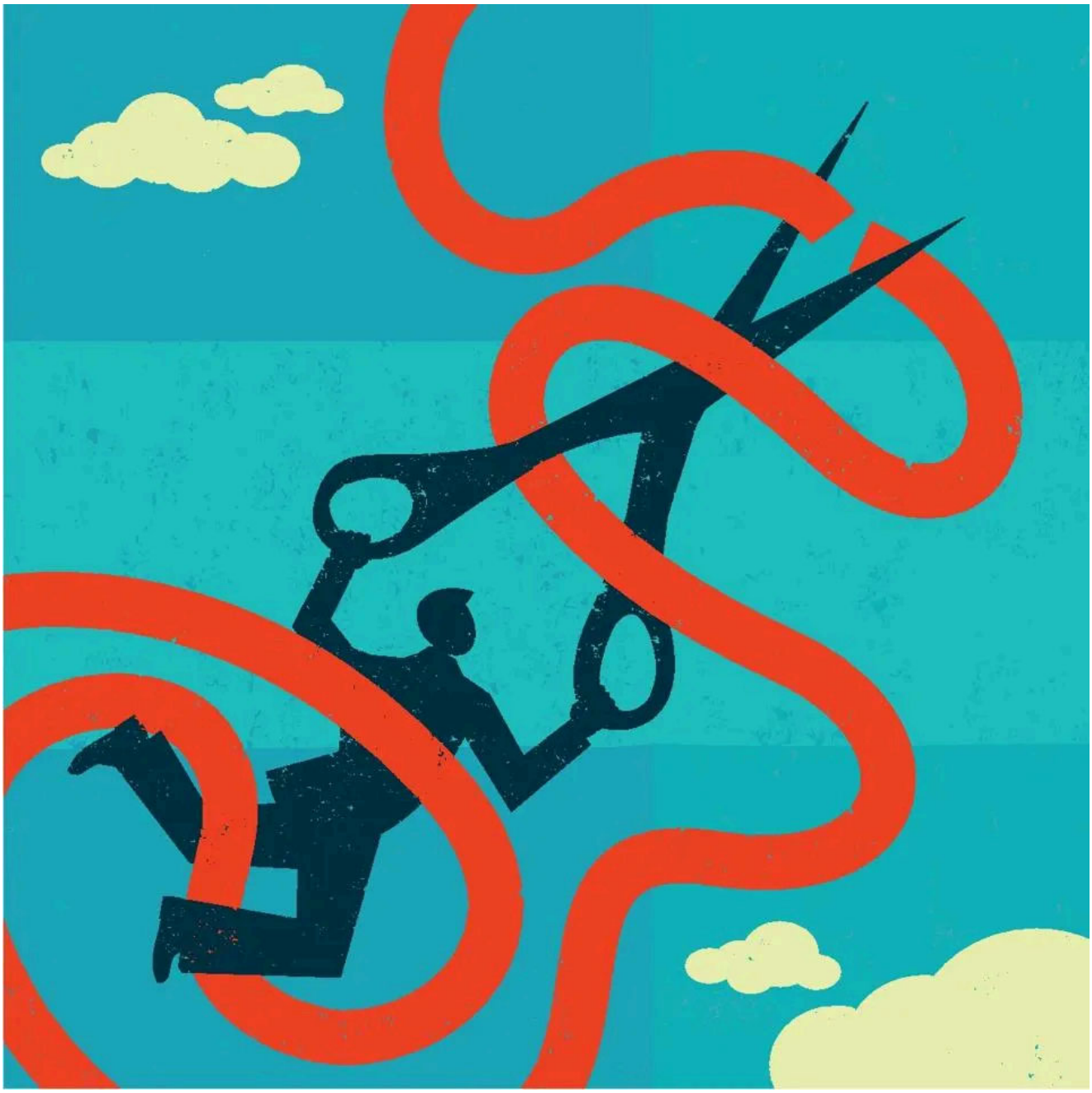
Thinking Outside The Box On Approvals For Development Projects

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Getting government approval for building projects can be cumbersome, time-consuming, and expensive. Maybe that burden shouldn't fall entirely on the developer's shoulders.

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When a developer wants to build a substantial project, the process often begins with obtaining governmental approvals. Perhaps the developer needs permission to deviate a bit from the rules that would otherwise apply. Perhaps the project will include certain uses (for example, hotels) that are disfavored or have historically caused concerns. Perhaps the project will have effects on the nearby area, and the approving authority wants to think about those effects. Or maybe the project is just big.

Regardless, the developer will often find it needs to master a multi-step process that can take months or years, giving elected officials multiple opportunities to change or derail the project. The whole tone of the process tends to treat any developer as an evil interloper who is trying to do something bad and must be controlled and pushed to do something good in order to proceed.

This is all wrong. Government authorities ought to look at developers — especially residential developers of all types — in an entirely different way. We should recognize that development is a good thing that should be encouraged and made easier. Many areas of the United States, especially near the coasts, need more development, not less. They need it quickly. Again, that's especially true for residential development.

Presumably the governmental approval process for development projects serves some public purpose. It doesn't just impede and delay development for no reason. The approval process is supposed to serve the public good by controlling what gets built and perhaps preventing future problems.

On that basis, if we want to encourage development, perhaps it's reasonable for the approving authority to cover some of the costs that the approval process imposes on developers. The approval process exists to serve various public goals. Perhaps we should treat some costs of that process as a governmental investment for the public good, rather than as something that the developer should bear as part of the initial investment for a project.

The developer's costs start with consultants and other advisers who generate the necessary applications and filings, and then rework the project in response to complaints from the approving authority. The developer's costs also include the costs of delay—particularly carrying costs and interest on the developer's investment—while seeking the necessary approvals. Those costs are all very real and sometimes so substantial that they prevent projects from happening. When that happens, society loses out on the additional housing or whatever else the developer would have built.

In response, since it's the approval process and the public good that causes the developer to incur the costs and delays of the approval process, the approving authority might appropriately bear or some or all of those costs, including the costs of delay. Any such requirement would also produce an indirect benefit: the approving authority might try to simplify and speed up the approval process in order to mitigate the costs the approving authority needs to pay. Elements of the process that just create spurious issues or slow things down might turn out to be unnecessary if the approving authority had to pay for them.

As one early example of what could be, some approving authorities are starting to realize that environmental review doesn't make sense for many residential development projects, and all it does is slow down the process and create opportunities for objections. That just helps to delay or prevent the creation of badly needed housing. As a result, some approving authorities are starting to cut back their requirements for environmental review. If those authorities had to pay some or all of the developers' costs of enduring the process, and also had to pay interest on the developer's investment if the approval process took more than some short time, they might figure out that other pieces of the process are perhaps not as important as they thought.

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