

# Redevelopment Tools

Warehousing, logistical fulfillment, and distribution centers

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**T**here is no question that COVID-19 has negatively impacted just about every industry in the State of New Jersey except for the production of hand sanitizer, paper products, and cardboard boxes, as well as various delivery services. Real estate transactions were on hold for some time, as were development applications and most construction projects that were already underway at the time that the coronavirus took hold.

New Jersey's municipalities quickly rose to the challenges presented by the pandemic ranging from allowing small businesses to utilize publicly owned spaces, to closing streets or widening sidewalks for local restaurants to accommodate outdoor dining, to proceeding with the business of the public by quickly adapting to holding meetings online in compliance with the Open Public Meetings Act. Clearly, many New Jersey municipalities remain "open for business" despite the challenges presented by the pandemic.

There are questions, however, about how the COVID-19 pandemic will impact redevelopment projects and financing. Will suburban residential be in higher demand? Will office space eventually become obsolete? Will brick and mortar retail

be able to sustain? Will there be any demand for hotels? Even if redevelopers want to continue the business of development, will financing be reasonably obtainable? These questions persist, though early indication is that New Jersey redevelopment will weather this storm.

One thing that has not been questioned about its ability to thrive in a COVID-19-tainted market is the demand for warehousing and logistical distribution centers. They are on the uptick, all the way from Carney's Point to Perth Amboy, and there appears to be no slow down on the development of them all over the State. These projects are beneficial all around, providing not only tax ratables but also jobs, leading to a constant stream of funds being pumped into our local cities and towns.



## Warehousing

Within the redevelopment context, these projects are also known to yield high enough returns to withstand the provision of certain public contributions such as park spaces. Redevelopment projects must be implemented in accordance with the applicable Redevelopment Plan, thereby often requiring infrastructure improvements, roadway repairs, implementation of green and sustainable features, incorporation of stormwater mitigation techniques and importantly, environmental remediation of legacy contamination.

### The Carneys Point experience

Redevelopment in the Township of Carneys Point, a 17-square-mile Salem County community of about 8,000 people along the Delaware River, has recently accelerated. The Mayor and the Township Committee have provided a catalyst for this much needed economic revitalization of the Township through the tools of the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq.

Carneys Point is ideally positioned for warehousing given its proximate location to major roadways, the Philadelphia International Airport, the Delaware River and its connection to the State of Delaware by the Delaware Memorial Bridge. Warehousing redevelopment in Carneys Point started almost 4 years ago, the pandemic has not slowed the interest and investment into warehousing.

**Amazon:** In September 2020, redeveloper Courses Landing Urban Renewal, LLC, closed on a change of its ownership to SunTrust Equity Funding, LLC for the acquisition and redevelopment of 158 acres necessary for the construction of a massive 1,085,468 square foot warehouse, distribution, and office facility that is anticipated to provide 100 jobs during construction and 600 to 1,000 new permanent jobs upon completion.

In addition to job creation, the increased tax ratable to the Township through the financial agreement for long-term tax exemption is substantial. For example, in the first year following the issuance of the certificate of occupancy, the Township will realize the greater of 10% of the gross revenue for the project or \$750,000

in lieu of approximately \$9,000 that the Township currently receives.

This redevelopment project has been in the works since the 2018 redevelopment area designation and redevelopment plan, but an expansion of the redevelopment area, an amended redevelopment plan, an amended redevelopment agreement, and an amended financial agreement for long-term tax exemption that all occurred during the pandemic will enable the project to move forward. It is anticipated that this redevelopment project will be fully constructed by the end of 2021 and utilized by Amazon for a logistics center.

**Harding Hwy Urban Renewal LLC:** A few months prior to the pandemic, the Township approved a redevelopment agreement for Harding Hwy Urban Renewal, LLC, to undertake the construction of a 400,535 square foot warehouse facility on approximately 41 acres of property. During the pandemic, the project continued to move forward with the Township approving a financial agreement for long-term tax exemption that will greatly increase the tax ratable for the property. It is anticipated that this project will provide approximately 100 construction jobs and 250 new permanent jobs upon completion in 2021.

**Future warehousing demand:** Carneys Point continues to be a hot spot for potential new warehousing. During the pandemic, the Township has received two proposals for an additional five warehouses and two other potential entities continue to express interest. Additionally, a redevelopment area study investigation has commenced involving approximately 145 parcels known as the Commercial Corridor Properties in Carneys Point.

Mayor Kenneth H. Brown said he is optimistic about the revitalization of the Township: "This warehouse redevelopment will give our Township and surrounding communities much needed jobs and will give all our residents opportunities for many years to come. Our small business partners will also get a much-needed infusion of business. I am excited about our future, and our ability to decide how our Township is developed."

### The Perth Amboy experience

Perth Amboy has also proven to be a highly desirable location for warehousing and logistical distribution center projects, due, in part, to its central proximity to major transportation arteries, its general accessibility for drivers and public transportation, and the availability of a workforce.

The recent redevelopment experience in Perth Amboy, with various projects over the last few years has generated nearly \$1 billion of new construction, approximately 3,000 jobs (long- and short-term) for the City's residents, 20 acres of open space, a \$15 million increase in tax ratables, the environmental remediation of over 500 acres of contaminated property, and the implementation of \$25 million in infrastructure improvements. All of which is achieved at no cost to the City.

Following studies to determine whether certain areas within the City were areas in need of redevelopment or rehabilitation, the adoption of the City's Redevelopment Plan made these warehousing projects possible:

**Home Depot:** Home Depot will be opening a logistics center on a former industrial site which involves an investment of over \$100 million for remediation and redevelopment of over 92 acres and the generation of approximately 500 jobs. This project is also expected to provide the Copperworks Waterfront Amphitheater and other public open space to be donated to the City by the designated redeveloper, which amenities will include a mile-long greenway.

**ePort I:** This fulfillment and logistics center comprises a three-building, 1.2 million sq. ft. industrial complex. Target is a current tenant. T-Mobile is also a tenant, leasing space for a cell tower, providing much-needed improvement to cellular communications throughout the City.

**ePort II:** This project will include the construction of two warehouses collectively comprising approximately 1.5 million sq. ft.; parking, trailer storage and dock spaces; security; bike racks;



## Warehousing

signage; lighting; landscaping and street-scaping; construction of public sidewalks along the perimeter of the project site and beyond; stormwater management components including rain gardens; infrastructure improvements including the separation of the Combined Sewer Overflow system; and green features including a solar panel-ready roof.

Each of these projects was the subject of thorough Redevelopment Agreements that were negotiated within the context of and pursuant to the Local Redevelopment Housing Law, N.J.S.A. 40A:12A-1, et seq. (the Act). Under the Act, the local redevelopment agency has discretion in selecting a redeveloper. Following its consideration of factors such as experience, credentials, financial capacity, and history/presence within the City, the redevelopers were designated by the Perth Amboy Redevelopment Agency, chaired by Mayor Wilda Diaz.

The Redevelopment Agreements addressed the project details and legal

terms and conditions that are pertinent in the implementation of such projects, including governmental approvals, environmental and historic preservation requirements, demolition of existing structures, stormwater management, design, landscaping and streetscaping, provision of open space, security, mitigating traffic and construction impacts, adherence to a project schedule, the holding of job fairs and promoting first source employment, transfers of ownership, financial commitments, liability, insurance requirements, and remedies for default, to name only a few. Even drone paths in certain cases have been established, so that drones do not fly over populated, residential areas.

Mayor Diaz has highlighted the redevelopment efforts that have been and will continue to be underway throughout the City: "Over the past eight years in particular, the City has successfully touted why it is so well-situated for redevelopment. Due to the efforts of the Perth

Amboy Redevelopment Agency (PARA), we have been able to achieve significant expansion and improvement.

She added: "As the Chairperson of PARA, I am proud to say that these efforts have resulted in the construction of various projects, including certain warehouse and logistics centers which are hosting nationally recognized companies, bringing jobs and overall economic growth to the City. Those important benefits are at the top of the list but there are others as well, such as environmental remediation of contaminated sites, creation of open space, and improvement of aging infrastructure, all of which will serve the future generations of Perth Amboy well.

Diaz added, "the relationships between municipalities like ours and redevelopers are meant to be mutually beneficial, and when all of the pieces of the puzzle fit together, and the tools are used correctly, both sides can get what they need."

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