

Local talent key to land development

Bahamian expertise, right attitude essential to help foreign developers put the pieces in place

By Andrew G S O'Brien II

Land development in a foreign country creates many challenges. For foreign investors in The Bahamas, it is no different. What do successful foreign developers do? How do they enter an environment such as The Bahamas and succeed?

While some elements of development are undoubtedly universal, success in The Bahamas requires a recognition of its peculiarities. Idiosyncrasies such as a vast and widely dispersed geography, a strong centralized government, a small population accustomed to operating internationally, a significant dependence on imports, and a limited labour pool all have to be considered. In order to effectively manage these factors, a foreign developer must make use of local talent. Projects such as Albany and Old Fort Bay, both in New Providence, and Grand Isle Resort & Spa in Exuma, are examples of high-end projects that are experiencing success because their developers have embraced local talent.

Right attitude

Like any endeavour, attitude is paramount. Developers must come with an open mind, the ability to be flexible, and the readiness to take advice from Bahamian professionals and tradesmen. If a developer comes with the attitude that only they know best, they are more likely to experience difficulties. Island temperament includes generous hospitality, but it also includes sensitive national

pride. An overly aggressive approach is likely to create more barriers than it breaks down. Bahamian advisors will help the foreign developer manage these cultural dynamics.

Build a local team

Those who have enjoyed success here have done so by building a strong local team and involving its members in every aspect of the development from the land purchase, financing, site planning, land surveying, engineering, and architectural design to construction, insurance, sales and marketing. Effectively addressing these elements requires

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proper legal planning and close coordination with the Bahamian government. Obtaining advice from other developers, who are generally pleased to offer recommendations, will bring additional valuable insight.

One success story of a foreign developer benefiting from local talent comes from the five-star villa residential and resort enclave of Grand Isle Resort & Spa. Project developer EGI Ltd (EGI) scoured The Bahamas to find the best



Grand Isle Resort & Spa, Exuma

electricians, plumbers, carpenters, tilemen, and other tradesmen. When EGI completed its search, it awarded contracts across the archipelago, from Grand Bahama to Long Island.

"Of all the jobs we have done, including high rises in Florida, Grand Isle in The Bahamas is the one we take the greatest pride in, and that is because of the workmanship by local talent," says EGI President Jim Clabaugh.

Know the rules

Bahamian expertise is essential to navigate through the myriad of rules and regulations, which are often similar to their North American and European equivalents. However there are some differences due to either Bahamian statute law or English common law, which The Bahamas inherited from its colonial past. For instance, developers have the right to develop and sell their

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own property such as a condominium, a single family home, or a condo-hotel, but they may not practise real estate in any other fashion.

Accordingly, successful developers work with local real estate firms, many of which have global contacts, international marketing affiliates, a wide client base, and a valuable understanding of the Bahamian market.

One common misconception of local laws involves the scope of a business licence. A non-Bahamian-owned company authorized to work in The Bahamas is restricted to the specific project for which its licence is granted. A violation occurs when such a company receives a business licence to work on one project, but then moves to an unaffiliated second project prior to completion of the first project. Although it may not be stated when the licence is issued, the restriction exists, and violations can impair both projects and the view that the government holds of the company for future applications.

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Additionally, a developer should consider whether to pursue certain benefits offered by the government for building or renovating a hotel, developing in the Family Islands or manufacturing in The Bahamas. It is not uncommon for a developer to enter The Bahamas planning a traditional subdivision or condominium, then realize the significant advantages of the noted acts and change development plans.

The Hotels Encouragement Act, the Family Island Development Encouragement Act, 2008, and the Industries Encouragement Act (if manufacturing will be part of the project) offer savings on duties for building materials, construction plant, and real property taxes that will make a

significant difference to a developer's income statements and balance sheets.

Even as this is being written, legislation is being drafted that could create more favourable real property taxes in the new budget, which takes effect July 1. More good news is that there is no income tax, capital gains tax or estate tax in The Bahamas.

Work closely with government

The first step to processing your development is to obtain approval from the Bahamas Investment Authority (the administrative arm of the Investments Board). Developers sometimes make the mistake of thinking that money will buy them carte blanche in the development process. However, funding alone will not open all doors. While government is keenly interested in making sure that a developer has adequate funds to complete the critical stages of a project, other factors receive equal consideration.

The Investments Board will look at your development record, sources of funding, the anticipated income to the

government through stamp tax from real estate sales, business licence fees (no higher than two per cent of gross revenue), projected National Insurance contributions (a form of social security and workers compensation programme),



Artist's impression of Albany

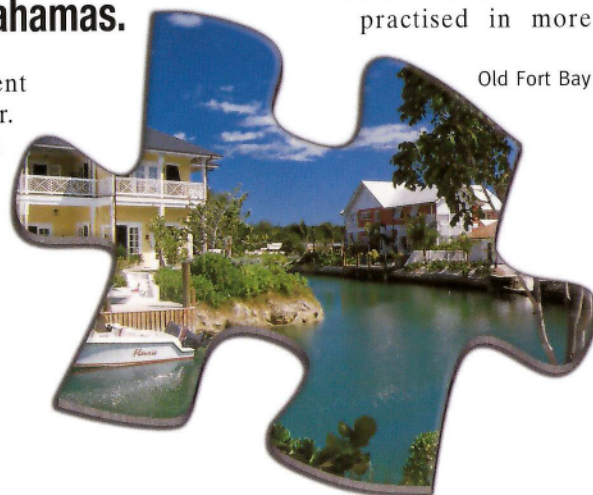
community contributions (especially to immediate area), requisite infrastructural improvements, and most especially, the number of local jobs that the project will create (broken down into short-term construction jobs and long-term support jobs). Additionally, due diligence will be conducted on all of the principals of a project.

When you are purchasing land for a project, you should submit development plans at the same time that you are applying to the Investments Board for your approval to purchase the property. A general time frame for processing a project proposal is six months from the submission of a completed application, although approval time varies, depending on the size and complexity of the project.

After submitting your initial application, you may be asked to refine certain elements of the proposal. For more complex projects, the approval process is much longer. With the Albany project for example, because there were major decisions to be weighed, including the re-routing of a public road, the preservation of significant historic sites, and the development of a golf course and marina, it took over a year for the project to receive its master plan approval, and

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more specific development approvals followed thereafter. More often than not, a land developer will modify the initial development plans. Working closely with government will assist in expediting such modifications as the development progresses.



Old Fort Bay

Unique dynamics

A foreigner, regardless of experience elsewhere, will find unique dynamics when developing in The Bahamas. This arises partly because some of the laws, regulations and policies were established in the 1700s, while others are newly created, such as recent environmental policies.

Additionally, each development is unique and requires differing considerations by both the government and the developer. The breadth of laws and legal issues to consider is extensive. On average, parliament passes about 30 new laws or amendments a year, which are not necessarily reflected immediately on the government website. Check with your Bahamian attorney or other professional to ensure that you have the most up-to-date information.

Personnel touch

Your local architects, engineers, contractors, insurance agents, realtors and attorneys have developed important relationships throughout the years. They know their way through what might otherwise feel like uncharted waters. They understand what should be prioritized, and they are accustomed to working with their foreign counterparts.

They are appreciative of, and often reliant upon, your investment.

From the tradesmen who may descend from long lines of fine craftsmen to the professionals who have often studied and practised in more

than one of the Caribbean, North American or European systems, you will find that the right local talent adds immeasurable strength to your development team and to your ability to succeed in The Bahamas. ②

This article was produced with the assistance of Diane Philips.

Internet information

The Internet is a good resource for information on getting your Bahamian development started.

- For an in-depth review of real estate regulations in The Bahamas, visit the website of the Bahamas Real Estate Association at www.bahamasrealestateassociation.com
- You will find important legal and policy information on The Bahamas government website www.bahamas.gov.bs



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