

Feature: Industrial permitting still throws curve balls at projects

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Permitting challenges are part and parcel of industrial development in a state where the environment - beaches, lakes and green spaces - play an important role in attracting tourism dollars.

But sometimes, permitting issues do more than cause delays and add costs. Sometimes they kill otherwise feasible projects.

Indeed, industrial development experts cite major industrial permitting challenges across the state of Florida in three key areas: transportation concurrency, drought-driven water restrictions and the rising regulatory process. Savvy developers are looking for creative techniques to overcome the challenges - and finding them.



Ronald Weaver

"You'll find industrial permitting challenges statewide, but the specific issues are extremely localized," said Ronald Weaver, a partner at Stearns Weaver Miller Weissler Alhadeff & Sitterson in Tampa. "If you use the right techniques, you can save millions of dollars and lots of time. You can turn a 'no' into a 'yes' and turn a \$5 million bill into a zero bill."

Concurrency issues can be a deal killer in cities like Jacksonville. Jacksonville's seaport cargo boom is bringing industrial challenges on the distribution center side of the equation, namely the high cost of land close to the terminal. Prices have quadrupled in the last three years alone, according to Hobart Joost Jr., senior vice president of Colliers Dickinson. That's not even considering development costs.

"Concurrency costs, wetland mitigation and having a functional site plan for a rectangular distribution center that allows for truck courts and trailer parking is costly, time consuming and difficult to get permitted," Joost said. "That adds to the cost of sites that are function."



Hobart Joost

In response to the challenge, Joost is seeing a trend toward developers exploring more affordable and functional property beyond I-10. The concurrency issues there, he explained, revolve around impact fees based on the additional traffic a development is going to bring to the road. This means less investment than for a site closer to the terminal.

In the Tampa Bay area, permitting issues vary according to submarkets within the region. Still, the overarching industrial permitting challenge remains concurrency, said Brian Rettig, first vice president in the global corporate services practice at CB Richard Ellis.

“The concurrency challenge is driven in part by our population growth and in part by the mystical science of traffic studies,” he said. “Those studies can sometimes seem almost like smoke and mirror calculations.”



Brian Rettig

At the end of the day, Rettig said, it's the same story: Significant dollars being “dragged out of developers,” whether in direct funding of road improvements or contribution to pools of funds to pay for future road work. Concurrency fees have killed some deals in the Tampa Bay area, he reported.

“Once you look at what your off-sites are going to be, paired with other additional infrastructure you have to develop on the site and what you can buy the land for, you may not be able to justify rental rates,” Rettig said.

Beyond concurrency, there are also water issues to contend with. After several years of drought conditions, many counties across the state are seeing consumption restrictions from water management authorities. That, Rettig said, has also put the brakes on some developments.

Adding to the red tape of water management districts, local governments are beginning to get involved to capture the political issue the drought has caused, according to **Brady Cobb**, an attorney at **Tripp Scott** in Fort Lauderdale. And the down market isn't helping industrial developers push projects through, either.

“The cost associated with going through the regulatory process has become an even greater factor since the market has flattened out,” Cobb said. “It’s one more impediment to developing, whether it’s commercial or industrial development.”

The cost of dealing with regulations in South Florida is rising, and the cost per square foot is rising accordingly. Developers who paid top dollar for their land may not be able to develop a property profitably in a market where rental rates are flattening out or even dropping.



Brady Cobb

Even developers who purchased land at pre-boom prices are seeing less profit with the cost of regulations and the flat rentals, Cobb noted. As a result, some developers are getting more proactive in the regulatory process to avoid surprises and problems that could shut the project down, or at least delay it indefinitely.

“If you begin working with regulators at an early stage of your project, and build relationships, then you can partner with them to find solutions to permitting issues that may spring up,” Cobb said. “I have watched clients take this proactive approach, and it definitely makes it a lot easier to get through the industrial permitting process.”

Beyond getting proactive, there are creative techniques developers can use to deal with industrial permitting challenges. One of the most creative ways to get around concurrency challenges is to build in cities that offer transportation concurrency exception areas. Weaver can discuss 14 other creative solutions industrial developers could explore.

“Taking the time to investigate creative solutions to concurrency issues can dramatically affect a project,” Weaver said. “If you can find a solution that lets you get by with a \$1 million transportation hit instead of the \$5 million transportation hit your competitor took, then you can charge less in rental rates for a comparable project.”

There is one last issue for industrial developers that could make or break a project in the permitting stages. The issue lies in the comprehensive plan category. When developers begin to contemplate an industrial project, Weaver said, they need to review the plan to first make sure it’s correct, and then determine how quickly it could be amended.

“There are what are known as ‘small-scale amendments,’ which are expedited changes to the comprehensive plan to accommodate any changes you may need to make,” Weaver explained. “If you have 10 acres or less, you can use the small-scale amendment. It cuts in half the time it takes to amend the comprehensive plan to allow you to build industrial and expedite the approvals.”