# Cities Hitting Zoning Speed Bump On The Road To The Life Sciences Gold Rush

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The small town of Morrisville, North Carolina, has just landed a mammoth economic victory, with developers committing to build a $1B mixed-use life sciences campus (https://www.bisnow.com/national/news/life-sciences/new-1b-life-science-megacampus-coming-to-research-triangle-111400) this week.

But the development, one of the largest of its kind in the Southeast, wouldn't have happened without a coordinated effort to change the town's zoning in time to secure the project. Morrisville Mayor TJ Cawley said the land use changes, along with a new access road, were critical to avoid the 400-acre property turning into another warehouse.

“We were racing to make these changes to avoid getting more big-box flex space,” Cawley told *Bisnow*. “This is the highest and best use on the land, in our perspective.”

Morrisville exemplifies how the right policies and infrastructure projects can help municipalities land a piece of the meteoric rise of the life sciences sector. The booming industry, high on funding and short on space, is fueling record levels of development and conversions and new campuses, with an estimated 24M SF of demand across the nation (https://www.bisnow.com/national/news/life-sciences/in-2021-labs-became-a-red-hot-real-estate-sector-in-2022-biotech-may-boil-over-111198), per CBRE.

A critical factor determining where that demand will land is the speed at which developments can deliver, but in cities and towns across the country getting inbound interest from developers and new opportunities, local planning and zoning rules are a major hurdle to overcome.

“Frankly, a lot of zoning codes never anticipated someone converting a shopping center into a lab,” Association of University Research Parks CEO Brian Darmody said.

Lab development requires a complex array of approvals and often atypical building dimensions and requirements, such as higher ceilings and more complex HVAC systems, making it an inherently costly and risky venture. Local building and zoning codes, which often restrict or severely limit where these projects can go, and local governments, which lack the experience and expertise to quickly approve labs, can add impediments and delay, which dissuade developers looking to bring space to market as soon as possible.

Even regions with booming life sciences development feel the pressure to accelerate the approval process or lose out on opportunities. In Montgomery County, Maryland, one of the nation’s busier markets for lab development, a newly announced ordinance (https://www.bisnow.com/washington-dc/news/life-sciences/montgomery-county-races-to-keep-pace-with-booming-life-sciences-market-111222) would cut down development time for new life sciences projects from 330 to 120 days, a critical tool in meeting demand and courting more development.

Jeff Sheehan has been developing in Morrisville for more than 20 years, and is a partner on the $1B Spark LS project with Starwood Capital Group, has seen the demand for area lab space grow in real time. His firm, Trinity Capital, had owned some of the land that would become Spark as far back as 2006, but only recently did the demand and opportunity for developing a significant life sciences campus present itself.

After the town completed an access road for the 400-acre site in 2020, Sheehan and others spoke with Morrisville officials this past year about altering some of the zoning regulations, resulting in a new Business Activity District (https://www.bizjournals.com/triangle/news/2021/09/01/town-of-morrisville-unlocks-development-options.html). The rules update the former industrial designation to allow mixed-use retail and the Spark project, which will boast 1.5M SF of lab space when complete.

“The rezoning changed the land value and created more potential for life sciences development, versus building warehouses and apartments,” Sheehan said. “I don’t think the landowners were originally excited about the lab opportunities, but now they see the value.”

Realizing these opportunities can present a challenge, many cities need to alter zoning codes to accommodate the different dimensions and infrastructure needs of life sciences labs, including ceiling heights, water and HVAC requirements, and numerous safety and regulatory inspections. There are also myths that often need to be dispelled about the safety and challenges of these labs, while the realities of certain biohazards and HVAC systems need to be properly addressed.

Just as the industry is frantically searching for more space, many municipalities remain somewhat unprepared to take advantage of the opportunity.

“If you don’t have space for them to grow and stay, and they want to grow and stay, it’s just not going to happen,” said Biocom LA Executive Director Stephanie Hsieh, who kick-started an initiative in Southern California to educate municipalities on the challenges and potential of life sciences development.

The GrowLA Bio Initiative, which started in November, gathered local government leaders in sprawling LA County to educate municipalities about the opportunities and challenges of welcoming life sciences development.

While LA has a relatively robust life sciences industry (https://www.bisnow.com/los-angeles/news/life-sciences/las-expanding-life-sciences-market-aims-to-boost-talent-avoid-startup-black-hole-110213), many of the county’s 88 municipalities aren’t familiar with permitting and regulating such developments, or understand the variety and nuance of building incubator spaces versus full-blown biomanufacturing hubs.

Hsieh said local officials often needed to be dissuaded from apprehension about safety or the impact of lab space on local economies. Some also feel that “when biotech comes in, you’re just going to gentrify every square inch of LA County with a bunch of white male Ph.D.s," she added.

A life sciences industry can’t be created whole cloth in a city (https://www.bisnow.com/national/news/life-sciences/life-sciences-boom-has-cities-seeing-economic-development-dollars-108783) or region without the right talent, funding or innovation centers (https://www.bisnow.com/national/news/life-sciences/maturing-life-sciences-industry-seeks-more-refined-mixed-use-spaces-109339). Cities of innovation like Boston or Philadelphia, with well-developed academic research centers, tend to

have local officials with decades of experience working with the industry, as well as university-based research centers and developments with advantageous zoning. Often, Tier 1 universities develop innovation centers and incubation hubs on land they own themselves, or university innovation districts that give them controlling authority to alter zoning to accommodate labs.

“[It's] hard to hatch out of thin air,” Sheehan said. “The pace has exploded, and municipalities and private development communities are working hard to catch up."

While cities and towns with nascent or nonexistent life sciences industries near regions with active biotech development can reap rewards from proactive planning, zoning issues can also hinder development in markets that already seem well developed. The torrid pace of growth means growing well beyond the university sites and into urban neighborhoods with a more tangled development process.

Take New York City: Its zoning categories were created in 1961, well before biotech was part of the development lexicon — there’s a category for typewriter repair shops — and it would require extensive political will to update, according to Kramer Levin partner Patrick Sullivan, a lawyer and land use specialist who penned an op-ed (https://www.kramerlevin.com/images/content/6/3/v3/63888/NB21003-KramerLevin.pdf) a year ago about the city’s “Frankenstein Zoning Laws Creating Problems for Monster Laboratories.”

While lab development is working within a system that wasn’t designed to accommodate it, and local development and demand accelerated in 2021 (https://www.crainsnewyork.com/commercial-real-estate/market-lab-space-city-remains-airtight), Sullivan said there are misconceptions that, if addressed, would help it grow faster.

Most labs are being developed in manufacturing zones, because existing zoning rules only allow the most intensive uses in these spaces, such as hazardous chemicals and biomanufacturing. But today’s lab can often operate without safety issues in commercial zones, Sullivan argues. He thinks the city should create a new zoning designation for life sciences and lab space.

“The industry is more popular with the real estate community than it’s ever been, and it could probably grow faster and sooner, but development is incredibly expensive and difficult,” he said. "Regulatory burdens can make people go elsewhere, and the fear is labs would go to places with better zoning.”

Nancy Kelley, who runs an eponymous life sciences consulting firm in New York, said it’s both easier and more difficult to build lab space in the city right now. It has less stringent height limitations for where you can put chemicals in a building, making it easier to go vertical. And a city zoning memorandum from a few years ago opened more areas up to development or conversion.

But at the same time, so much of the city’s industrial space, which would have been easier to convert to a lab, was already converted to residential and commercial space decades back, before lab space became a hot real estate commodity. She would help cut through the complications by creating a special city task force to facilitate and expedite permits for life sciences projects.

With demand expected to continue to grow for additional space in markets across the country, this moment presents unique opportunities for cities in the path of expanding regional lab clusters. Hsieh, who is pushing to create a toolkit for California municipalities to update regulations and seize the opportunity, believes that cities that make these changes will benefit both themselves and the industry.

“From what we see, there’s a lot of low-hanging fruit,” she said. “We should be looking at our industry like the film industry: How do we make it grow and stay?”

*Contact Patrick Sisson at patrick.sisson@bisnow.com (mailto:patrick.sisson@bisnow.com)*

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