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REAL ESTATE DESK

## **Town Dump's Buried Treasure: Location**

By JOHN HOLUSHA

CARTERET, N.J. -- FOR more than 20 years, the old town dump here stood disused and ugly, a landscape of mounds of dirt and discarded objects atop a 70-acre foundation of garbage and debris. Now, however, because of its location a few miles from the port and its access to the New Jersey Turnpike, it is on its way to becoming an attractive redevelopment site for warehouse-distribution centers.

A private development group is prepared to invest \$30 million to clean up the site and adjacent privately owned land to make the area suitable for new construction.

Why undertake such a difficult project? "Location, location, location," said Paul Slayton, a partner in Slayton Development Group of Garden City, N.Y., which is part of the venture.

"It is central," he said, "to the biggest population center and business district in the United States and 10 minutes from Newark Airport and the seaport. It is right off Exit 12 and will have marvelous visibility."

With restrictions on suburban sprawl taking hold in New Jersey and financial incentives available for cleanups, well-located former garbage dumps -- most closed in the 70's and 80's for environmental reasons -- and other contaminated land are becoming increasingly popular as sites for industrial, retail and residential development.

The Jersey Gardens outlet mall sits on the site of the town dump in Elizabeth, and a golf course is being built on the Bayonne dump. The chief executive of Cherokee Investment Partners, a large developer of contaminated properties, known as brownfields, said that his company expected to break ground this spring on a golf-oriented resort on four old dumps in the Meadowlands region.

The ambitious plan is expected to include 27 or 36 holes of golf in the first phase plus a clubhouse, hotels, office buildings, homes and retail areas. A second phase would add 36 more holes on two other landfills in North Arlington and Kearney with related developments.

Cherokee also plans a development along the Delaware River in Camden that would include residential and retail elements and a golf course on an 89-acre dump that now blocks community access to the waterfront.

Besides providing recreation, these golf projects are expected to improve the local air and water quality by capping the old dumps and treating the methane gas produced by rotting garbage and restricting the movement of rainwater through the property.

Water seeping through a landfill absorbs minerals and can contaminate groundwater and nearby rivers and lakes. Tom Darden, the chief executive of Cherokee, based in Raleigh, N.C., said these projects are moving forward because New Jersey has adopted a more attainable approach to environmental cleanups than in the past and offers incentives that pay for 75 percent of cleanup

costs. "In the past, regulations required that you remove every molecule, regardless of the risk," he said. "Now they are risk based."

New Jersey changed its brownfield laws in the 1990's, and real estate executives say the changes led to the projects now under way or in planning. New York State changed its law last year, and there too sites that have been abandoned or underutilized for decades may be put back into service.

New York's new law "reduces liability and provides grants and smoother procedures," said Howard D. Feiler, executive vice president of Geo Oxidation Services, an environmental engineering company in Rye, N.Y. "Projects will go ahead in places that have been abandoned for years or at best used as parking lots."

Golfing in the Meadowlands, with the skyline of Manhattan in the distance is one thing, but brownfield development is also coming to the gritty industrial parts of New Jersey, particularly along its northeastern waterfront. This area, from Jersey City to Perth Amboy, was thick with chemical plants and other heavy industries because of its access to ship traffic.

Many of these companies ceased operations or moved elsewhere, leaving a legacy of contaminated land. Some of it has already been reused in places like Jersey City and Hoboken for office and residential buildings on the west coast of the Hudson.

"The whole gold coast of New Jersey," a waterfront strip of office buildings and luxury high-rise apartment towers facing Manhattan across the Hudson, "is built on contaminated land," said Daniele Cervino, vice president and general counsel of Environmental Waste Management Associates, a cleanup company in Parsippany, N.J. She said New Jersey has been ahead of the federal government in dealing with brownfields. "The trend has been to convert manufacturing sites to residential use," she said. "The need is there, and there is capital available to do it."

## **Eyeing Brownfields**

### **The Appeal Of Nearby Ships**

Now interest is shifting to places like Carteret, which faces nothing more glamorous than the closed Fresh Kills landfill on Staten Island -- although that view will improve in future years as the landfill becomes parkland.

The reason for the interest in environmentally scarred areas like the Carteret dump is that shipping traffic has increased, as imports continue to flood into the ports of Newark and Elizabeth. The volume of traffic at the port increased 13 percent from 2002 to 2003.

The rise in imports is expected to continue, and port managers are seeking to improve the flow of mostly containerized freight by improving transportation and pushing nonessential operations away from the immediate port area. This creates demand for warehouses and distribution centers that are close in, rather than a trip of 45 minutes to an hour to the warehouse complexes at turnpike Exits 8A and 7A.

Planners have long advocated using brownfields near the port for warehousing and light manufacturing. Many goods imported from Asia need some processing -- such as attaching price tags to apparel -- before they can be shipped to stores. Operations of this sort, they have argued, could provide jobs to workers laid off as manufacturing has been transferred overseas.

Because many brownfields in northeastern New Jersey were formerly manufacturing or processing operations, they are usually close to transportation links and have access to utilities and telecommunications.

"We don't have any greenfields here," said Daniel J. Reiman, the mayor of the borough of Carteret, as a four-wheel drive truck bounced and bucked over the hills of the old town dump, which accounts for about 70 acres of a 117-acre redevelopment district. Brownfield developments, he said, will put unproductive land back into use and generate badly needed taxes for the town of about 23,000 people.

The Slayton group, in partnership with Panattoni Properties of Sacramento, Calif., plans to use the dump site and some additional property to build two warehouse-distribution centers, one with 1.2 million square feet of space and one with 220,000 square feet. It will pay the town \$1.5 million for its property, Mr. Reiman said.

Mr. Slayton said a tax-exempt bond issue was under discussion to finance the land purchases and construction. He said the buildings would be state of the art, with 36-foot ceilings and space for parking trailers.

Mr. Slayton said that he would love to find a tenant before construction begins but that the project would go forward on speculation if none had been signed. The project will be called iPort 12, the International Trade and Logistics Center at Carteret, said Aaron Malinsky, a partner at Slayton.

The original plans were for the Jersey Gardens mall to take the Carteret dump site, but the first developer failed to start the project, and it subsequently moved a few miles up the turnpike to Elizabeth, Mr. Reiman said. With the growth of freight traffic, he said, using the land for warehouse-distribution centers became a more attractive application.

About a half mile away, on the site of an old chemical factory that is being demolished, the Catellus Development Corporation, a real estate investment trust, is preparing to build a 360,000-square-foot warehouse-distribution center on 25 acres of land, also on speculation. Officials of Catellus, based in San Francisco, said the port was the primary attraction for the company, which is seeking additional industrial projects in the area.

## **Public Policy Changes Why Cleanups Look More Viable**

According to brokers, there are brownfield development projects under way or planned in Woodbridge and Perth Amboy, to the south of Carteret, and to the north in Carlstadt and Jersey City, where two speculative buildings in Greenville Yards are being developed by Keystone Property Trust of suburban Philadelphia.

Officials of the Nascar auto racing circuit are interested in a site in Linden, brokers say, for a racetrack, having failed to locate one in the Meadowlands. Other developers are contending for the same location, and no decision has been made.

The brownfield redevelopment activity going on today is the result of a combination of factors, said James W. Hughes, dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University. "First, the state got involved in brownfield public policy in the 1990's. Second, developers were getting whipsawed in the suburbs as highway traffic increased. But municipalities with brownfields welcomed them with open arms. And the governor's 'smart growth' policy has encouraged the reuse of underutilized land."

Ms. Cervino, the environmental-cleanup executive, added a developer's perspective. "Septic and storm water rules are curbing development in the suburbs, so it is very difficult to sprawl," she said. "Now the emphasis is on in-fill development."

State help in rebuilding the often clogged Exit 12 is an important component in the planning for the Carteret warehouses, developers say. The new design would connect the turnpike's truck lanes to Industrial Avenue in Carteret, which runs past the redevelopment areas. This would take trucks off borough streets. Heavy truck traffic, often around the clock, can cause citizen opposition to industrial projects.

Because tenants in warehouses that are close to the port do not have the labor and equipment expenses involved in making the trips to the distribution centers at Exits 8A and 7A, rents near Exit 12 are expected to be higher than those in central New Jersey, according to Stanley B. Danzig, an executive director of Cushman & Wakefield, the brokerage and services company. He said annual rents near Carteret and Woodbridge are about \$6 to \$7 per square foot, compared with the high \$4's and low \$5's at 8A and 7A for comparable new buildings, which usually have the advantage of more parking and turnaround space for trucks. But they are less than the \$8's charged in the Meadowlands and the \$7's in Jersey City, both of which offer easier access to Manhattan.

Much of the northeastern part of Carteret shows the legacy of its industrial past. Hundreds of tanks that once contained fuel and industrial chemicals are near the waterfront. In addition to the municipal dump, there are privately owned landfills that were once used to dispose of often-toxic waste from chemical plants.

In light of current environmental sensitivities, some practices of the past seem astonishing. "There was a big, polluting chemical plant in Linden that sent its liquid wastes to pits in Carteret," Mr. Reiman said.

### **Financial Impact**

#### **How the Project Would Help Carteret**

But if the brownfield reclamation plan, which has several phases, is successful it has the potential to transform the borough's finances, he added.

He said the planned developments would double the borough's current assessed property value of \$1 billion, producing an additional \$13 million a year in local taxes. Selling the town dump to the Slayton group would also save the municipality the \$30 million that the cleanup is expected to cost.

Mr. Slayton said engineering studies are under way to figure the best way to clean up the old dump to a level that would allow industrial use and prepare the site to support a heavily laden warehouse. Since dumps were often in marshy areas -- then considered bug-infested wastes, not highly productive wetlands -- supporting the buildings might be complicated.

Another issue is subsidence, a sinking on the surface as the garbage underneath rots away. One reason golf courses are built on old dumps is that the course can simply be regraded if the hills start to slump. Obviously, that would not work under a major building. "All of that is being studied now," Mr. Slayton said. Supporting the buildings on pilings driven down to bedrock is one option under consideration, he said.

Mr. Reiman said the brownfields developments are also intended to reconnect the town to its waterfront. This has been an ongoing theme, not only in New Jersey, but up the Hudson Valley and on the Long Island and Connecticut coastline.

During the industrial age, waterfront locations were often taken over by companies to take advantage of the economies of water transportation. As those industries faded or moved, they

often held on to their waterfront sites, either to keep their options open or to avoid cleanup costs. For example, Mr. Reiman said, DuPont bought a waterfront site in Carteret about 100 years ago and has let it sit vacant for the last 60 years.

Now the town is building a waterfront park on the Arthur Kill, the water that separates it from Staten Island. Right now, there are a small boardwalk and fishing pier, but there are plans to dredge out a nearby cove for a marina that could accommodate 250 boats.

The closing of the Fresh Kills landfill -- itself a huge brownfield -- made the park possible, Mr. Reiman said. "Now that we don't have the smells and the seagulls," he said, "it's pleasant."

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