

Building bio

Local developers
face unique
challenges as
Central Florida
attempts to build
a biomedical cluster.

By **DAN PING** | Staff Writer

PHOTO BY JIM CARCHIDI

Anne Deason of Grubb & Ellis stands in front of the Edward O. Carr building. In addition to Florida's Blood Centers, the building is home to Burnham's temporary labs.

It's the classic chicken-or-egg question: What comes first, the laboratories or the biomed companies?

As Central Florida attempts to diversify its economy to include biomedical research, that's the question local developers and economic development officials must resolve if Orlando wants to move beyond the rhetoric and create a thriving biomed cluster.

It seems simple enough — build a couple of spec buildings and recruit biomedical companies to lease the space. Central Florida developers have followed that approach for years in the office and industrial markets.

But facilities that can accommodate laboratories are more costly and complex to build, often require more regulatory oversight and are inherently riskier for developers investing in a nascent life science market like Orlando, says Pat Larrabee, founder of Facility Logix, a Columbia, Md.-based consulting firm that provides real estate advice for life science and

technology companies.

And make no mistake, says Larrabee, Orlando needs more laboratory-ready buildings.

"Orlando is not going to be considered a bio-cluster if the only thing there is Burnham," says Larrabee, who worked for 13 years as a scientist before moving into management and facility operations. "If [cash] incentives are the only thing Orlando has to offer — meaning there are no available buildings or landlords who understand the nature of the product — those incentive packages will gather dust. Orlando is competing against communities that already have these facilities."

Uncharted waters

There are, in fact, a number of other challenges facing the local construction industry, as well.

The biggest challenge, says Anne Deason, who heads up Orlando-based Grubb & Ellis Commercial Florida's life science efforts, is how to generate enough return to justify the developer's investment in bio-

medical buildings.

Consider: Buildout costs for laboratory-ready buildings can easily run \$100 per square foot or more, compared with \$30 to \$35 per square foot for shell buildout on a Class A office space.

Typically, buildout costs would be paid by the tenant, but life science companies, especially startups, resist paying those costs.

"These companies would rather pay higher lease rates than spend funds upfront for buildouts because they are trying to stretch their venture capital money. They want to spend that money on research," Larrabee says. She cautions, however, that those higher lease rates rarely cover the total costs.

The most effective solution to overcome this challenge is the establishment of a publicly funded program to assist with lease payments or buildouts. Local governments may even consider funding the construction of lab-ready facili-

BIO: Medical-related facilities face stringent regulation from federal and local governments

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ties, Larrabee says. Whatever program is used, it can't be measured as a typical real estate deal but rather as an economic development project.

More regulatory oversight

Another challenge for local developers is the complexity involved in constructing biomed facilities, which typically require greater power, air handling, fire suppression and water capabilities than traditional Class A office space.

While the actual construction can be pretty straightforward, developers will face much more regulatory oversight from local, state and federal governments depending on the types of chemicals or procedures to be used in the lab.

Take McCree Designed & Built Right, which built Burnham's temporary lab facilities at Florida's Blood Centers. It was the first biomedical facility the city had permitted, says CEO Richard McCree Jr., and there were plenty of questions.



McCree

"The fire marshal had a lot of questions about the types of chemicals Burnham might be using because they had to be comfortable that all of the life-safety questions were resolved," McCree says.

City officials were cooperative to work



PHOTO BY JIM CARCHIDI

Jennifer Hoffman, a senior research assistant, uses a roto-evaporator to concentrate a sample at Burnham's lab at Florida's Blood Centers.

with, he says, in part because McCree began meeting with them very early in the process.

"The best advice I have is to sit down with the city before you even submit the application and let them know what it is you want to do. You can get a lot of issues resolved that way," McCree says.

Out of the comfort zone

Larrabee, meanwhile, says that while Central Florida will most likely never be considered among the world's best biotech clusters along with places like Shady Groves Life Science Center in Maryland or the Research Triangle in North Carolina — "There isn't a research university on the level of Harvard, MIT or Johns Hopkins" — Orlando can develop a thriving life science community.

The key: adopting best practices from other communities and a having a willingness to change.

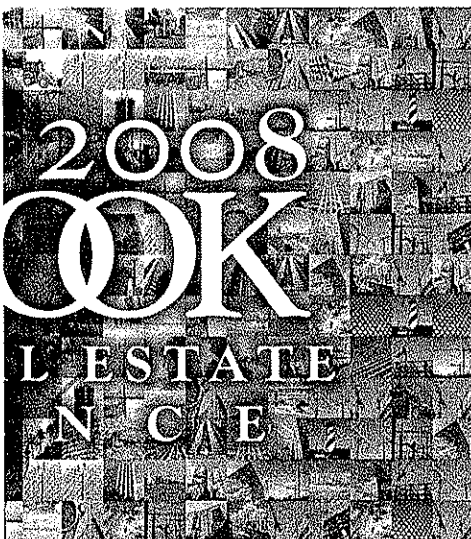
"As Orlando tries to kick-start this development, people will have to move out of their comfort zones," Larrabee says.

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Time and money

One reason biomedical companies face pressures to keep lease and build-out costs low is the extraordinary amount of money spent on research. Typically, it takes 10 to 12 years and \$800 million to turn a discovery into a drug consumers can purchase. "It's an industry that demands capital over and over and over again," says Pat Larrabee, founder of Facility Logix, a Maryland-based firm that assists technology companies with real estate decisions.

— Dan Ping



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