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## Business at a bargain: Palm Beach County's costs alluring

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When Richard Weissman shopped for a new headquarters for his New Jersey-based company, he considered northern Virginia and Atlanta but chose Palm Beach County.

The combination of Florida's falling home prices, low taxes and warm weather sealed the deal, said Weissman, president of The Learning Experience, a chain of child-care centers. He moved the company and about 25 employees to Boca Raton in mid-2009.

"It was definitely an economic decision," said Weissman, whose company now employs 70.

During the real estate frenzy of 2004 to 2007, few would have called Palm Beach County a bargain destination for business relocations. But in a recession-driven reversal, the area has emerged as an affordable place to run a business.

A new report by The Boyd Co. of Princeton, N.J., says it's cheaper to operate a corporate headquarters here than in most U.S. cities.

Of 55 metro areas rated from most expensive to least expensive, Palm Beach County ranks 40th.

It's no shock that the county is less expensive than Northeastern cities, but it also is a better bargain than destinations such as Cleveland, Milwaukee, Indianapolis and St. Louis.

To compare areas, The Boyd Co. estimated the cost of a hypothetical 75,000-square-foot headquarters with 300 employees.

The analysis considered a variety of expenses, including wages, utilities and property taxes.

Operating a corporate headquarters in Palm Beach County costs \$21.2 million a year.

The most expensive area is New York, at \$28.5 million a year. The cheapest is Orlando, at \$19.9 million.

In Boyd's 2007 study, Palm Beach County was the 31st most expensive of 55 areas, but falling prices for commercial real estate dropped the area to 40th in this year's ranking.

"What's driving this is the dramatic drop in land prices," said John Boyd, president of The Boyd Co. "There's an upside to some of these recessionary fallout."

The economic crash means Florida once again can market itself as a low-tax, low-cost destination. That well-worn pitch lost its appeal as prices of homes and commercial properties soared.

"This shows that the business climate of the state is pretty solid," said Antonio Villamil, a Coral Gables economist.

Boyd's study didn't even consider housing prices, a big factor in the county's newfound affordability. During the real estate bubble, the county's housing costs were among the highest in the nation. Employers grumbled about the difficulty of luring workers here.

The housing crash fixed that problem. The median price of an existing single-family home in Palm Beach County collapsed from \$421,500 in November 2005 to \$208,400 in November 2010, according to the Florida Association of Realtors.

Commercial real estate values also plunged, returning the county to its familiar role as a cheap alternative to New York, Boston and Philadelphia. The annual cost of running a corporate headquarters is \$25 million a year in Boston and \$24.5 million in Philadelphia, The Boyd Co.'s study found.

"Companies want to be as lean and mean as possible," Boyd said. "For Palm Beach County, you're working with trends rather than against them."

As Weissman weighed moving The Learning Experience from New Jersey, he looked at taxes and housing costs. Unlike most states, Florida has no personal income tax. And Florida's corporate income tax rate is about half of New Jersey's, Weissman said.

Because housing is much cheaper here, workers' paychecks go further, he said. And it didn't hurt that he informed employees of the move in the dead of winter.

Weissman's decision reflects a change in the way business owners perceive the county, said Kelly Smallridge, president of the Business Development Board of Palm Beach County, which recruits companies to the area.

During the boom, companies stopped considering Palm Beach County. Now, Smallridge said, she's working with three companies that are considering moving here.

She also hopes to target chief executives of firms based elsewhere who own second homes in Palm Beach County.

"Our pipeline of prospects has more than doubled at a time when the economy is struggling," Smallridge said.

With unemployment at 12.3 percent, the county is desperate for job creation. Chasing corporate offices makes sense, Boyd said.

They bring high-paying jobs that are less likely to be outsourced overseas.

"Corporate headquarters are the holy grail of economic development," Boyd said.

Though the county compares favorably with expensive markets in California and the Northeast, it doesn't enjoy a significant cost advantage over areas such as Broward County (where running a corporate headquarters costs \$21.6 million a year), Atlanta (\$21.6 million) and Charlotte, N.C. (\$21 million).

Not all moves are strictly about the bottom line. Warm weather and the ocean attracted entrepreneur Steven Bernstein, the founder of SBA Communications.

He moved his telecom company to Boca Raton from Pittsburgh in 1994.

"It's nice to be in the sunshine and near the water," SBA Chief Executive Jeffrey Stoops said.

Now the company is unlikely to move a long distance, he said.

"I'm not even sure there is an amount of money anybody could pay us to move our headquarters once we've got that ingrained workforce," Stoops said.

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