building cutting-edge facilities.

This expansion, however, does not occur in a legal vacuum. Developers and investors must navigate a complex regulatory landscape, including zoning laws, construction regulations, labor compliance and federal incentives tailored to research and development (“R&D”) projects. This article considers how legal and regulatory factors are shaping Philadelphia's life sciences growth and the broader impact of ongoing development in the sector.

The Current Boom in Life Sciences Construction in Philadelphia

Over the past five years, Philadelphia has witnessed a dramatic increase in life sciences construction projects across the city, with several multi-million-dollar developments underway. The Chamber of Commerce for Greater Philadelphia notes that more than seven million square feet of new lab space, co-working areas, building conversion, and manufacturing facilities are both proposed and currently under development. This rapidly growing portfolio will further position the greater Philadelphia region to outpace peer metros in attracting tenants with its state-of-the-art architecture and engineering, built-to-spec lab suites, and competitive rental rate – particularly in the higher education sector.

Amid this boom, developers, contractors, and legal

professionals must navigate zoning, permitting and regulatory compliance in a highly specialized industry. With venture capital investment in life sciences doubling since 2018, the need for flexible, high-tech infrastructure continues to grow, positioning Greater Philadelphia as a national leader in life sciences construction.

Regulatory and Legal Regulations

Zoning and Land Use Regulations

Life sciences construction projects in Philadelphia must comply with the Philadelphia Zoning Code, which regulates land use, building height, and permitted commercial activities. In University City, where many life sciences developments are concentrated, the zoning laws encourage high-density research and laboratory spaces. However, developers must still seek special approvals for biohazardous materials or industrial-scale manufacturing. Preparing zoning applications for these types of projects involves navigating a multifaceted process that requires a deep understanding of local regulations, coordination with multiple agencies and engagement with community stakeholders. Developers must be sure to address the Philadelphia Zoning Code requirements, potential variances, and neighborhood-specific concerns while ensuring compliance with city planning objectives – which can make the approval process both intricate and time-consuming.

Environmental and Safety Compliance

Life sciences facilities require compliance with federal and state environmental and safety regulations, including but not limited to the following:

1. The Environmental Protection Agency (“EPA”) standards for hazardous waste management under the Resource Conservation and Recovery Act (“RCRA”), which applies to biotechnology firms handling hazardous chemicals.
2. The Occupational Safety and Health Administration (“OSHA”) guidelines for the construction of laboratories and chemical storage.
3. Pennsylvania's Department of Environmental Protection (“DEP”) requirements for hazardous material disposal.

Federal and Pennsylvania environmental and safety regulations create a complex regulatory landscape that demands specialized knowledge and careful compliance. Developers, contractors, and associated businesses must navigate stringent requirements related to air and water quality, hazardous materials, and workplace safety, often involving multiple agencies and evolving standards. Ensuring compliance requires not only technical expertise but also strategic planning to mitigate risks and avoid costly delays or penalties.

Construction and Labor Compliance

Philadelphia's life sciences construction projects must also adhere to both local building codes and federal labor laws. First, entities must ensure compliance with the Philadelphia Building Code, which generally governs structural safety and laboratory ventilation requirements. Compliance with the Philadelphia Building Code can be a complex process requiring a thorough understanding of detailed construction, safety and zoning regulations. With frequent updates, strict permitting requirements and coordination across multiple city agencies, navigating the code demands technical expertise and careful planning to avoid delays and ensure timely project approval. Next, compliance with Prevailing Wage Laws under the Davis-Bacon Act (40 U.S.C. §§ 3141-3148) for federally funded construction projects, ensures that contractors pay laborers their fair wage. Contractors should double-check their wage and benefit plans to ensure they are complying – these laws have seen significant changes over the past year and that trend is expected to continue.

Tax Incentives and Economic Development Programs

Developers and/or constructors of life sciences projects may qualify for federal and state-specific incentives, including but not limited to the following: (1) The Qualified Opportunity

Zone Program (“QOZ”), which provides tax incentives for investment in designated zones, including parts of Philadelphia; and (2) Pennsylvania's Keystone Innovation Zone Tax Credit (“KIZ”), which can benefit early-stage companies, including life sciences companies, expanding in designated areas – the construction agreements related to these incentives need to account for which entity is entitled to receive the benefit, so both developers and contractors should be aware. These incentives encourage investment in research facilities and biotech infrastructure, helping developers offset costs while promoting innovation and economic growth in the industry.

Future Outlook and Legal Considerations

As life sciences construction continues to expand in Philadelphia and beyond, contractors should ensure they engage legal counsel to address the following considerations:

1. Zoning and land use approvals for new developments.
2. Regulatory compliance with environmental and safety laws.
3. Construction and labor law issues, particularly under the Davis-Bacon Act; and
4. Tax incentive applications to maximize funding opportunities.

As is outlined above, life sciences development entails multiple levels of legal and regulatory issues. The legal and regulatory issues, individually, are complex – and collectively even more so. Developers, contractors and business entities cannot manage these issues without the proper guidance, which requires a deep and broad team that focuses on land use, zoning, environmental regulation, safety regulation, labor/wage laws and tax compliance. Legal counsel can assist in providing the support necessary for such projects – which manages risk and promotes project success.

Final Takeaway

Philadelphia's life sciences construction boom is transforming the city into a major biotech and pharmaceutical research hub. However, developers, constructors and businesses must navigate and increasingly complex legal framework. By ensuring compliance with federal, state and local regulations, stakeholders can maximize opportunities while mitigating legal risks, and experienced construction and real estate counsel play a crucial role in that process.

