Palm Beach County

Industrial Land Use Needs

Report of the Palm Beach County IPARC Industrial Land Use Subcommittee

September 2005

Purpose of IPARC Industrial Land Use Subcommittee

The Industrial Land Use Subcommittee was created by the Palm Beach County Intergovernmental Plan Amendment Review Committee (IPARC) in response to a request from the Issues Forum to study the impacts of the continuing loss of industrial land in Palm Beach County. There is a growing trend, especially in the coastal communities, of changing the land use and zoning from Industrial to Residential. The Issues Forum is concerned that the reduction of industrial land translates to lost potential for economic development and job growth. Some local officials believe the short-term gains in property value associated with residential use will be overshadowed by long-term costs of providing services to the residents. Industry not only provides necessary economic support and jobs for residents, but also generally requires a lesser amount of public services than residential. Additionally, a local economy is considered most healthy when there is a diverse mix of industries and employment opportunities. Industrial use also furthers the concepts of sustainable communities and smart growth.

These concerns may be intensified by the increasing attention of the business world on Palm Beach County associated with the development of the Scripps Research Institute. By retaining existing industrial land many communities could benefit from the anticipated spin-off effect of the Scripps Research Institute by providing opportunities for clean light industrial businesses, especially since some business owners may desire to locate closer to the coastline.

The Subcommittee had a relatively short time frame in which to conduct its evaluation, so the analysis and recommendations are necessarily general. For example, there was neither time nor funds available to perform a detailed comparative analysis of the local cost of services for industrial vs. residential uses. Therefore much of the Subcommittee's report relied on information supplied by previous studies, the Business Development Board, and local and regional industry professionals.

Organization of the Report

The first section of the report includes a discussion of the Subcommittee's assumptions and a series of facts and statements by national, state and local experts regarding the value of and need for industrial uses and their importance to the future of an area's economic development and employment opportunities.

The second section provides local information about the demand for industrial land from the Palm Beach County Business Development Board along with an inventory of future land use.

The final section lists the Subcommittee's recommendations for retaining land designated for industrial use.

Subcommittee Participants

The Subcommittee consisted of planners and economists from ten local governments who met several times in July and August 2005. Local governments represented included Boynton Beach, Delray Beach, Greenacres, Jupiter, Lantana, West Palm Beach, Lake Worth, Palm Beach Gardens, and Riviera Beach, and Palm Beach County

Special thanks go to Patricia Behn, Lisa Amara and Maggie Smith of the Palm Beach County Planning Division who provided significant data, assembled maps and drafted an initial report. Their contributions are greatly appreciated.

What is Industrial Land Use and Why Do We Want It?

• Industrial = Light & Clean Industry

For the purpose of this report, the Subcommittee has assumed that the term "industrial" means light and/or clean industrial uses, not heavy manufacturing as is often associated with "industrial". Recently, there has been particular emphasis on industrial uses related to the medical and research fields, that may spin-off from Scripps. Such uses may include research labs, medical equipment or supply manufacturers and pharmaceutical manufacturers.

The State of Florida and Palm Beach County have committed investments in excess of $300 million to attract the Scripps Research Institute to the area. The County has further committed to significant changes to the future land use plan in the Central Western Communities to provide land for Scripps and the many expected spin-off businesses in this immediate area. Municipalities that desire to share the benefits of this major economic generator should make every attempt possible to provide industrial land within their communities.

• Benefits of Industry

In addition to playing an important role in maintaining a diversified economy as will be discussed later in this report, industrial businesses can offer two economic advantages – higher wages and lower service costs – when compared with other types of land uses.

- ***Wages***
  Industrial uses usually pay higher wages than service and retail; for example, average annual manufacturing wage is over $39,000, 21.5% higher than the state average wage (materials of the Manufacturing Summit on December 1-2, 2004, organized by the Enterprise Florida Manufacturing Advisory Council (EFMAC) and the Florida Manufacturers Association).

- ***Costs of Services***
  Industrial development usually generates large fiscal surpluses while residential development often generates fiscal deficits. This has been confirmed by numerous fiscal impact and Cost of Community Services (COCS) studies. The COCS ratio (service expenditure for every dollar collected in revenues) for residential uses runs, on average, between $1.15 and $1.50 while the ratio for industrial and commercial uses ranges from 0.35 to 0.65.

  Ratios quoted from "Cost of Community Services" Land Use Series, Allen M. Prindle and Thomas W. Blaine, Ohio State University, 1998.
  "Land Use Impact Analysis" Town of Davie, David Griffith & Associates, 1997
  "Economics of Land Uses in Polk County, Florida Stewardship Foundation, 1999

How the Experts View Industry – Quotes from National, State and Local Leaders

• Florida's Strategic Vision

Florida is a global leader in knowledge-based jobs, leading-edge technology and competitive enterprises in the 21st century. Florida's goals are globally competitive businesses, well paying jobs for Floridians, and high quality of life throughout Florida.

On Florida's Economic Diversification and Competitiveness: The Roadmap to Florida's Future recognizes that diversifying Florida's economy is a function of raising the **quality** of economic growth and achieving a more favorable sectoral and geographic **distribution** of economic activity.

These two aspects of diversification are closely related and in many ways mutually reinforcing. Traditionally a job-creation engine, Florida's economy has excelled at providing employment for the numerous newcomers that arrive in the state each year. There is also a need to diversify Florida's economy by spurring the growth of its higher value-added, higher–paid industries. Diversification of Florida's economy is a continuing priority.

Source: "Roadmap to Florida's Future, 2004-2009 Strategic Plan for Economic Development Diversifying Florida's Economy, 2005 Annual Report." Submitted by Enterprise Florida Board of Directors, in fulfillment of Florida Statutes 288.905 (2) to Governor Jeb Bush, Senate President Tom Lee, House Speaker Allan Bense, Senate Minority Leader Lesley Miller, and House Minority Leader Christopher L. Smith.

• Palm Beach County Industrial Market

The Palm Beach County industrial submarket continued its reign as the tightest market in South Florida.

Almost all demand is Palm Beach was for R&D/flex space and all the loss occurred in the warehouse/distribution sector. The market is clearly being driven by the arrival of The Scripps Research Institute and will soon be dominated by R&D properties.

The lack of available space has put the pinch on expanding tenants. For example, Levenger is relocating its distribution operation from Delray Beach to Memphis, Tenn. One of the key factors cited as influencing their decision was the limited expansion space available in Palm Beach.

Source: Grubb & Ellis, "Industrial Market Trends Palm Beach County, Executive Summary", Grubb and Ellis Research, Second Quarter 2005.

• North American Industrial Market

In North America (United States and Canada), Palm Beach County is ranked the top 5th in highest asking rental rates for warehouse and distribution, the top 10th in highest asking rental rates for R&D/Flex, and the top 15th for lowest market vacancy rates for industrial.
Source: Grubb & Ellis, "Industrial Market Trends North America", Grubb & Ellis Research Second Quarter 2005.

- **U.S. Economy and Industrial Market**

The second quarter of 2005 surpassed expectations, with the trend of strong absorption dropping vacancies in the office and industrial markets continuing from last quarter. Steadily increasing employment gains and rising corporate profits combined to further increase rates of occupancy nationally.

Source: CB Richard Ellis, U.S. Office Vacancy and Industrial Availability Reports, Second Quarter 2005

The economy is back and the nation's industrial and office markets are clearly benefiting. The nation's industrial markets are picking up steam.

Source: The National Association of Industrial and Office Properties (NAIOP)'s Development Magazine, "First Look" Issue 02, 2005.

- **Local Industrial Experts in South Florida**

Reasons for providing office and light industrial land: a stronger diversification of the tax base, commodity/retail price reductions to local community due to lesser transportation costs, and a catalyst for redevelopment in blighted areas.

Source: Mark Levy, President of the South Florida National Association of Industrial and Office Properties, Area Vice President for Duke Realty, FL

Most of the office/warehouse users have a preference to have easy access to the Interstate and the Turnpike, especially now with the high fuel costs. A majority of the remaining land that is zoned industrial is located in the western market (Palm Beach Park of Commerce, Pratt and Whitney land).

The lack of product and the high demand for industrial that is directly related to the housing growth has caused a huge increase in industrial property values over the last couple of years. The vacancy rate is now a very low 2.3% for Palm Beach County and values have doubled for both land and user buildings over the last 2 years alone. The high prices are causing many companies who do not have to be here to run their business to move.

Source: Robert C. Smith, Senior Vice President, CB Richard Ellis, Industrial – Life Sciences Group, Boca Raton, FL

Residential developers have acquired many industrial sites in the last few years leaving very few sites for business parks developments. With only a few sites remaining, pricing is getting out of control. If the locations are too expensive, companies may not locate in these areas, and may service the market from outside markets. We need industrial and business parks to support the residential markets. People want to work near where they live. A diversified economy is a healthy economy, provides for a diversified tax base, and provides jobs.

Source: Scott Helms, Vice President, Industrial Developments International (IDI), Broward

Light industrial is key to support the massive growth in residential development by providing a clean and out of site location for service vendors (landscapers, plumbers, electricians). It helps keep the proper planning balance to a municipalities' comprehensive plan. When light industrial zoned land is continually converted to residential uses, the already thin supply gets depleted. It can alleviate concurrency issues by allowing workers to access workplaces closer to home.

Source: Sean M. Leder, CEO, The Leder Group, Boca Raton, FL

Having been an Industrial Specialist with CB Richard Ellis for the past twenty-four years, I have seen Broward County area grow and create jobs and grow tax base via industrial park development. In the early 80's the Fort Lauderdale Commerce Center (a master planned industrial park) was created. This is a thriving business park that created thousands of jobs for residents living in the tri-county area. Today Broward County is virtually out of industrial land. The growth is and will continue to move north, spilling into Palm Beach County. I think amendments to the land use plan would be well advised to accommodate this overflow from their neighbor to the south.

Source: Harry G. Tangalakis, Senior Vice President, Industrial Brokerage Services, CB Richard Ellis, Ft. Lauderdale, FL

With the exception of the former Palm Beach Park of Commerce and some small sites here or there, there are very few opportunities for users in the market place to choose from. There was quite a bit of industrial zoned land that municipalities have decided to rezone to residential and shrink the already limited supply of industrial. Given the industrial zoned land shortage, the price will skyrocket, and a supplier or manufacturer in the area will have to pay more for facilities. The ultimate customer will have to absorb these cost increases and pay higher prices for product and services. We need industrial to provide companies with a place to grow and employ.

Source: Christopher J. Metzger, Senior Director, Cushman & Wakefield of Florida, Ft. Lauderdale, FL

There is a shortage of supply resulting in high rates and lack of space. Goods and services need to be close by to the people they serve or there is a great increase in traffic.

Source: Joseph J. Rauenhorst, President and CEO, Opus South Corporation, Boca Raton

Providing a mix of commercial, industrial, warehouse, etc. uses is critical to the survival of Palm Beach County's economic base. As municipalities increase housing supply, without these other uses the tax burden is 100% placed on the homeowner. Flex, office, industrial uses create economic base employment, which in turn creates consumer spending and a healthy effect on the economy.

Light industrial is no longer defined as just what is says. A larger number of office and service users are finding that this type of space suits their needs better. Light industrial provides space for smaller entrepreneurial entities.

Source: Michael Falk, Michael Falk & Company, Palm Beach, FL

Without a sufficient amount of industrially zoned land to satisfy the future demand for service related businesses to take care of the needs of the growing population, a void will be created.

This is already taking place in Broward County, where the absence of industrially zoned land is forcing service related businesses to relocate to more affordable areas for their businesses, which eventually will raise the cost of services for Broward's population. The same fate will befall PBC if more land is not made available for the necessary service and support industries.

Source: Thomas R. Kates, President, Stiles Realty Company, Fort Lauderdale, FL

Palm Beach County Business Development Board

The Business Development Board is the county's business recruitment and marketing arm, charged with bringing jobs to Palm Beach County through corporate relocations and expansions. During the past 18 months, it has been more challenging to successfully recruit new projects into this area due to the increasing cost of land and the lack of available existing buildings. The Business Development Board provided the following information in August 2005.

2000 - 3.5 million square feet of inventory was added
2001 - 3.5 million square feet of inventory was added
2004 - 1.1 million square feet of inventory was added
2005 - 700,000 square feet is projected.

Due to the limited space, occupancy costs are rising significantly.

- Increased sales prices cause taxes and rents to rise
- Supply and demand constraints compound the effect of high prices
- Combined with facility obsolescence

Examples of facility obsolescence include:

- Warehouse with less than 28' clearance and limited dock door
- Bulk of warehouse space is old
- Low ceiling office buildings
- Building with insufficient parking
- Inventory damaged from hurricanes or removed for residential development

Ideas to increase supply:

- Incorporate manufacturing and flex space in new urbanism
- Encourage light industrial and office uses in urban redevelopment
- Smart/Tech parks in and around airports, universities and public facilities

BDB Project Pipeline Real Estate Requirements

Palm Beach County currently consists of:

- 32.5 million sq. foot of office space
- 44.9 million sq. foot of warehouse space
- 10 million sq. foot of manufacturing space

The two charts that follow on page 8 depict the types and sizes of land or space needs being requested of the Business Development Board.

The BDB pipeline of companies exceeds 130 at the present time. Nearly half those companies looking to relocate or expand within the county are presently seeking Light Industrial space. Those companies that have requested land availability will build approximately 1,687,000 million sq. foot of light industrial/warehouse space on that land and 384,000 sq. foot of general or heavy manufacturing/warehouse.

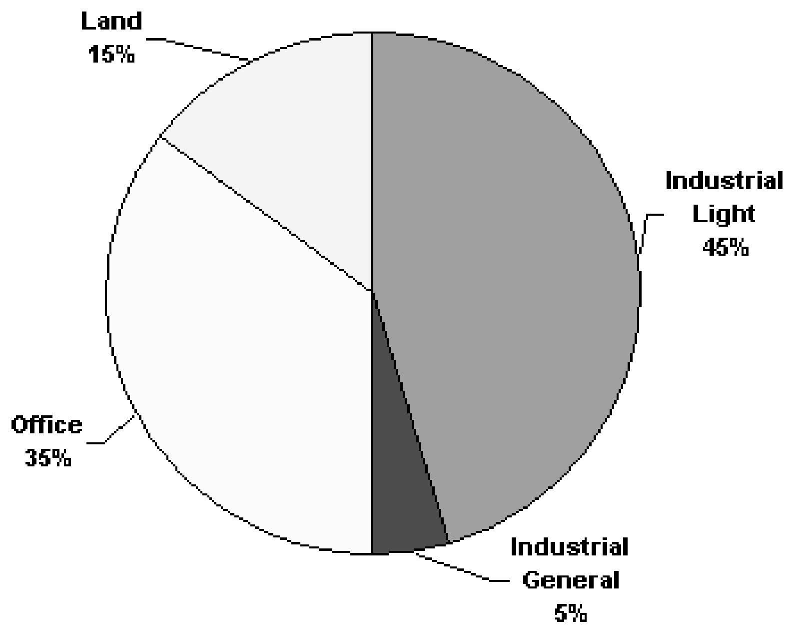
Palm Beach County Industrial Lands Inventory

The Palm Beach County Planning Division maintains a parcel specific database of all individual parcels (over ½ a million) in both unincorporated and incorporated County. This database includes information such as the existing land use category, future land use designation, acres, built and remaining to be built dwelling units, and square footage for each parcel. The Division updates this database annually with built information from the Property Appraiser's databases and with future land use changes and zoning approvals from the local jurisdictions.

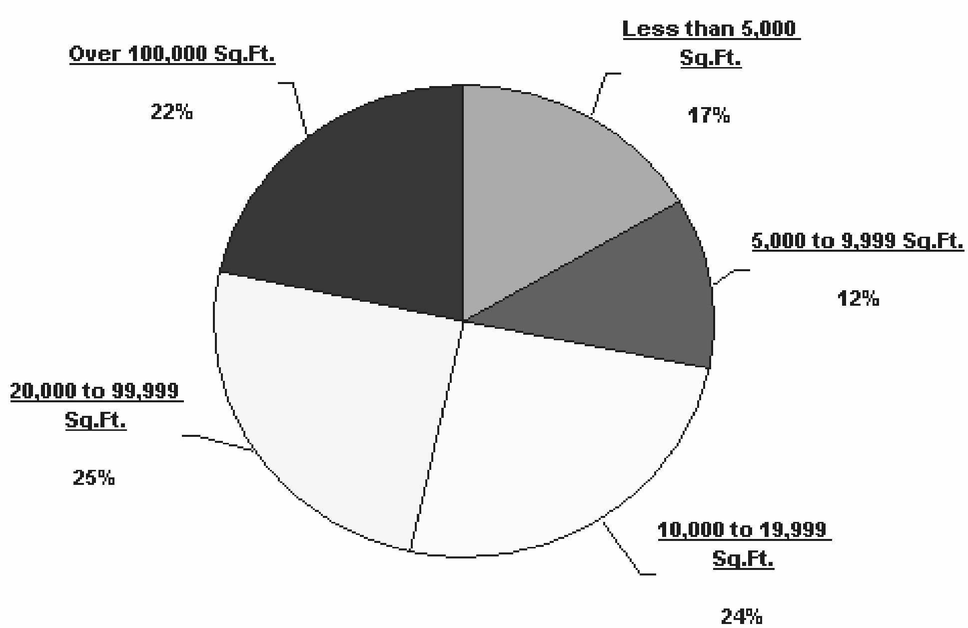
The map on the following page is derived from this database using Geographic Information System (GIS) software, and highlights the locations of lands with an industrial future land use designation throughout the County as of April 1, 2004. Also depicted are whether or not these lands are committed (meaning either built or approved) or developable, municipal boundaries, and other details such as the County's Urban Service Area, the Scientific Community Overlay (home to Scripps) and major unincorporated agricultural production and conservation lands. As shown, eastern municipal industrial lands are primarily clustered at points along the I-95 corridor. Unincorporated industrial lands are primarily clustered at points along the Florida Turnpike, the Bee Line Highway.

Approximately 182,000 acres of land within the County's over 2,000 square miles are under municipal jurisdiction. Although this figure represents only 15% of the County's total land area, municipal land represents nearly 60% of the land within the County's Urban Service Area since approximately 80% of unincorporated lands are represented by Agricultural Production and Conservation lands.

Percent of Companies by Real Estate Requirements



Size Requirements for Light Industrial Space



Source: The Business Development Board of Palm Beach County, August 2005

The following table highlights the distribution of future land use designations by jurisdiction. The table also highlights the proportion of lands within each future land use designation that are committed or developable.

Municipal Future Land Use Designations

Future Land Use	Acres	%	Committed	%	Developable	%
Residential	100,991	55%	86,699	86%	14,292	14%
Institutional	9,326	5%	9,119	98%	207	2%
Commercial	9,871	5%	7,906	80%	1,964	20%
Commercial/Mixed	4,781	3%	4,418	92%	363	8%
Industrial	8,294	5%	6,197	75%	2,097	25%
Conservation/Open Space	42,093	23%	41,693	99%	400	1%
Agriculture	2,737	2%	2,737	100%	-	0%
Other	4,256	2%	3,996	94%	260	6%
Total	182,349	100%	162,765	89%	19,584	11%

Other includes Utilities, Rights of way, Water
Source: Palm Beach County Planning Division Parcellink2004, April 1, 2004

As shown in the table above, Residential future land uses account for over half of all municipal lands, and Industrial future land uses account for only approximately 5% of municipal land. Of the nearly 20,000 acres of municipal land that are considered ‘developable’, the bulk of this land (73%) has a Residential future land use designation. Although only 11% of the developable municipal lands are designation for Industrial, this 2,097 acres represents an excellent opportunity for local governments to encourage new industrial development within their jurisdictions.

Municipal Developable Industrial Land by Size

Size	Parcels	%	Acres	%
Less than 1 acre	271	48%	102	5%
1 to 5 acres	230	40%	460	22%
5 to 10 acres	40	7%	252	12%
Greater than 10 acres	28	5%	1,283	61%
Total	569	100%	2,097	100%

Source: Palm Beach County Planning Division Parcellink2004, April 1, 2004

As shown in the above table, the vast bulk (88%) of the municipal industrial parcels remaining to be developed are less than 5 acres in size. The remaining 12% of the parcels that are 5 acres and greater account for the bulk of the land area (73%) remaining to be developed. The table below provides this information by jurisdiction.

Municipal Developable Industrial Land by Municipality

Municipality	Acres	< 1 acre	1 – 5 acres	5 – 10 acres	10+ acres
Belle Glade	59.56	5.96	35.38	18.22	-
Boca Raton	302.90	1.13	47.09	108.01	146.68
Boynton Beach	46.02	3.04	19.69	11.89	11.39
Delray Beach	73.45	4.76	36.73	19.48	12.48
Jupiter	192.92	18.65	26.27	14.44	133.56
Lake Worth	42.91	4.06	8.92	-	29.93
Lantana	7.68	-	2.09	5.59	-
Mangonia Park	29.73	10.00	13.96	5.77	-
Pahokee	418.23	4.02	2.82	6.40	404.99
Palm Beach Gardens	432.01	0.88	21.22	15.21	394.70
Riviera Beach	153.86	9.30	113.44	9.00	22.13
Royal Palm Beach	92.02	9.91	32.12	14.24	35.75
South Bay	12.53	0.38	4.00	8.15	-
Wellington	40.07	-	40.07	-	-
West Palm Beach	193.43	30.25	56.16	16.06	90.96
Total	**2,097**	**102**	**460**	**252**	**1,283**

Source: Palm Beach County Planning Division Parcellink2004, April 1, 2004

As shown above, there remain opportunities for both small and large industrial businesses to expand and/or relocate within municipalities, provided that these lands are retained for industrial future land use and not converted to residential or other future land uses.

Although the existing land use data maintained by the County (summarized above) can provide a useful summary and can assist with the ability to locate new businesses through new development, the County's Planning Division does not maintain an inventory of available vacant building space which may occupied by industrial tenants. One of the recommendations of this report is for the Business Development Board, or other economic engine, to develop and maintain a combined inventory of not only vacant and developable lands, but also vacant structures which are ready to be occupied by new industrial tenants.

IPARC Recommendations - What Local Governing Jurisdictions Can Do To Increase Light Industrial

- Encourage the retention of light industrial uses and land in the urban area of Palm Beach County. Local Comprehensive Plans should include policies to encourage the reuse of light industrial buildings and retention of land accommodating light industrial uses and to discourage converting non-residential land uses to residential land uses. In the up coming Comprehensive Plan Evaluation and Appraisal Reports, each local government should evaluate their balance of future land uses and examine the long term economic opportunities from increased and/or retained industrial land uses. Local governments should also coordinate closely with entities, such as the Business Development Board and local chambers of commerce to help recruit major employers and assist business expansion.

- Conduct research to estimate a desired percentage of industrial and other types of land uses needed for strong economic redevelopment in a healthy community and study other local governments' techniques and strategies to retain and promote industrial lands.

- Evaluate possible Scripps spin-off industries located in other life science research-based entities around the country and their location and service related requirements (do these businesses cluster around the main business?) so each municipality could analyze its ability to provide a home for those businesses.

- Encourage the Business Development Board to develop and maintain an inventory of available vacant industrial and commercial lands for development, abandoned structures for redevelopment, and vacant building space for industrial and commercial tenants. This inventory should coordinate with land designated as industrial and commercial in local governments' comprehensive plans.

- Examine creating a traffic concurrency exemption for industrial development/ redevelopment in the area east of the turnpike. The long-standing exemption of residential projects in the area east of I-95 has made investment in residential development a very attractive proposition. Clearly market forces have driven the resurgence of residential redevelopment in the coastal communities, but the exemption from traffic concurrency has contributed to the phenomenon. The municipalities now ask, "Where can all these new residents work?" An industrial traffic exemption could have a positive impact and should be studied.

- Allow some types of light industrial uses in commercial, such as light manufacturing, high tech, distribution, flex space, and assembly, to be permitted in commercial future land use designations. The conversion of aging, blighted commercial corridors to light industrial uses can not only benefit the aesthetic value of the corridor, but also reduce trips and promote redevelopment. In such instances, every effort should be made to adequately buffer these uses from adjacent residences to the rear of the sites.