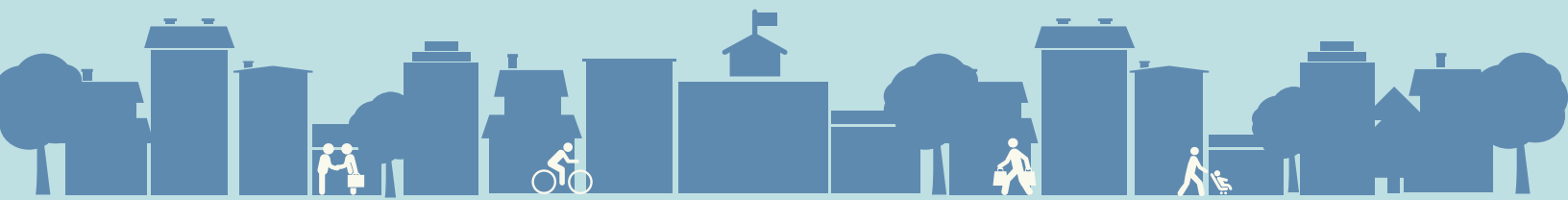


plan**smart** nj

better**land use**

better**lives**

# A Guide to the Future



**Repurposing Stranded Assets  
& Revitalizing New Jersey's Suburbs**



## A Guide to the Future: Repurposing Stranded Assets & Revitalizing New Jersey's Suburbs

Prepared for PlanSmart NJ by  
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## About PlanSmart NJ

PlanSmart NJ is an independent, non-profit planning and research organization committed to improving the quality of life in New Jersey through the advancement of sound land use planning and regional cooperation.

PlanSmart NJ concentrates on land use, economic growth, transportation, and environmental conservation throughout the State of New Jersey and has been committed to this mission for nearly five decades.

PlanSmart NJ believes that balanced and thoughtful land use planning can strengthen our economy and environment to make New Jersey a better place to live, work and play for all. We help refocus the debate away from whether New Jersey should grow, to how best we can grow. We believe growth must balance the environmental, social and economic needs of the state.

## Our History

PlanSmart NJ was founded in 1968 by civic and business leaders in central New Jersey to manage growth in the Route 1 Corridor from New Brunswick to Trenton. Today, PlanSmart NJ holds a unique statewide position striving for both economic and environmental goals, while reducing public costs and increasing racial and economic integration.

Over the years this not-for-profit research and advocacy group has tackled the most important planning challenges facing the region and the state. Recognizing that these issues are by nature some of the most politically charged, the goal of PlanSmart NJ has been to forge partnerships and solve problems by engaging elected officials, leaders from the business and non-profit communities, and planning professionals to foster a spirit of cooperation and progressive action. Seeing issues within a big picture, over the long-term, has been a fundamental part of PlanSmart NJ's work since its inception.



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# Key Takeaways

Throughout the state, large and once flourishing suburban office parks and retail centers are failing. Decades ago, these buildings stood as iconic structures that drove demand for quiet suburban living. However, technological advances and changing societal demands have eroded the suburbs' attractiveness to residents and corporations leaving behind large isolated and underutilized buildings, or "stranded assets," which no longer act as economic engines. Today, these properties struggle to compete in the market and are witnessing significant value losses. Repositioning stranded assets requires comprehensive solutions. There are five overarching issues that remain central throughout the revitalization process and can have a lasting effect on the outcome of a project.

## 1. The 4 E's of Planning

Not only should a solution for any given stranded asset incorporate a regional context, its vitality will depend on the degree to which a holistic approach is taken. The four E's of planning provide a framework for ensuring such an approach:



### Environment

Incorporating green infrastructure, decreasing impervious surfaces, alleviating car dependence, improving stormwater management, enhancing habitats and providing connections between users and nature makes a place not only environmentally healthy but also more economically resilient.



### Equity

Achieving equity requires ensuring a project's future employees and customers can afford to live nearby, either through providing affordable housing or rental options. Additionally, repurposing can be associated with a stigma of gentrification that must be understood in order to be overcome.



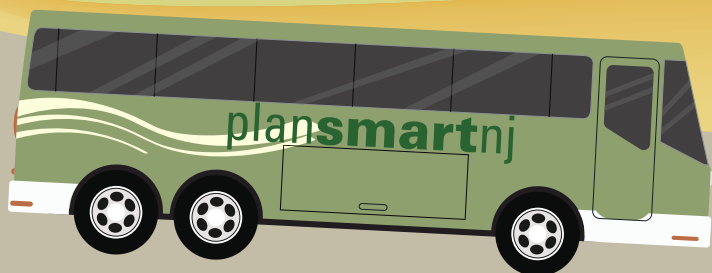
### Economy

It is important to assess the underlying economic issues that arise in areas of high and chronic vacancy rates. Understanding the economic drivers of the region and identifying gaps and strengths will help to ensure new uses that enhance livability and blend seamlessly within the region.



### Efficiency

Efficiency relates to a broad range of environmental and economic topics: economic efficiency ensures a project's viability, land use efficiency decreases runoff, and resource efficiency ensures that, when possible, a building is reused rather than rebuilt.



# A guide to



## 2. Regional

Even if a site is redesigned as a cutting edge mixed-use and self-sustaining village with walkability and amenities at its core, without a regional perspective the property will remain isolated. Focusing on the regional demographics and economy allows for creating a destination that supports and does not compete with or disrupt the surrounding community and region. Understanding the connectedness of these properties to the surrounding region will help solution seekers avoid creating the stranded assets of the future.



## 3. Regulatory

Regulatory issues range from restrictive single-use zoning and difficult approval processes at the municipal level to overlapping and sometimes even incompatible regulations at the regional and state level. There is a real need for streamlining the approval process, but this must be done carefully in order to avoid outcomes that do not represent local and regional needs or desires.



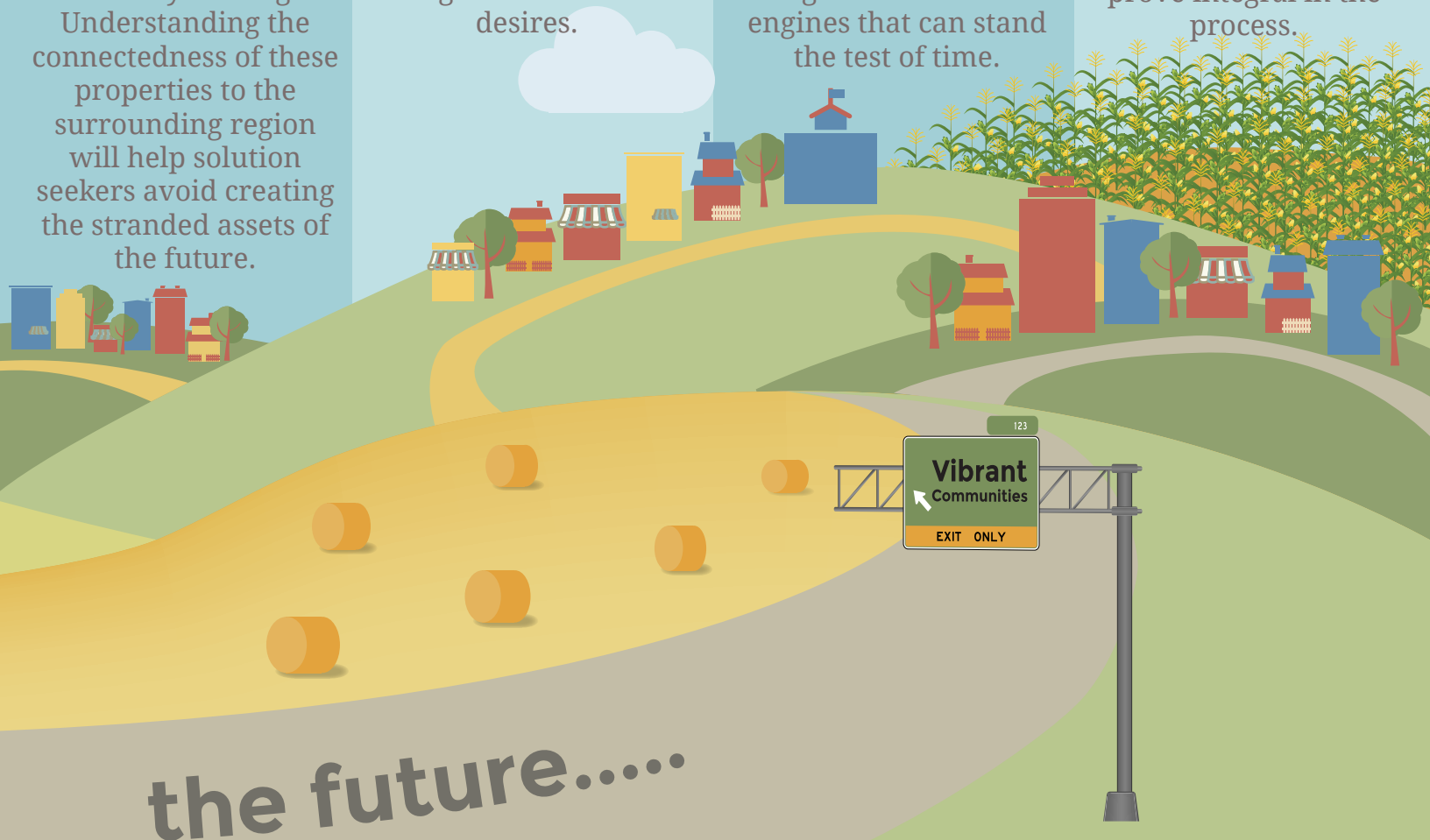
## 4. Innovation

Stranded assets present abundant opportunities for creative and strategic solutions, especially when considering costly infrastructure investments have already been made. Through collaborative efforts from experts in affordable housing, the environment, transportation, economic development and planning, New Jersey's stranded assets can be transformed to once again become adaptive regional economic engines that can stand the test of time.



## 5. Leadership

The best way to ensure the promotion of these themes is to have a supportive leader or steering committee that can ensure a collaborative working relationship between the property owner and the municipality. A leader who understands the changing demands and demographics along with the challenges and opportunities presented in the following chapters will prove integral in the process.



# Major Findings

**1 out of 3**

municipalities  
house stranded  
assets

**1 out of 5**

Large retail &  
office parks are  
stranded

**339**

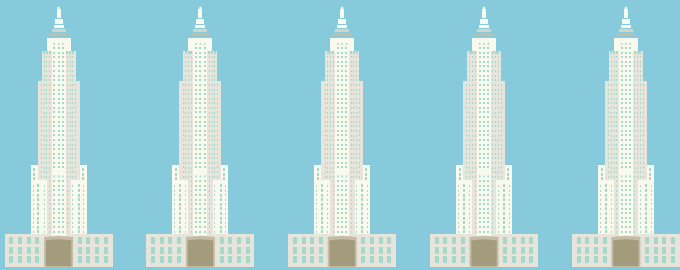
Stranded retail  
& office parks  
in New Jersey

The average  
stranded  
asset:

**130k sf**  
**22 acres**  
**0.14 FAR**

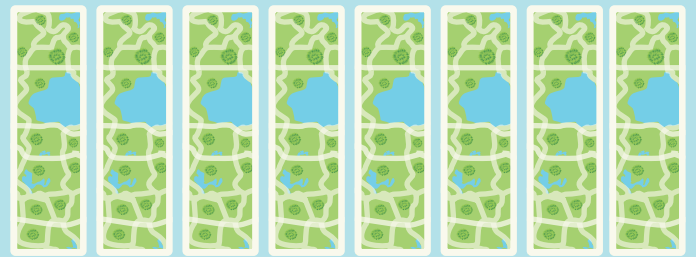
**\$300M**

loss in ratables  
across all  
stranded assets



**14 MILLION** Sf of **EMPTY**

office space, or more than 5  
Empire State Buildings



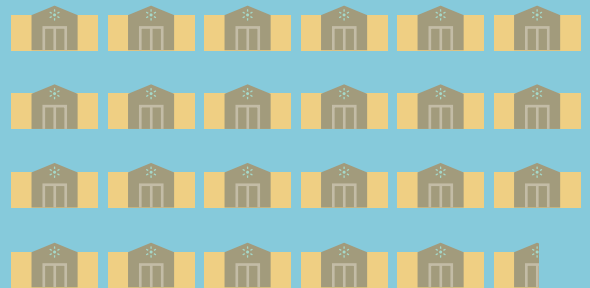
**7,100 VACANT ACRES**

The equivalent of 8 Central Parks



**96,000 MISSING JOBS**

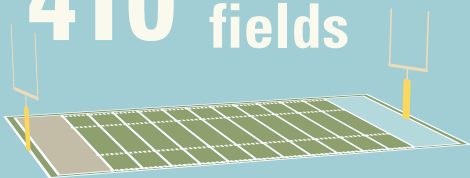
That is 10,000 employees per icon above or the  
equivalent of employing nearly the entire labor  
force in Cape May County



**7 MILLION** Sf of **EMPTY**

retail space or the equivalent of  
more than 23 box superstores

**410** football  
fields



worth of surface parking or  
nearly 150,000 parking spaces

**HALF**  
of Americans  
desire  
**WALKABILITY**<sup>1</sup>



**10,000**

Baby boomers  
retire everyday,  
outpacing  
millennials in the  
rental market<sup>2</sup>



**2 out of 3**

Americans want  
access to  
bike paths<sup>3</sup>



# Introduction



In the spring of 2015, PlanSmart NJ launched a comprehensive statewide analysis of stranded commercial and retail real estate assets. Alarmed by both anecdotal information in the media, and by our own observations, we determined that a comprehensive review and analysis of the number and extent of vacant or underperforming office and retail properties in the state was long overdue.<sup>1</sup>

Using detailed data from CoStar—a national database and industry gold standard of commercial office and retail properties—we assessed the magnitude of the problem by cataloging existing large-scale vacancies, analyzing the reasons for this phenomenon, characterizing these properties in terms of location, size, and their land use and transportation characteristics, and calculating ratable losses to the host communities.<sup>2</sup>

New Jersey was once a pioneer in the development of the nation's post-World War II suburban landscape, characterized by bold new land use prototypes that included regional and local shopping malls, suburban office parks and low-density suburban housing. All these land use prototypes are seriously under question in the 21<sup>st</sup> century.

While the overall 20<sup>th</sup> century suburban

---

1 The New Jersey Office of Planning Advocacy had compiled a database of distressed commercial and industrial properties for the purpose of helping to market these properties to potential new users.

2 The analysis by PlanSmart NJ provides a picture that is accurate for a given point in time as the data was collected in August of 2015 and is therefore subject to change.

landscape is experiencing serious critical scrutiny, our current effort is confined to the struggling suburban office and retail spaces. These properties are struggling to remain solvent in a world with changing consumer and employer preferences that do not share the previous values of isolation and compartmentalization. The explanations behind the massive number of underperforming office and retail properties in New Jersey are interesting and multilayered. They reflect the influence of broader national trends, as well as local trends more pertinent to the region.

The research reveals the striking problems created by these often-ignored spaces whose vacancies are affecting local budgets, infrastructure and the quality of life for thousands of New Jersey citizens. Throughout the state, and mainly in the suburbs, hundreds of these distressed office and retail centers drain fiscal and community resources. Thousands of jobs that were previously housed in these properties have been relocated or altogether lost. About one out of every five large office and retail buildings is considered stranded,<sup>3</sup> further suggesting a growing problem with an outdated model. Absent significant intervention, the outlook for these stranded assets is grim, with profound and far-reaching impacts that transcend municipal boundaries. While it is improbable that a future exists where these sites can be repopulated exactly as they were decades ago, opportunities abound for revival in new forms.

New Jersey, as the pioneer of these

---

3 Above 100,000 square feet for office and 25,000 square feet for retail

prototypes, must now find ways to retrofit these defunct and discredited land use models, and become a leader in repurposing properties for the 21<sup>st</sup> century. These sites hold enormous potential that, with the right tools and leadership, can be turned around and reestablished as community and regional assets once more.

Support for this critical mission is growing in both the public and private sector as developers, municipalities and leadership are beginning to recognize that the modern labor force is increasingly choosing accessibility, mobility, and a less auto-dependent lifestyle. Today's employers are responding by relocating to more urban areas where they have better access to qualified labor pools and where they can market their proximity to in-demand amenities. Traditional suburban office parks and retail centers are not currently equipped to meet these demands, leaving them underutilized and oversupplied—but, if properly repurposed, these properties can be utilized to reposition New Jersey's suburbs as an attractive place for new residents and businesses.

Reimagining these properties can provide highly in-demand qualities while achieving a multitude of goals across sectors, including:

- » **Promoting more efficient land use patterns and more balanced jobs-to-housing ratios**
- » **Diversifying housing stock and advancing affordable housing**
- » **Addressing infrastructure capacity**
- » **Promoting landscape restoration and habitat creation**
- » **Decreasing impervious surface coverage and improving storm water management**
- » **Improving accessibility/quality of place**
- » **Improving circulation and promoting transit and non-motorized transportation options**
- » **Attracting employers and working age residents**
- » **Reinvigorating municipal revenues**
- » **Creating attractive, vibrant and healthy communities**

While these are just a few of the goals, these properties cannot be expected to solve all of a region's difficulties. There is no one-size-fits all solution for such sites; some may be better positioned to remain in their current use and take advantage of programs for attracting businesses, while others may be better suited for a mix of uses to meet today's economic and social demands.

## WHO WILL FIND THIS GUIDEBOOK USEFUL?

The goal of this guide is to equip municipalities with the tools they need to address specific stranded assets in their communities. This guide will prove useful for local officials, planners, developers and community leaders alike as it steers readers through the various steps of identifying the problems presented by stranded assets, addressing challenges and creating tailored solutions for particular sites. Stranded asset owners, local elected and appointed officials, business owners and many more will also find utility in the analysis and recommendations presented in the following pages.



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# A Guide

to the

Future

## PART I



Top Image: City of Dublin Ohio

Bottom Image: Westchester County Association White Plains, NY



# Chapter 1: Defining, Identifying and Assessing Stranded Assets



## Chapter Takeaways

*Stranded assets are failing across the state due to an outdated and inefficient land use model.*

*Most stranded assets are found in suburban, auto-dependent locations.*

*Stranded retail and office assets have profound economic, environmental, and social impacts on local communities and their effects can be felt throughout New Jersey.*

*Suburban office and retail properties struggle as workers' demands shift to more walkable locations and employers follow the labor pools.*

*New commercial and retail properties are still entering the market, resulting in market oversaturation where newer buildings are cannibalizing older buildings, most of which are in the suburbs*

*The loss of ratables and jobs hurts local and regional economies, negatively impacts surrounding business, and increases the fiscal burden on other properties.*

## 1.1 WHAT IS A STRANDED ASSET?

**S**tranded assets are defined here as a property whose vacancy rate is above average or is estimated to have affected the building's ability to attract new tenants. This study focuses specifically on two categories of developments for which New Jersey has led the industry: large suburban office parks and retail centers. The parameters for each category are displayed in the graphic below:

### Retail

**25,000 square feet or more**

**Vacancy rate greater than 20%**

### Office

**100,000 square feet or more**

**Vacancy rate greater than 14% for at least 5 years**

The analysis focuses on larger buildings as they often represent a significant portion of municipal ratables and stand to have a greater impact on municipalities, and the size of the buildings and their lots provides a greater array of possible solutions. The vacancy rate set for identifying retail properties (20% or greater) is an industry agreed-upon tipping point where property owners struggle to attract new tenants.<sup>4</sup> The office space vacancy rate was chosen according to the national average<sup>5</sup> and is considered here to be the point at which an owner may struggle to cover the carrying costs of the building, as well as replace tenants due to an oversupply of alternative options. Additionally, properties included in the office space analysis were those whose vacancy was greater than 14% for at least five years, which depicts an ongoing and irreversible problem.<sup>6</sup> The analysis revealed that properties struggling with vacancy are found in all regions of New Jersey, but they are not evenly distributed.

### What Causes Stranded Assets?

New Jersey's office and retail markets have been in crisis for many years. The brokerage firm Jones Lang LaSalle places New Jersey in the "bottoming out" phase of the real estate cycle, meaning the market has essentially collapsed.<sup>7</sup> This situation is compounded by the new office space still entering the market, resulting in severe market oversaturation where new buildings cannibalize older buildings. Supply is ahead of stagnant demand, vacancies have risen well above equilibrium, and rents are falling below replacement cost. While the retail market is performing far better than the office sector, our research shows that there is a considerable inventory of distressed retail properties in the state that are not accurately reflected in the vacancy rates. The poor performance of the office and retail markets can be explained by factors common to both, as well as factors unique to each sector.

4 Nelson, *Hiding in Plain Sight How Retail's Strength Is Masked by a Relatively Few "Failed" Centers*, 2.

5 2015 Quarter 1 North Jersey average vacancy, CoStar

6 Due to the lack of historical data for the retail sector within CoStar, only office space was looked at in terms of chronic vacancy (5 years).

7 Jones Lang LaSalle, *New Jersey Office Statistics*, 1<sup>st</sup> Qtr 2016

Stranded assets suffer from over-building—an excess of space looking for a limited tenant base. The dismal job growth in New Jersey does not justify the existing supply of office space; some estimates suggest that it will take well over 20 years to occupy the office space that is currently vacant.<sup>8</sup> And this does not take into account new construction of office space that will eventually go on the market, likely to lure tenants from existing, but often obsolete, space. Stranded commercial and retail assets both include buildings that are functionally obsolete, that is, buildings and sites that do not meet current market expectations in terms of layout, floor plans, location, amenities, mechanical systems and so forth. The costs to remedy these conditions are often staggering and not financially feasible without significant assistance. But not every stranded asset is functionally obsolete – some have simply lost their tenants for a variety of other reasons. Finally, stranded assets must contend with an extreme overhang of suburban auto-dependent locations that are accessible only by car and that offer few choices of activities once reached. The demand for single purpose and single form of access destinations is on the decline in New Jersey, and elsewhere in the US.

### Where are Stranded Assets Located?

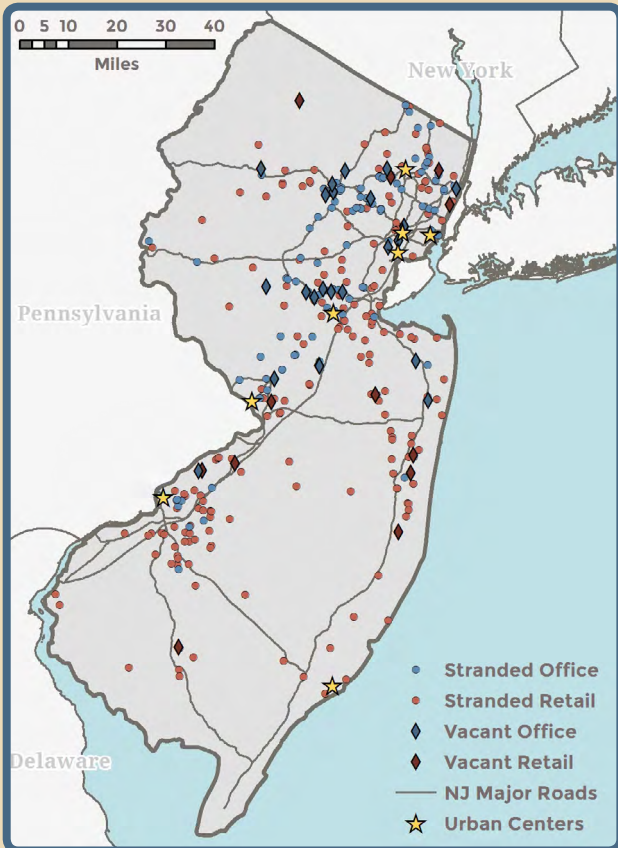
Most of the state's large vacant office and retail spaces are located in suburban areas.<sup>9</sup> In fact, only one out of 20 of these large properties experiencing vacancies are located within designated urban centers. While urban properties are included in the analysis, the solutions explored in this guidebook highlight suburban stranded assets as these are more prevalent and face additional challenges. Suburban stranded assets struggle with isolation and are less desirable. We believe that urban stranded assets are transitional, and do not share the long-term structural challenges that ail their suburban counterparts.

The maps below depict the location of stranded assets throughout the state. They highlight clustering along major roads as well as a

8 According to Jeffrey Otteau's *Annual Real Estate Outlook*

9 Suburban areas are defined here simply as any area outside the 2001 New Jersey Development and Redevelopment State Plan designated urban centers

## Location of Stranded Assets



All map citations in bibliography



Pictured is a typical stranded office park, complete with single-use buildings and expansive surface parking. Flickr/[Eric Sehr, 2013](#)

concentration in North Jersey. Location along a highway or major road was much sought-after by the original developers of these properties in order to maximize auto-accessibility as well as visibility. During the height of suburban office and retail center developments, cars were viewed as the most desirable and convenient means of transportation for both consumers and the office labor force. Now, these auto-dependent properties are struggling to remain competitive as some companies relocate to more in-demand walkable locations for better access to labor pools and consumers who prefer shopping in

locations that also offer a variety of other “life-style” related activities.

In fact, one out of every five office and retail buildings (over 100,000 and 25,000 sf, respectively) in New Jersey is classified as stranded. There are a total of 339 underutilized buildings across the state, and approximately one out of ten of these buildings are completely vacant. These buildings house an average of 130,000 square feet and sit on an average of 22 acres. Stranded assets can be found in one out of every three municipalities—a real problem not only for the host town, but also for neighboring towns and the state as a whole.<sup>10</sup> Given the statewide effects from these properties, it is important to gain an understanding of the impacts they impart on the local and regional communities as well as the commonalities amongst stranded assets that may contribute to their decline.

<sup>10</sup> It should be noted that this analysis includes only those properties that are currently being marketed and does not include owner-occupied sites. Additionally, the analysis is not inclusive of properties across multiple parcels that individually are under the threshold, but cumulatively meet the minimum square footage. For these reasons, the analysis may under-represent the problem.



Randall Park Mall, Ohio, is a typical stranded asset, with expansive parking and single use occupancy. Flickr/[Nicholas Eckhart, 2014](#)



## CHARACTERISTICS OF STRANDED ASSETS

### TOP 15 MOST VACANT & LARGEST ASSETS

Municipality (Taxing)	Building Use	Building Area (sf)	Land Area (Acre)	Year Built*	Parking Ratio	Floor Area Ratio	Walk Score	State Plan Area**
Bordentown Twp.	Retail	178,678	35	1957	5.1	0.12	29	1
Branchburg Twp.	Office	147,536	45	2007	N/A	0.08	15	2
Burlington Twp.	Retail	184,000	12	1996	na	0.37	29	2
Cranbury Twp.	Office	275,000	16	2006	2.2	0.39	15	2
Cranbury Twp.	Office	102,000	12	2005	3.0	0.20	14	2
Delran Twp.	Retail	168,350	18	1972	4.5	0.21	48	1
Delran Twp.	Office	119,565	9	1990	3.7	0.32	38	1
Edison Twp.	Office	247,985	19	1984	4.0	0.31	42	1
Edison Twp.	Office	212,379	14	1981	4.0	0.34	46	1
Fairfield Twp.	Office	162,000	14	1991	5.0	0.27	45	1
Franklin Twp.***	Office	183,925	9	1985	3.7	0.47	15	1
Franklin Twp.***	Office	138,337	11	1985	4.5	0.29	4	2
Franklin Twp.***	Office	104,200	14	1985	4.0	0.17	11	1
Stratford Boro.	Retail	182,500	25	1964	8.2	0.17	55	1
Wrightstown Boro.	Retail	138,300	10	1962	5.0	0.32	34	4
<b>Average</b>		<b>169,650</b>	<b>17</b>	<b>1985</b>	<b>4</b>	<b>0.27</b>	<b>29</b>	

\*Although CoStar did not present renovation information for these properties, it is possible that renovations occurred that were not recorded in the database.

\*\* Areas 1 and 2 are for growth; Areas 3 through 5 are for limited growth or conservation (see State Plan for additional area information)

\*\*\*Somerset County

### What Characteristics do Stranded Assets Have in Common?

There are a number of key characteristics that stranded assets throughout the state have in common that now contribute to their high vacancy rates. On the whole, stranded assets reflect suburban and rural isolation and an outdated auto-centric land use and transportation model. The suburbs house 34 of the 36 large retail or office buildings that are entirely vacant (as of August 2015). This points to the increasingly unappealing nature of isolated office parks and retail centers that require auto-dependent commutes and lack integration with a broader community and region.

The table on the previous page lists some of these fully vacant stranded assets and provides details about their characteristics that promote isolation. The building's size and the year it was built speak to



outdated floor plans and layouts that supported single-uses—and often single users—in large buildings. The lack of density (portrayed in the “Floor Area Ratio”)<sup>11</sup> and the Walk Score<sup>12</sup> rating address the building’s poor accessibility to the broader community and the sprawling land use patterns that surround them. The following bullets expand upon the connection between these data points and the characteristics of isolation that affect the success of the building by decreasing demand for the property.

### 1. *Sprawling & Inefficient Land Use*

**Patterns:** There are a number of factors that point to the sprawling nature of these sites and their underutilized land use patterns. The average stranded asset contains 130,000 square feet and sits on approximately 22 acres, with some located on as much as 658 acres. This represents an average Floor Area Ratio (FAR) of 0.14, which is an extraordinarily low and inefficient level of land utilization.

---

11 Floor Area Ratio (FAR) rates a site’s level of density where the higher the number the more dense the construction on the site. It is a ratio of a building’s total floor area relative to the size of the parcel of land it occupies.

12 Walk Score is a software program that rates the “walkability” of any location on a scale from one to 100 (100 being the most walkable) according to the location’s accessibility to restaurants, coffee shops, parks, school, shopping and other errands. A low score describes an auto-dependent location whereas a high score is generally located in a downtown areas where “Daily errands do not require a car.” See [www.walkscore.com](http://www.walkscore.com) for more information.



The current level of density associated with many stranded assets is inefficient and outdated. Most stranded assets have a FAR between 0.1 and 0.49 which reflects low-density settings.<sup>13</sup> Some maintain a FAR less than 0.09, which depicts very low densities that are generally associated with agricultural or rural conditions.<sup>14</sup> A mixed-use and walkable development, as demanded by many residents today, would have a FAR between 0.5 and 1.49 where medium-density and a mix of uses allow for a vibrant “downtown-style” of living.<sup>15</sup>

Not only does this inefficiency further promote isolation, it limits the site’s ability to adjust for today’s labor and housing markets. Today, many employees and employers desire a variety of uses in one location, such as convenient interactions with other businesses, easy access to restaurants, accessible parks and trails, multiple transportation options and diverse housing types (see chapter 2). Stranded assets are competing with newly constructed properties that are generally designed to be more efficient, accessible, and flexible than the sprawling centers of the second half of the 20<sup>th</sup> Century. Furthermore, with the availability of developable

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13 Derived from the International Living Future Institute’s Living Transects Model, for more information see [living-future.org](http://living-future.org)

14 Ibid.

15 Ibid.



Expansive surface parking is a common characteristic of stranded assets, a highly inefficient land use pattern which also increases pressure on stormwater management systems to handle increased runoff. To the left: Flickr/ [Radcliffe Dacanay](#), 2006; Above: Flickr/ [Steven Depolo](#), 2014



greenfields declining, there must be a renewed focus on retrofitting and reviving older stock.

**2. Outdated Zoning:** The average stranded asset was built about 35 years ago and approximately six out of seven were built prior to the year 2000.<sup>16</sup> The vast majority of properties built after 1960 were geared towards expected suburban growth and two-car households as a standard of life. These properties are often zoned, in typical suburban fashion, for low density single uses, which further speaks to an outdated model of land use. The zoning designations that typically govern these properties are extremely restrictive and are increasingly out of step with current societal demands. Further, New Jersey's economy is essentially stagnant, with housing being one of the few dynamic sectors of the economy. And yet, no stranded asset is zoned for residential uses—a reflection of the single-use zoning model of the 20<sup>th</sup> century that believed people and businesses preferred isolation to proximity. As discussed in the following chapters, this outdated model is being exchanged for one which reflects increasing demands for walkable communities and easy access to all the essentials of everyday living.

**3. Inaccessibility:** It is clear that most of these buildings were designed with a single transportation mode in mind as they have an approximate total of 150,000 parking spaces, but are only estimated to house 96,000 jobs.<sup>17</sup> Why do these properties provide such an abundance of parking space? This speaks again to outdated transportation priorities that are further hurting the marketability of these buildings. More and

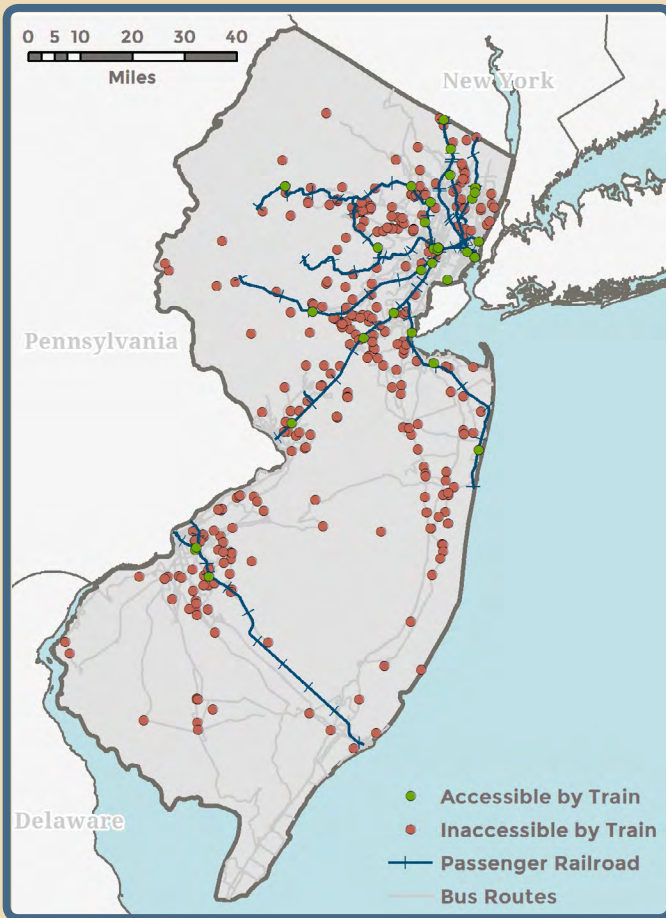
<sup>16</sup> According to CoStar real estate data where construction data was available

<sup>17</sup> According to the 2014 New Jersey Department of Labor standards



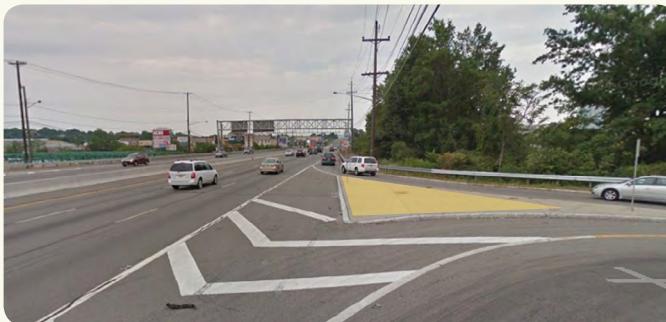
A bus stop void of sidewalk, shelter, or safe crossings in Minnesota. Flickr/ [Complete Streets](#). 2009

## Stranded Asset Train Accessibility



more residents and businesses alike are looking for a variety of transportation options including mass transit as well as pedestrian and bike paths. The map above shows the limited number of stranded assets within walking distance of train stations.

Transforming or repositioning these properties to become more accessible destinations will require collaborative processes that lead to innovative solutions. These isolated, massive, and largely inaccessible (via mass-transit, bike and pedestrian paths) buildings and complexes are not just affecting the owners that struggle



The yellow area highlights a largely inaccessible and unsafe bus stop on a busy median in North Jersey. Google Maps, 2011

## BOX 1.1: State Plan and Together North Jersey

*In discussing the importance of regional planning, it would be helpful to identify some regional planning processes and documents that have been successful in New Jersey. For example, the 2001 State Plan, while currently outdated, is an important document in guiding plans that take into account the regional impact of development. On a smaller scale, the recent Together North Jersey project is an exemplary regional planning initiative which encompasses 13 counties and hundreds of municipalities in an effort to align local plans toward goals of sustainability, efficiency and equitability. The comprehensive planning process aims to “invest in the region’s existing communities to make housing, employment, educational, cultural, and recreational opportunities more easily accessible to most residents while reducing dependence on cars.”<sup>1</sup> The Together North Jersey project highlights the importance of cross-jurisdictional cooperation as a means to improving every municipality in the region for residents and businesses alike. A similar cross-jurisdictional plan has also been successful in Somerset County where county officials have worked diligently to develop a county economic development plan that mirrors the goals set forth in the 2001 State Plan. The report sought to look at the county as a region of interdependent municipalities and prioritized a number of transportation, economic and social goals. Each of these plans and documents highlights the interdependence of municipalities and the integral work of planning beyond jurisdictional borders for truly impactful community development.*

<sup>1</sup> See the overview on the [Together North Jersey](#) website for more information

to market these properties; the impact is felt throughout the region. The following section will discuss how these characteristics are translating to negative effects on a number of unsuspecting parties.

## 1.2 How Do STRANDED ASSETS AFFECT COMMUNITIES?

Now that stranded assets have been defined and described, it is important to gain an understanding of the impacts these underutilized sites have on municipalities, developers, and the surrounding community. Suburban office parks are resource intensive and require constant maintenance, while the oversaturation of the retail and office sectors ensure that the market favors businesses looking to lease rather than the property owner. Companies that once sought suburban single-use properties are vacating for an altogether different type of office space.

These vacancies are diminishing community character and adversely affecting the ratable base, which makes the problem seem local, requiring only municipal- or developer-driven solutions. However, these vacancies have ramifications that extend beyond municipal borders and affect the region at large. Therefore, addressing these properties should be part of a larger plan. In order to understand these impacts, the differences between the local and regional contexts need to be explored.

## Local and Regional Context

One of the biggest challenges municipalities face is planning across boundaries. Neighboring municipalities often find themselves in a competitive rather than collaborative relationship and therefore develop siloed plans that can be contradictory to the needs of a region. Additionally, the agendas of the public and private sectors sometimes conflict due to economic, regulatory or social priorities. When such agendas fail to have a collective objective it is difficult to address problems that have implications for the whole region (See Box 1). Therefore, prior to deliberating on the causes that influence an asset to become ‘stranded’ and any challenges and opportunities for repurposing, it would be wise to first contemplate and understand the impact that stranded assets have on a local and regional scale.

What exactly does planning regionally mean, and why is it important? The authors of *Suburban Nation* put it this way:

*“Regional planning manages urban growth at the scale of people’s daily lives. Planning at the scale of a single town or city is rarely effective, because working and shopping patterns routinely take most people across municipal lines. What good is it for a New England village to outlaw Wal-Mart to save its main street when the suburb down the*

*highway welcomes it with open arms? Any municipality that tries to limit sprawl typically risks the loss of its tax base to surrounding towns. Only at the regional scale can planning have a meaningful impact”<sup>18</sup>*

So, effective planning that meets community goals requires municipalities to consider the regional context of their plans. A regional perspective also maintains the central goals specific to a municipality. Municipalities may be wise to observe the strengths of their neighbors in contrast to their own weaknesses. Developing a framework that compliments rather than duplicates major amenities and services located in a region ensures that market oversaturation does not occur, while allowing for strong and sustainable growth in the most appropriate sectors. Understanding this interdependence and the ramifications stranded assets have beyond their municipal borders is essential in creating vibrant destinations that facilitate sustainable growth rather than disrupt the broader community.

### **How do Stranded Assets Affect the Local and Regional Community?**

The importance of planning for these properties from a regional perspective is highlighted in the effects they impart on the surrounding community—many of these effects know no jurisdictional boundaries. Vacancies in large buildings cause severe degradation of property values and in turn municipalities lose out on significant tax and income generation; a problem which is magnified in smaller municipalities.

Failing or vacant assets lead to job loss as companies lay off employees or move them out

18 Duany, *Suburban Nation: The Rise of Sprawl and the Decline of the American Dream*, 139.

of town. In fact, New Jersey’s stranded assets represent an estimated loss or relocation of 96,000 jobs.<sup>19</sup> Lost or relocated jobs cause a detrimental domino effect that hurts local businesses that relied upon those employment and retail centers for their customer base. As the Congress for New Urbanism puts it: a vacant or obsolete asset is “more than just visual blight”, it means “lost tax base, lost job opportunities, and valuable land sitting unused.”<sup>20</sup> The long-term impact upon a community is far greater, however, because “with abandoned buildings comes social fragmentation” and “individuals who live in communities with

an increasing number of vacant buildings begin to feel isolated, weakening the community as a whole.”<sup>21</sup> The snowball effect is real and it is witnessed across the state as these buildings continue to decline.

Since job opportunities have left these properties, former employees are forced to either move out of the area or commute

longer distances. This is apparent in the state’s astronomical commute times, which translate to increased pressure on various transportation modes during rush hour. And as transit oriented development increases, so too will pressure on mass-transit during peak periods. Even worse though, these vacancies can translate to outmigration at both the municipal, county and state levels.

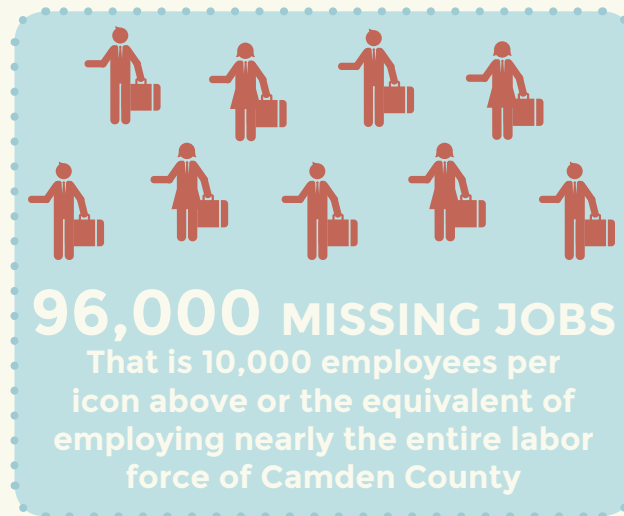
### ***Fiscal Implications & Domino Effects***

There are a number of fiscal implications and domino effects that begin to set in when vacancy rates rise that are further amplified when a building is completely vacated. This

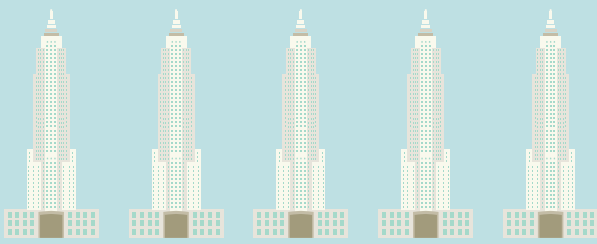
19 Calculated utilizing 176sf per office employee (NAIOP) and 500sf per retail employee (according to Reuter’s analysis of company securities filings for Costco, Wal-Mart, Safeway and Whole Foods)

20 *Greyfields to Goldfields: From Failing Shopping Centers to Great Neighborhoods*, 1.

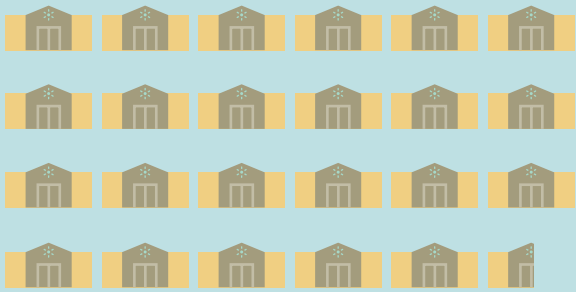
21 *Vacant Properties: The True Costs to Communities*, 11.







**14 Million sf EMPTY**  
office space or the equivalent of  
FIVE Empire State Buildings



**7 Million sf EMPTY**  
retail space or the equivalent  
of more than 23 large box  
superstores

section will explore five areas that can be deeply affected by high vacancy rates.

**1. Ratables:** Ratable losses are the most direct fiscal impact that stranded assets can have at both the local and regional scale. As of August 2015, Stranded Assets in New Jersey have dropped an estimated total of \$300 million in assessed value from 2010 to 2014.<sup>22</sup> This translates to major losses in municipal revenues, but the value loss is not limited to the stranded asset site. According to analysis by the Star-Ledger, “since 2009 alone, more than one-third of New Jersey towns have seen the value of their commercial land decline by more than five percent, and more than 130 by 10 percent or more.”<sup>23</sup> Stranded assets, having witnessed significant decreases in value, should be central to any strategy that seeks to address this decline in commercial land value.

**2. Indirect Fiscal Impacts:** There are a number of indirect fiscal impacts such as the loss

<sup>22</sup> According to PlanSmart NJ’s analysis of property tax data from the New Jersey Transparency Center

<sup>23</sup> Stirling, *Diamonds to Dinosaurs*.

of employment opportunities and the decrease in customers visiting local businesses. In fact, the average vacant office park is estimated to result in the loss or relocation of 584 jobs. A community that loses 584 jobs stands to lose \$14,000 a week in lunch purchases alone, or \$741,000 over the course of a year.<sup>24</sup> This goes to show that something as trivial as lunch can grow increasingly significant over a long-term period. This does not bode well for local small businesses or locally employed residents. Losses may be witnessed in other sectors of the economy, as well, such as decreased demand for local goods and services, decreased parking fees or tolls paid, and decreased contributions to local civic and charitable organizations.

**3. Owner Impacts:** Owners of vacant or underperforming properties are burdened with the maintenance and upkeep costs that are no longer covered by leasing fees. Even vacant buildings must be heated to some extent, and property taxes, utilities, debt service, advertising, property and liability insurance, and building and grounds maintenance can be quite expensive for these expansive properties. In fact, one stranded asset owner in North Jersey spent approximately \$50 million annually on the carrying costs of electric bills and heating and cooling the site. And for some perspective on the magnitude of this issue, at the end of 2015, New Jersey had approximately seven million square feet of vacant retail space, or the equivalent of 23.5 empty big box superstores. Additionally, there were 14 million square feet of vacant office space, the equivalent of five Empire State Buildings. That is a large amount of empty space requiring costly upkeep for little or no return.

**4. Maintenance by Local Agencies:** Underutilized properties, especially those that are completely vacant, do not just require continued maintenance from current owners, but also require attention by local agencies. First of all, these large underutilized assets look on paper to be using a significant amount of municipal infrastructure capacity, but are actually drawing a much smaller portion. If there is limited sewer treatment capacity, these buildings may

<sup>24</sup> According to survey results from Accounting Principals, two thirds of American workers buy lunch every day and spend an average of \$37 per week.

be holding back future development projects. Second, their infrastructure may be allowed to deteriorate, as the property owner is struggling with an underperforming property. If this is allowed to go on long enough, future redevelopers may be forced to seek long-term tax abatements, waiver of sewer charges or other concessions from the town in order to make the property financially feasible. Additionally, police resources are sometimes used to monitor such properties as they can be popular for criminal activities such as burglary and vandalism. These activities may even require intervention from other departments, such as the fire department, and can become overly burdensome:

*“In some communities, attending to vacant and abandoned properties can overwhelm city resources. The police and fire departments bear the brunt of the responsibility, along with building inspection and code enforcement units”<sup>25</sup>*

<sup>25</sup> Vacant Properties: The True Costs to Communities, 3.

Overwhelmed municipalities may often turn to unreasonable and drastic measures to relieve themselves of the burden of these vacant properties. Properties can fall into such states of disrepair that they require demolition. According to Smart Growth America, “cities spend significant funds on these activities. In Trenton, New Jersey during the 1990s, these dedicated resources (depending on the amount allocated for demolition) ranged from \$500,000 to well over \$1 million per year.”<sup>26</sup> Although this was for smaller residential properties, it offers an insight into the potential course for commercial properties as more fall into disrepair.

#### 5. Surrounding Property Owners:

Property value degradation is not limited to the vacant property itself, as it is often witnessed in the surrounding community effecting both residential and commercial properties. Not only do these stranded assets “generate little in taxes – but, perhaps more importantly, they rob surrounding homes and businesses of

<sup>26</sup> Ibid, 15.

### BOX 1.2: Urban heat island

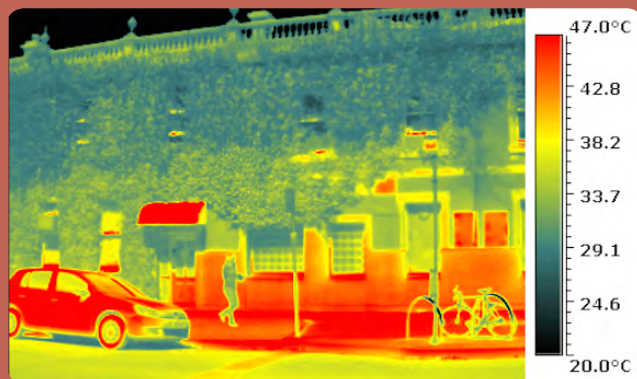
*Large asphalt parking lots are often a major characteristic of stranded assets. These parking lot and rooftop surfaces absorb so much heat that the EPA reports they can be anywhere from 50° to 90° F hotter than shaded or moist areas.<sup>1</sup> These higher temperatures demand increased maintenance and energy costs for the immediate and surrounding property owners. The high surface temperatures also lead to warmer than normal stormwater runoff and increased pollution levels. In fact, according to the Student Conservation Association, the shade provided by trees can translate to a 20 to 50 percent savings in energy costs. Replacing these surfaces—which in many instances are crumbling and in need of upgrades—with permeable pavement and adding trees, rain gardens, bioswales or green roofing can translate to higher rents and lower energy costs, and qualify for tax credits and other financial incentives.<sup>2</sup>*

<sup>1</sup> See <https://www.epa.gov/heat-islands/heat-island-impacts> for more information.

<sup>2</sup> Clements et al., *The Green Edge*, 5-11.



Those mirages of puddles you see are evidence of the heat island effect. They are actually light refracting off the air just above the roadway where temperatures are significantly higher. Flickr/ [Daniel Oines](#), 2009



This thermal image of a street in Melbourne shows that man-made surfaces, such as the road and sidewalk absorb heat throughout the day and significantly increasing the temperatures of surrounding areas. Image by Melbourne University



To the left: Stormwater flows into a storm drain, carrying pollutants into the local water bodies. Flickr/[Susan Downing](#), 2013

To the right: This former Macy's in Ohio closed in 2008 and has been vacant ever since. It presents many characteristics of a typical stranded asset, including expansive surface parking. Flickr/[Nicholas Eckhart](#), 2014



their value.”<sup>27</sup> In fact, a 2001 study in Philadelphia determined that “houses within 150 feet of a vacant or abandoned property experienced a net loss of \$7,627 in value.”<sup>28</sup> These degrading property values speak to deteriorations in community character, blight and a general decline in demand for particular neighborhoods.

### *Impacts on the Four E's of Planning*

Planning seeks to comprehensively enhance community character and as such identifies four pillars for success: Environment, Equity, Economic Development and Efficiency. This section will explore the implications these stranded assets have on each of the four E's.

**1. Environment:** Stranded assets often have large expanses of surface parking. Stranded assets maintain an approximate total of nearly 150,000 parking spaces, which equates to roughly 542 acres or about 410 football fields of underutilized and impervious coverage.<sup>29</sup> Surface parking is not only an inefficient land-use, it is also environmentally detrimental. Impervious pavement prevents natural infiltration, increases surface run-off, contributes to the urban heat island effect (*see Box 1.2*), fragments natural habitats, and requires maintenance. Most importantly though, surface runoff leads to the

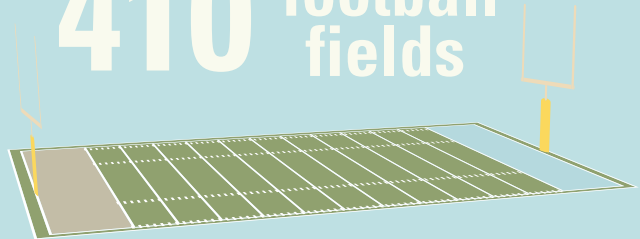
<sup>27</sup> Ibid, 9.

<sup>28</sup> Ibid.

<sup>29</sup> Based on 162 sq. ft. (9 ft. by 18 ft.) standard parking space dimensions

## Stranded Assets House

# 410 football fields



## worth of surface parking or nearly 150,000 parking spaces

deterioration of water quality in surrounding watersheds. The Sustainable Business Network estimates that “one inch of rainfall that falls on an acre of parking lot produces 27,000 gallons of stormwater,” and “80-90% of river pollution is caused by stormwater runoff, with the majority of the pollutants running off with the first inch.”<sup>30</sup> Cleaning up these contaminated water bodies is costly to towns and other public agencies, and large expanses of inactive parking lots only heighten the problem.

**2. Equity:** When a municipality loses part of its ratable base it must make up the taxes elsewhere. As such, the falling property values of stranded assets can have significant impacts on the affordability of an area by causing increases in property taxes across the municipality. For some, increased property taxes can be the breaking point of a town's affordability. Combine this with the fact that most of New Jersey's stranded assets, and the job opportunities housed there, are accessible largely via car only and these towns can become inaccessible

<sup>30</sup> Francis, *Gray to Green*, 16.



to lower income workers and families. Only three-quarters of stranded assets are within a half mile of bus service, and only one in 10 are within a half mile of a train station. These figures account for distance “as the crow flies” and do not account for the safety, quality or even presence of pedestrian access to bus or trains stops. Even if a stranded asset is across the street from the bus stop depicted above, it would look on paper to be serviced by mass transit, but the reality of the safety and accessibility of the stop may deter potential riders. And while many stranded assets are not currently serviced by accessible mass transit, these properties present a real opportunity to address these transportation issues in the future. They also represent an opportunity for communities to rebalance their housing stock and perhaps even meet some of their affordable housing needs (*See Chapter 2 for additional discussion on affordable housing*).

**3. Economic Development:** Properties experiencing chronic vacancy issues struggle to attract new tenants and maintain patronage and end up in a downward spiral that is difficult to reverse. As the number of employment opportunities fall in a community, the amount of money spent in that community also declines, further troubling the local economy. Under such circumstances, it can be difficult for both property owners and the municipality overall to attract new businesses. Stranded assets can become an important ingredient in broadening economic development strategies.

**4. Efficiency:** All properties require maintenance, regardless of whether they are occupied and thriving or completely vacant. Stranded commercial and retail sites are no different, requiring energy consumption, water usage, and exterior maintenance in order to avoid becoming run down, even though they are vacant. As mentioned earlier, landscaping is a significant part of this inefficiency as vacant properties maintain expansive lawns that require water-intensive sprinkler systems. Lack of native vegetation and large expanses of impervious surfaces increase water and energy consumption, while also picking up chemicals and nutrients used to fertilize and treat the vegetation. Stranded assets are, then, inherently inefficient, and ongoing maintenance can be

costly to the developer, not to mention a drain on valuable resources both locally and regionally. In addition, the water and sewer allocations to these facilities are tied up, and not available for other projects. Decreased volumes of effluent flowing through the wastewater collection system means the sewer treatment plants are functioning at less than optimal loads.

## 1.3 CONCLUSION

Stranded Assets have profound impacts on local communities and their effects are felt throughout the state. These properties have adverse environmental, economic, and social implications. The loss of municipal ratables and jobs hurts the local and regional economies and increases the fiscal burden on residential and other types of properties. In addressing these properties, it is essential to incorporate a regional planning process that seeks to transform the site into a destination that compliments the local community and greater region. The following chapter will discuss an equally important aspect to the planning process, namely the incorporation of analysis and understanding

# Chapter 2: Planning for the Future

## The Mismatch between Current Conditions and Changing Demands



### Chapter Takeaways

*Online shopping and more urban retail experiences have drawn consumers away from traditional malls and big-box stores, resulting in widespread vacancies.*

*Municipalities that are most affected by stranded assets tend to be less walkable; have less rental housing and more single-family housing; have higher household incomes; and house older residents, showing a direct link between vacancy rates and housing options.*

*Large suburban office and retail centers of the 20th century are no longer in sync with the demands of retailers, workers, and residents.*

*High housing costs and lack of diversity in housing options are driving residents out of the state.*

*Collaborative work environments and telecommuting have led to a decline in the amount of square footage needed per employee, reducing the necessity for large suburban office spaces.*

*Residents and businesses are showing preference for walkable neighborhoods, quality open space, and diverse transportation options, which are generally provided in typical vibrant, mixed-use communities.*

The previous chapter discussed the impacts of stranded assets and highlighted the need to address such vacancies. Chapter 2 will in turn discuss the current housing, office and retail climate and the opportunities presented by increasing demand for new and innovative development. However, the current state of infrastructure, land-use patterns, and the region's changing demography have translated to a growing mismatch in supply and demand of housing and employment opportunities. By assessing the current condition of New Jersey's housing and infrastructure this chapter will identify areas of strength and weakness. This information, in combination with analysis of future trends—such as demographics, areas residents are showing greatest interest in, and housing preferences—will highlight the mismatch between the current situation and future lifestyle demands. It is worth noting that this mismatch is not terminal, as many of the stranded assets identified in PlanSmart NJ's analysis can be utilized to meet these changing demands and help reposition New Jersey's suburbs as vibrant communities.

### 2.1 CURRENT STOCK AND CONDITIONS

New Jersey is included in three of the ten largest metropolitan areas in the nation, positioning it to be the most urbanized US metropolitan state.<sup>1</sup> Such a status places New Jersey in an excellent position to

<sup>1</sup> Ewing and Hamidi, *Measuring Sprawl 2014*, 4, 22. According to the report, New York/White Plains/Wayne, NY-NJ; Atlantic City/Hammonton, NJ; Trenton/Ewing, NJ; Additionally, Camden, NJ ranks 110th.

meet growing demands for urban lifestyles, thereby attracting additional talent and business. Currently, however, much of the state continues to develop in a sprawling manner that ignores these changes in housing and employment preferences. So, what opportunities can be seized upon? First and foremost is employment.

### *How is the 21st Century Workplace Changing?*

In previous decades, populations flocked to New Jersey's suburbs, escaping the high costs and pressures of urban life and chasing the abundant employment prospects provided by suburban office parks. Demands have shifted though, as many in the labor force are choosing accessibility, mobility, and an auto-free lifestyle, regardless of whether they have to pay higher rents. Employees no longer chase the jobs, rather businesses are relocating to downtowns for greater access to highly-skilled labor pools.<sup>2</sup> The 20<sup>th</sup> century suburban office park is not meeting the demands of the 21<sup>st</sup> century workforce, leaving the sites deserted as businesses relocate to mixed-use areas that provide the amenities their employees want (see Box 2.1). How are these more expensive locales worthwhile for businesses, though? Technology and changing workplaces make downtowns more viable options.

Advances in information technology and communication have reduced the necessity to be physically present at a desk from 9 AM to 5 PM. The American Community Survey estimates that telecommuting doubled nationally between 2005 and 2014 to 3.7 million workers. Some estimates

<sup>2</sup> *Core Values: Why American Companies are Moving Downtown*, 11.

### **Box 2.1: What is Driving the Move Downtown?**

A report from Smart Growth America, *Core Values: Why American Companies are Moving Downtown*, examined the characteristics, motives, and preferences of companies that have either relocated, opened new offices, or expanded in walkable downtowns between 2010 and 2015. The research revealed that businesses of all types are choosing to locate downtown, or to places that boast the amenities and characteristics typical of a downtown area. One of these characteristics is a high Walk Score, as all of the companies in the study improved their Walk Score ratings from an average of 55 prior to the move to an average of 88 after relocating. Similarly, Transit Scores went from an average of 52 to 79 and Bike Scores went from an average of 66 to 78. Compare this to the stranded asset Walk Score,<sup>1</sup> which averaged 31, and you can see there is significant room for improvement even without moving out of the suburbs. To find out more from the article, visit the [Core Values report on Smart Growth America](#).

<sup>1</sup> Calculated only for the top 30 largest stranded assets

even claim nearly one out of every three employees completes some form of remote work.<sup>3</sup> The combination of technology—which allows employees to work remotely—coupled with the growth of collaborative work environments and more permissive management practices have led to a decline in the amount of square footage needed per employee.<sup>4</sup> Corporations are no longer looking for large isolated office parks and shopping centers, but are instead looking

<sup>3</sup> Excluding self-employed and those who do not work from an office (taxi's, plumbers, construction workers, etc.)

<sup>4</sup> Ponsen, *Trend in Square Feet per Office Employee*.



Many offices are moving away from the typical floor plan (private office and separate cubicles) in favor of more open spaces, aptly called co-working or collaborative workspaces like the one pictured here where collaboration is encouraged. Flickr/ [FIAP](#), 2012



for communities where employees can live and work and businesses can more easily maintain relationships with nearby universities, hospitals, or other businesses. Similarly, customers are less attracted to conventional shopping centers and more interested in mixed-use destinations that offer a variety of activities, including arts and culture, fine dining, and entertainment.

While a place may still remain in today's mobile and fast-paced society for the suburban office parks, regional malls, and retail strips that dominated the second half of the 20<sup>th</sup> century, the outlook is grim. A 2015 report by PricewaterhouseCoopers (PwC) and the Urban Land Institute (ULI) gave Northern New Jersey investment prospect scores of "Poor" for the office sector and "Fair" for retail.<sup>5</sup> Across the US, the trend at the turn of the century showed increasing investment prospects for both, but by 2007 prospects for suburban offices dropped significantly. Those prospects have remained in the "poor-to-fair" range through 2015, while the prospects of central city offices have steadily risen since about 2010, where they now lie in the "good" range.<sup>6</sup> Business relocations are correlating with these prospects, having realized their best bet for survival and success is in more urbanized, walkable, mixed-use locales.

### How is the 21st Century Retail Experience Changing?

Toward the end of the 20<sup>th</sup> Century there was a shared general fear between 'mom-and-pop' stores of big-box encroachment. Smaller and more local shops could not compete with the low

5 Kelly and Carey, *Emerging Trends in Real Estate 2015*, 55.

Note: The office sector scored 2.42 and retail scored 3.35 with a scale of 1-5 as follows: 1. Abysmal; 2. Poor; 3. Fair; 4. Good; 5. Excellent. Comparatively, Philadelphia achieved scores of 2.83 and 3.09, and New York (Manhattan) achieved scores of 3.56 and 3.66.

6 Ibid, 71.

prices, variety of stock, and convenience of one-stop shopping offered by large-format locations, so closures were prevalent. However, since the recession the trend has been shifting away from the big-box retailers.

Car trips to malls and big-box retailers "declined by more than 28 percent since 2011."<sup>7</sup> The decline is a reflection of consumer trends, moving away from one-stop shopping to small-format shopping and e-commerce. Today, many consumers prefer the variety and social

experience of main street and urban shopping. Even some big-box stores are starting to adapt to new consumer habits by diversifying and downsizing their typical building types and moving into downtown areas, such as the H Street Walmart in Washington D.C.

Demand for newer and more urban retail space is apparent, while

large suburban spaces are clearly oversupplied and outdated. Throughout the US, of all the malls over 250,000 square feet with vacancy rates of 35 percent or higher, nearly eight out of nine were built before 2000.<sup>8</sup> Moreover, many department stores and traditional shopping center anchors have been announcing store closures for several years, like Sears and Macy's. Growth in e-commerce has coincided with less foot traffic in suburban retail stores. According to Forrester Research, online shopping sales increased 13 percent from 2013 to 2014 and accounted for approximately 10 percent of all retail sales in 2015, while the number of visits to retail stores plummeted nationwide.<sup>9</sup> Online shopping is projected to increase 44 percent by 2019 as retailers downsize and begin to take advantage of e-commerce platforms.

7 Florio, Ray et al, *The Changing Face of Retail: Adapting to Smaller Formats and Embracing E-commerce*, 2.

8 Drummer, *The De-Malling of America: What's Next for Hundreds of Outmoded Malls?*

9 Bainbridge, *The Stormy Future of Retail Real Estate*, 155-160.



Large corporations have started to diversify their assets and delve into urban markets, such as the new Walmart on H Street in Washington D.C. Flickr/ [SounderBruce](#), 2015

## NJ drivers spend almost double the national average on car maintenance

NJ: \$596



US: \$335



Potholes, like the one pictured above, are a continuous threat to New Jersey's road users. See [Forward NJ](#) for more information on the state of New Jersey's infrastructure. Flickr/ [Mike Mozart](#), 2014

Competition from e-commerce and downtown shopping experiences combined with an oversupply of retail space explain rising vacancy rates in older suburban retail stock. However, large-scale retail still has options beyond the traditional format. Low-cost chains such as T.J. Maxx and Ross are finding new roles as anchor tenants that were previously filled by stores such as J.C. Penney and Nordstrom. Upscale outlet centers and malls are also finding that their distinct clustered format still appeals to certain shoppers that are willing to travel for a particular retail experience.

The retail experience is changing to one based on lifestyle and convenience—the shopping centers that are succeeding are those in which shopping is only one part of the experience. These more successful shopping centers generate a sense of place and are offering exciting options such as entertainment, outdoor public space and housing options. These properties entice shoppers more than the convenience of shopping at the click of a button due to the overall physical and mental experience. One key component to their success is their accessibility, either via onsite or nearby housing or connections to broader alternative transportation systems (i.e. bike paths, pedestrian connections or mass transit).

### *What is the Current State of Infrastructure?*

Not only does infrastructure perform necessary services for individuals, firms, and communities, it also establishes a certain quality of life in communities that is highly attractive for businesses. Roads, sewers, and other public

facilities play a powerful role in guiding the state's physical and economic growth. Businesses commonly evaluate the condition and capacity of a community's infrastructure when making locational decisions. The current state of infrastructure in New Jersey—transportation and water infrastructure in particular—is poor. In fact, the American Society of Civil Engineers (ASCE) estimates that New Jersey must spend a total of \$40.4 billion on drinking water and wastewater infrastructure in the next 20 years just to preserve the status quo.<sup>10</sup> The conditions and capacity of infrastructure networks have direct economic impacts on businesses and greatly affect the viability of a repurposing project. Further, various types of infrastructure impact the type of development that many businesses seek. High quality transportation, for example, is valuable to New Jersey's tourism industry and the retail sector, and 65 percent of the overall electric power grid is used by the state's commercial and industrial sector.<sup>11</sup>

There is consensus that New Jersey's infrastructure requires significant investment in order to regain the level of quality necessary to attract businesses, stimulate the economy, and create a high quality of life for the state's businesses, residents, and workers. However, various types of infrastructure require varying levels of attention. Transportation, for example, is a major concern and has significant impacts on the state's mobility.

Accessibility and efficiency is critical for

<sup>10</sup> ASCE, *Report Card for America's Infrastructure*

<sup>11</sup> Malsbury et al., *What Will It Take to Support New Jersey's Industry Clusters?* 73.



transporting goods and people. Every worker and customer must arrive at their destination, whether by personal or public transportation. New Jersey is quite unique in that about one in 10 people use public transportation to commute to work and around the same number do not have access to a vehicle.<sup>12</sup> However, it is worth noting that many current or potential workers and customers at stranded asset properties do not have access to a diverse set of transportation options, as discussed in Chapter 1. It is even more concerning for owners of stranded assets, then, that one out of every two roads in New Jersey is deemed in “poor” condition, while one out of 10 is rated “in good condition,” according to TRIP, a national transportation research group.<sup>13</sup> These driving conditions cost New Jersey residents an additional \$596 annually through tire wear, lower fuel economy, increased depreciation, and general maintenance—nearly double the national average of \$335.<sup>14</sup>

These costs can seriously diminish a business’ attractiveness to potential employees, making it imperative that improvements are made. Fortunately, repurposing stranded assets

12 US Census Bureau, 2010

13 *Rough Roads Ahead*, 10.

14 *Rough Roads Ahead*, 11.

into mixed-use communities can simultaneously alleviate infrastructure wear and tear while meeting the demands of businesses and residents to live and work in more close-knit communities. What is more, directing growth to transit corridors has been shown to result in significantly less vacancies than in isolated suburban areas,<sup>15</sup> which is partially attributed to residents’ growing desire to become free of auto-dependence. It is not just transportation that is of major concern. Power, water, and sewer infrastructure presents increasingly growing concerns for municipalities, businesses, and developers alike throughout the state.

Quality drinking water is often taken for granted in the United States. In New Jersey the same rings true, and although the state has a competitive advantage over much drier states in the west and south, it has many older cities and towns with water infrastructure systems that are aged, deteriorating, and prone to failure. The majority of the water distribution piping dating from the late 1800s through the late 1960s is cast-iron with a life expectancy of about 120 years and is in need of replacement. Other types of piping from the 1920s and post-WWII suburban boom have lower life spans.<sup>16</sup> The working quality of this infrastructure can be prolonged with

15 Lubetkin, *Millennials Still Desperately Seeking New Jersey Transit-Oriented Business Hubs*.

16 Malsbury et al., 69.



Ageing and insufficient wastewater and drinking water infrastructure continues to pose environmental and public health risks and undermines efforts to increase quality of life in New Jersey. Left: Flickr/ [Daniel Lobo](#), 2009 Above: [Chesapeake Bay Program](#), 2011



The aerial above shows multiple large arrays of solar panels and a large photovoltaic carport at the New Jersey Army National Guard Joint Training and Training Development Center. Flickr/[USACE NY](#), 2011

proper maintenance, but maintenance neglect is common. Recently, water quality has been further threatened by the prevalence of Combined Sewer Overflow (CSOs) events, which pose serious environmental and public health risks (see Chapter 6) and have been exacerbated by climate change.

Climate change is contributing to increasingly intense and frequent storms, such as Hurricane Irene and Superstorm Sandy, in recent years. These storm events have put further pressure on New Jersey's aging water and stormwater infrastructure networks, not to mention power grids and other physical infrastructure such as bridges and roads. It is estimated that Superstorm Sandy damaged over 100 facilities that supply drinking water and treat sewage in New Jersey. The costs of repairing these facilities and making them more resilient to future storms translates to about \$2.6 billion.<sup>17</sup> Increasing this resiliency requires developing diverse and flexible systems, including the use of natural systems, known as green infrastructure (see Chapter 5 and 6 for more). Stranded assets often present excellent opportunities to utilize these systems and increase resilience to climate change, while providing New Jersey residents with high quality drinking water.

Lastly, power and telecommunication infrastructure has become pivotal to many of New Jersey's leading industries, especially with the unprecedented growth in the technology sector. However, in order for such industries to continue

<sup>17</sup> Ibid, 70.

growing, a power grid must be reliable and have the capacity to meet future demand. By failing to invest in electricity infrastructure, New Jersey's industry clusters could be negatively impacted. For example, a 2004 study by the US Department of Energy found that commercial firms lost around \$700 to \$1,300 per power interruption.<sup>18</sup> Increasing the resiliency and reliability of the power grid, as with water infrastructure, requires capacity expansion and diversification of energy sources, including microgrids. Stranded assets, on their large and expansive lots, present major opportunities to develop the types of resilient systems that are so attractive to businesses worldwide. Improving the state's infrastructure is therefore integral to further economic development.

## Are Current Development Patterns Able to Meet Demand?

Towns with stranded assets have a number of common characteristics that, given changing demographics and demands, explain the high vacancy rates. These communities have housing markets with higher than average shares of single-family housing, fewer rental options, and higher than average incomes, making the towns financially inaccessible and generally undesirable to a large portion of the population. An analysis of the top 30 towns with stranded assets shows that these factors are contributing to demographic shifts. These municipalities generally have aging populations with an average decline in school-aged children of 2.9 percent. In fact, in Bridgewater, an analysis by Jeffrey Otteau depicted a devastating loss of one third of the millennial population from 2000 to 2010.<sup>19</sup>

**1. Auto-Dependence:** The per capita acreage occupied by New Jersey's population has been on the rise<sup>20</sup> despite a market that is increasingly demanding less space in exchange for more accessibility. Additionally, sprawling development patterns have left the state with an average commute time of 30 minutes, the highest

<sup>18</sup> Ibid, 72.

<sup>19</sup> Hutchinson, *Developer: Plan for Bridgewater's Sanofi Research Campus Will Attract Young Professionals*

<sup>20</sup> Hasse and Lathrop, *Changing Landscapes in the Garden State*, 6.





A Maryland retail center demonstrates the often homogenous land use and transportation patterns of stranded assets, which increase auto-dependence. Flickr/[Bossj](#), 2008

in the country.<sup>21</sup> Large expanses of single-use zoning and sprawling structures continue to facilitate a homogenous transportation system focused on cars and roads.

New Jersey's auto-dependent development pattern is clearly evident in the large commercial spaces and offices parks, which were built along freeways in the name of convenience to auto commuters. Retail moved away from main streets and into new regional and strip malls, where developers could utilize cheap and plentiful land for large building footprints and expansive surface parking. But the market is now supporting a shift from regional mall spaces and office parks back to more compact, mixed-use environments, not just in urban areas but also suburban areas

21 US Census Bureau, *American Community Survey 2009-2013*.

A sprawling development of large single-family homes, often characterized as "McMansions," located in a suburban town in New Jersey.



(See Box 2.1).<sup>22, 23</sup>

New Jersey's past development patterns contributed to urban sprawl, which created isolated communities that do not resemble the vibrant walkable communities that businesses and residents are actively seeking out. The average commute for residents in these municipalities is higher than the state's average. In fact, several municipalities witness commutes nearly 50 percent higher than the state average. It is not just walkable communities that are missing from the fabric of New Jersey's housing market, though.

**2. Housing Options:** Available housing options are not meeting the demands for smaller spaces and rental options. Interest in renting has grown and homeownership has declined. This trend is occurring due to "tight mortgage credit, a lingering foreclosure crisis, and rising home prices," but also because the American Dream is taking on a new form.<sup>24</sup> Home ownership is rapidly becoming a less significant part of that dream, instead the flexibility to walk away from a property without being tied down to a mortgage is becoming increasingly the norm. This raises a renewed need for additional rental options, not just apartment complexes, but diverse housing stock that offers a variety of rental options at a variety of price points. Additionally, higher density housing is needed in order to meet demands for walkability. This stands in stark contrast to the top 30 municipalities with stranded assets, where single-family detached homes constitute 75 percent of the housing stock,

22 *Core Values: Why American Companies are Moving Downtown*.

23 Southworth, *Reinventing Main Street: From Mall to Townscape Mall*, 151-170.

24 Gordon, et al, *An Opportunity Agenda for Renters*, 6.



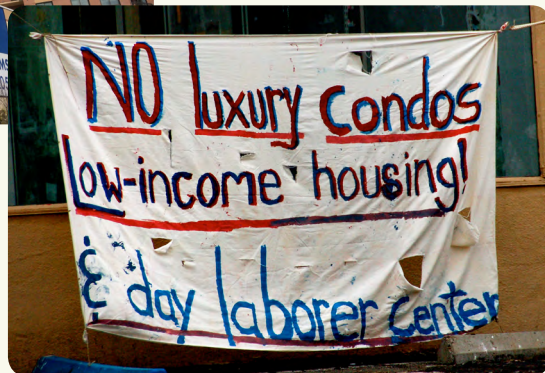
compared to the statewide average of 65 percent. In areas that are in higher demand, such as Madison Borough (ranked in the top 100 small towns nationwide),<sup>25</sup> rentals account for 30 percent of the housing stock as compared to the average of 25 percent among stranded asset host towns. And in Red Bank Borough, Monmouth County, widely regarded as one of the most flourishing small towns in New Jersey, rentals account for 53 percent of the housing stock—over double the average among the most affected stranded asset host towns.

### 3. Affordable and Inexpensive Housing:

Currently, New Jersey ranks as the fifth most expensive state for renters. A minimum wage worker would have to work 100 hours of work per week in order to afford a two bedroom apartment.<sup>26</sup> By 2025, it is estimated that 13 million Americans will be directing more than 50 percent of their income to housing.<sup>27</sup> New housing units are not necessarily catering to the average renter either: last year the median asking rent for a newly built apartment was \$1,372, approximately 50 percent more than the typical nationwide rent.<sup>28</sup> Meanwhile, the average New Jersey renter makes \$880 per month.<sup>29</sup> Just one out of every ten apartments built in recent years in the United States is affordable to earners making below \$35,000 annually, even though half of renters fall into this category.<sup>30</sup> To make matters even worse, almost all of the most affected municipalities offer fewer rental housing options than the state average and 24 of the top 30 municipalities have an average income significantly higher than the state average. This



Luxury housing developments have dominated new construction over the last few years, resulting in a market with high demand and little supply for affordable options. The image to the left displays an "ultra luxury" condo building while the image below shows backlash to a flood of luxury housing (though not for that particular site) Left: Flickr/ Mario Burger, [jag9889](#), 2014. Below: Flickr/ [Brooke Anderson](#), 2007



means that many highly educated millennials—including many highly regarded professional such as teachers—weighted down with student loans and receiving less than the state average income will be priced out of housing options in these towns. Affordable housing opportunities for these important members of society are overlooked.

Much of the high costs of living in New Jersey is attributed to the infrastructure costs of suburban sprawl. A study conducted in Halifax, Nova Scotia, determined the annual infrastructure costs per household for homes located in sprawling suburbs are more than two and a half times higher than the same services provided to an urban community.<sup>31</sup> A similar fiscal impact analysis was conducted prior to the implementation of the 2001 New Jersey State Development and Redevelopment Plan, in which it was estimated that higher density development patterns that "draw on usable excess operating capacity in already developed communities" would translate to \$160 million in annual cost savings.<sup>32</sup>

These soaring costs are specific to New Jersey and only a handful of other places around the country, pushing people to look for out-of-state alternative locations and inspiring outmigration.

<sup>25</sup> *Top 100 Small Towns*, Livability.

<sup>26</sup> *Out of Reach 2015: New Jersey*, National Low Income Housing Coalition.

<sup>27</sup> Allison Charette et al., *Projecting Trends in Severely Cost-Burdened Rents: 2015-2025*.

<sup>28</sup> *America's Rental Housing*, 3.

<sup>29</sup> *Out of Reach 2015: New Jersey*.

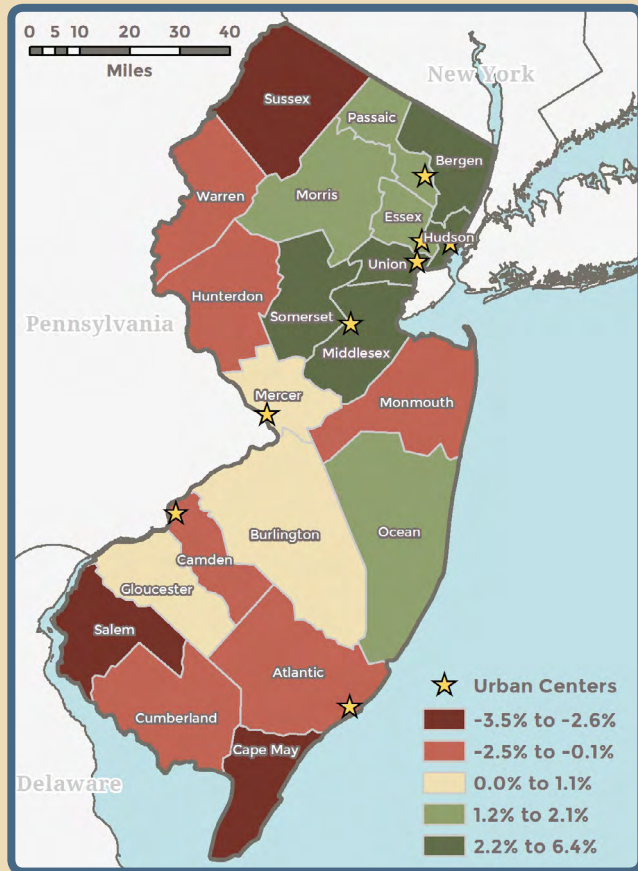
<sup>30</sup> *America's Rental Housing*, 3.

<sup>31</sup> *Settlement Pattern and Form with Service Cost Analysis*, 2 and 12-19.

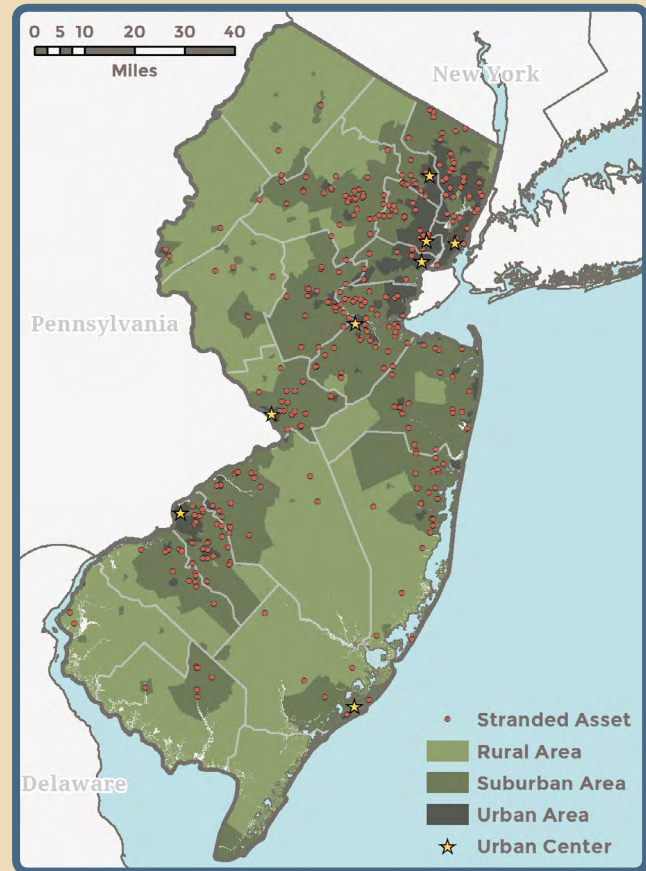
<sup>32</sup> Burchell et al., *The Costs and Benefits of Alternative Growth Patterns*, 12.



## Population Change: 2010-2015



## Population Density 2010



The average income in New Jersey is 34 percent higher than the national average, but New Jersey residents spend 60 percent more on housing costs (including mortgage payments, utilities and property taxes).<sup>33</sup> This has contributed to New Jersey's status as the state with the highest rate of outmigration in the nation.<sup>34</sup> While many believe this is attributed to retirees, the data shows that more than half of those leaving the state are in the prime years of their career. Three out of four people moving out of New Jersey are doing so for lifestyle, family or jobs.<sup>35</sup> New Jersey is not offering the economic or social opportunities these residents are seeking and so it is essential to understand the demographics of the state in order to adjust to changing lifestyle and economic preferences.

**“...more than half of those leaving the state are in the prime years of their career.”**

## 2.2 FUTURE TRENDS IN DEMOGRAPHICS AND DEMAND

The previous section described the current workplace and housing options and here we will explore the developing trends in demographics and housing demands and how these factors can inspire new uses for stranded assets located throughout the state. In assessing demands, the driving factors that are attracting residents and businesses to urban and downtown areas can be identified. From there, the challenge will be to capture those characteristics and apply them to the suburban setting where stranded assets are located. First, however, it is important to understand the changing demands and demographics. Much of the United States' population (led by millennials and baby boomers) are, for the first time, deciding that the American Dream is no longer a single-family home with a double garage and a white-fenced yard, but an altogether more urban experience. These

<sup>33</sup> American Community Survey 2014.

<sup>34</sup> 2015 National Movers Study.

<sup>35</sup> Ibid.

preferences effect a cross section of sectors in the region, including commercial, retail and housing markets, and should be recognized in order to facilitate healthy, sustainable, and equitable growth not just in New Jersey's urban centers, but in the suburbs that define a significant portion of the state.

## Changing Demographics

New Jersey represents approximately three percent of the United States population and is projected to reach 9.6 million by 2030,<sup>36</sup> but the rest of the nation is projected to grow twice as fast during the same time period. Much of this difference is attributed to New Jersey's status as the most highly exited state. According to Forbes, New Jersey is witnessing significantly more people moving out of the state as compared to those moving in.<sup>37</sup> This outmigration trend is not true for all of New Jersey though as areas like Hudson County are projected to grow nearly 20 percent by 2032,<sup>38</sup> which is representative of the growing demand for walkability. Reversing the outmigration trend will require addressing the mismatched demand issues addressed in the

36 New Jersey Department of Labor and Workforce Development.

37 Adams, *The States People are Fleeing*, 2014.

38 New Jersey Department of Labor and Workforce Development.

previous section as well as understanding New Jersey's shifting demographics.

Some important characteristics of New Jersey's population include:

**1. Age:** Currently, 63 percent of the NJ population is of working age. This number is projected to drop to 55 percent by 2032 as the Baby Boomers retire.<sup>39</sup> A growing population over 65 means less income and payroll taxes and significantly greater pressure on the healthcare system, including more patients per healthcare worker and increased spending on healthcare services.<sup>40</sup> Quite simply put, an aging population that fails to attract or retain labor hurts the local and state economy. It is therefore crucial that New Jersey and its municipalities create attractive conditions for a working aged population.

**2. Ethnicity and Race:** New Jersey has always maintained a unique and ethnically diverse population, which is expected to further diversify. According to projections from 2012 to 2032 by the New Jersey Department of Labor and Workforce Development, not only will the state's population continue to become older, it will also become increasingly ethnically diverse.

39 New Jersey Department of Labor and Workforce Development.

40 Wiener and Tilly, *Population Ageing in the United States of America: Implications for Public Programmes*.

## Box 2.2 Build Out and Opportunities Presented by Stranded Assets

**Sprawl has not only weighed financially on the state, but has increased the speed at which New Jersey approaches complete buildout. The Urban Land Institute estimated nearly two decades ago that New Jersey would be the first state to reach full build-out in the year 2030. With only 800,000 developable, or completely vacant, acres remaining, some argue that New Jersey has already reached full build-out as far as economic opportunities and environmental protections are concerned.<sup>1</sup> While this figure does not account for land that has simply been inefficiently utilized, its assertions are still significant. Land is a limited resource and yet the state's population continues to grow and the pressure for more housing options will increase. At the same time, "loss of wetlands remains steady and the rate of forest loss continues to increase."<sup>2</sup> Under these pressures, stranded assets throughout the state represent important opportunities for developers and environmentalists alike. Stranded assets provide even more benefits as they have already been built with dedicated infrastructure, therefore bypassing much of the costs and permitting troubles associated with constructing new properties. *(More opportunities presented by these properties are presented in Chapter 5, including meeting demands for mixed-use, enhancing environmental protections, and creating more efficient buildings)***

1 Marsh, *What Will It Take to Save New Jersey's Suburban Market?*

2 Hasse and Lathrop, *Changing Landscapes in the Garden State*.



The Hispanic population will witness the largest growth, increasing from 18.6 percent to 22.5 percent.<sup>41</sup> In planning for these population changes, it is important to consider cultural values and associated community demands as they can dramatically increase the attractiveness of an area.

*“Those arguing for public support of culture have concentrated on producing economic impact statements—an effective, yet limiting argument. Cultural activities can be a major economic force in many communities, but they also have a profound impact on the lives of local residents. Economic impact arguments lack the effects cultural strategies have on education, cultural identity, race relations, community pride, quality of life and other social functions.”<sup>42</sup>*

Meeting these diverse demands includes recognizing the overall impact on a community beyond the immediate financial and economic outcomes. Providing cultural activities, housing diversity, social services, and community empowerment, to name a few, can enhance a community’s appeal to a broader audience.

**3. Employment:** New Jersey has a highly educated workforce, with more than 1 out of 3 residents over 25 years of age holding an advanced degree (as compared to a national average of 28 percent).<sup>43</sup> However, this advanced labor pool has not translated to improved employment prospects as New Jersey’s unemployment rate has remained below

41 New Jersey Department of Labor and Workforce Development.

42 Scheuerman, *Mobilizing Arts and Cultural Resources for Community Development*, 8.

43 New Jersey Department of Labor and Workforce Development



Left: The stereotypical but increasingly outdated “American Dream” single-family house is juxtaposed with denser housing below which is rising in popularity. Flickr/ [Jim Ellwanger](#), 2008



Above left: A pedestrian throughway among high-density residential and ground-floor commercial buildings in Morristown, NJ. Flickr/ [Alex Flint](#), 2009



Above right: Small retail stores occupy the ground floors of residential buildings along a tree lined street in Morristown. Flickr/ [Doug Kerr](#), 2009

the national average until very recently.<sup>44</sup> Additionally, projected job growth from 2012 to 2022 is 2.9 percent annually for the US and 2.1 percent for New Jersey.<sup>45</sup> These projections do not bode well for job growth, and when considering the large millennial cohort that is transitioning to the largest portion of the labor pool, the outlook becomes even grimmer.

According to the Pew Research Center, 50 percent of the US workforce will be millennials by 2020 and 75 percent of the global workforce by 2030.<sup>46</sup> What does this mean for employment? Well, their ideology will be the basis of societal development for decades, including the ways in which we plan and develop or redevelop our land.

## Changing Demands: Housing

The Urban Land Institute (ULI) has quantified residential demand trends and new areas of focus for developers and planners,

44 Ibid

45 New Jersey Department of Labor and Workforce Development, *Industry Employment Projections 2012-2022*.

46 Ways, *The Millennials: Myths and Realities*.

highlighting generational differences in opinions and desires for housing, transit, and community. For example, millennials and renters are the most likely to be moving in the next five years, but are also the “least satisfied with the housing options they have to choose from in their communities.”<sup>47</sup> Aside from accessibility and walkability, urban areas are drawing in millennials who cannot—or prefer not to—get approved for homeownership. These residents are seeking rental options beyond apartment complexes that are altogether lacking across the state. What happens when this generation finds that there are no better alternatives in the state? They move elsewhere, further reducing the population of working-age people.

In order to combat this, decision-makers must design and plan their communities in an attractive manner, and cater to emerging trends centered on desirable and affordable neighborhood housing (both for retiring baby boomers and student loan-strapped millennials alike). This might mean increasing the walkability of neighborhoods where ownership of a car is not a necessity to perform everyday tasks and activities.

*“Many millennials prefer walkable, bikable communities and 63 percent would like to live where they do not need a car often... Millennials represent a strong driver of demand for compact, mixed-use development formats, in suburban or other locations”<sup>48</sup>*

While millennials are the most cited cohort in these studies, it is important to remember the baby boomers, as they begin to downsize and retire, are seeking very similar communities that are not necessarily age-restricted but provide amenities and vibrancy in a walkable area. Both populations are also seeking more affordable housing options, and opportunities for creating a range of affordable housing types in walkable neighborhoods are not limited to the inner-city. Regardless of whether renting or homeownership is more prevalent, large lot single-family zoning precludes suburban towns

<sup>47</sup> *America in 2015*, 4.

<sup>48</sup> *Ibid*, ii.

## BOX 2.3: Job Growth and the Innovation Sector

Job growth is in part generated by the innovation sector, including research and development in areas of science, life sciences, health, energy, and creative industries. Nationally, this sector employs about 1 out of 10 people, but research points to a much larger influence on overall job growth. Every scientist hired generates five additional jobs outside of the innovation center. There are two reasons for this. First, workers in innovation are generally highly paid and therefore have greater spending potential for local services. Second, innovation workers increase the capacity of the firms they join, thus increasing demand for local services.<sup>1</sup> After the gradual decline of manufacturing throughout the United States, and in particular in New Jersey, the innovation sector is an area of employment to be focused on. Fortunately, there is a highly educated labor pool soon to be dominating the workforce—the millennials.

<sup>1</sup> Moretti, *The New Geography of Jobs*.

from meeting the demand for walkability and a range of housing types. The solution is inclusive and accommodating zoning. Suburban towns of all sizes have the capability of providing these valuable and in-demand mixed-use areas that can be further enhanced through connection to larger metropolitan regions via transit.

### Changing Demands: Transit

Not only are rental housing opportunities and walkability important, but access to transit



The Asbury Park Rain Garden in front of the Transportation Center manages stormwater and provides environmental benefits while increasing the aesthetics of the area. Flickr/ [Jazz Guy](#). 2014



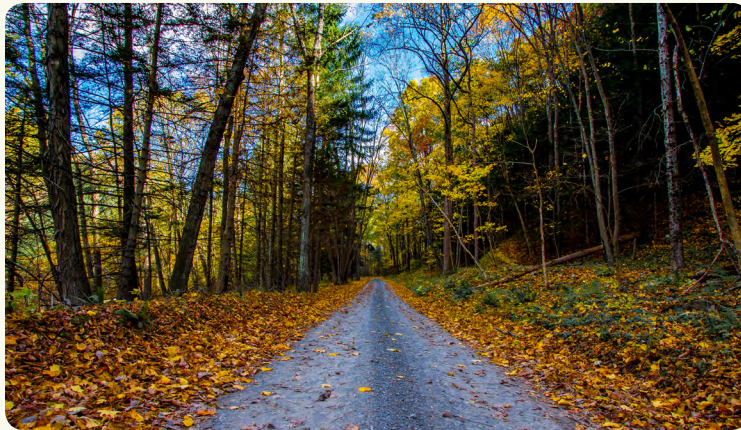
has proven a top priority to one out of three Americans.<sup>49</sup> Stranded commercial and retail assets are often located along highway corridors, but are rarely connected to a wider transit grid. Some believe, as the previous chapter noted, that a nearby bus or train stop is enough to induce ridership regardless of the stop's safe accessibility for pedestrians. This is a trend that cannot survive the current shifting demands and it is becoming increasingly imperative to provide safe and accessible alternatives to driving. It is therefore essential that transit is maintained as an integral part of the planning process and that accessibility and user friendliness are incorporated.

Corporations are recognizing the importance of transit to their viability as an employer. There are a number of instances throughout the state where gaps in the transit system have been filled by private services. The Amazon warehouse in Robbinsville is one such example where Greater Mercer Transportation Management Association (GMTMA) worked extensively with NJ Transit, Amazon and other businesses located in the area to help close the gap between the final NJ Transit bus stop and the Amazon distribution center. The case studies in Chapter 4 will highlight Bell Works' interest in connecting with the local bus and train stations via a private shuttle as well as bike rentals. Similarly, the New Jersey Center of Excellence case study highlights a TMA shuttle service that provides a bus connection from two local train stations. Clearly, transit is increasingly identified by both public and private entities as an important component to a property's success. Transit, however, is not the only amenity whose demand has witnessed a sharp increase; open space and access to nature are also increasingly desired.

<sup>49</sup> Ibid, 15.

## Changing Demands: Access to Nature and Quality of Open Space

Not only is access to nature and green space a necessity for healthy communities, it is one area in which suburban living can really outdo urban life. Under the right planning circumstances, green space is a tool for placemaking which adds vibrancy and desirability to a community, and can also be utilized to manage stormwater and improve drainage while enhancing its surroundings. Additionally, access to parks, paths



A trail near Buttermilk Falls, NJ enhances livability by allowing residents nearby greater access to nature. Flickr/ [Jim Lukach](#), 2014

and ecologically sound landscaping has increasingly become an attractive force that adds to property values,<sup>50</sup> <sup>51</sup> inspires healthier living habits, and maximizes sense of community. Green space can also act as transportation links and increase mobility for those without cars via quality bicycle and pedestrian paths, thereby

diversifying the transportation system. In fact, a recent national survey identified, “quality of environment, access to healthy food, green space, walkability and convenient public transit” as the most desired community attributes.<sup>52</sup> These priorities were witnessed across generations by as much as 87 percent of respondents.

Given the nature of the top priorities previously identified, it is critical that appropriate open space be viewed as an asset to a community rather than just as land with development potential. However, not all open space is created equal and maintaining high quality and accessibility is much more important than the overall amount of open space. All too often, open space is a designation that simply ticks a box—similar to transit—without giving thought to how that space works within the fabric of

<sup>50</sup> *How Cities Use Parks for Economic Development*.

<sup>51</sup> Harnik and Welle, *Measuring the Economic Value of a City Park System*.

<sup>52</sup> *America in 2015*, 12.

the community. Modern society demands that municipalities utilize their open space money to broaden the open space network by developing trail systems and parks that also prioritize interconnectivity with a broader regional system. In doing so, municipalities can increase property values and meet demand for opportunities to live and work within the community.

### *Changing Demands: Quality of Place and Creative Placemaking*

Along with the connectedness provided by transit and the quality of life provided by parks and trail systems, residents increasingly value experiences and are demanding high quality places that provide easy access to a variety of cultural activities such as the arts, cultural venues, lively public spaces, and farm-to-table dining. These demands translate to a number of key social and economic benefits including attracting a creative workforce, providing alternate uses for underutilized spaces, and encouraging residents and visitors to spend more money within the downtown area.<sup>53</sup> As the discussion in Chapter 3 will highlight, the arts played a key role in reviving Pittsburgh's downtown by increasing spending in the area and creating a safe public space for residents to gather. Similarly, Hackensack officials have also taken note of the importance of the arts in reviving the city's downtown. The mayor described the creative placemaking aspect as key to renewing the downtown stating, "You can put all the bricks and mortar you want, but you need a heart pumping down there and we think the cultural arts will be part of the lifeblood in the downtown."<sup>54</sup> In addition to the

Hackensack Cultural Arts Center, which has taken over a former Masonic Lodge, the rehabilitation plan includes several mixed-use apartment buildings and an amphitheater with a lawn for congregating.<sup>55</sup> Municipalities such as Hoboken,<sup>56</sup> South Orange, Jersey City, Morristown, Red Bank, Princeton, Newark and Montclair prove the viability of creative placemaking in attracting residents and encouraging vibrant community life.

## **2.3 CONCLUSION**

This chapter sought to address the mismatch between current housing, office and retail stock and the shifting desires of residents. Outmigration, property value loss, and vacancies are clear indicators of New Jersey's current inability to keep up with these changing demands. Gaining an understanding of market demands and the shift to more compact, mixed-use areas, can assist municipalities in halting outmigration and utilize the very amenities residents are seeking. Vibrant communities that offer a variety of transportation options and entertainment, shortened commute times, and a variety of housing options are all essential in revitalizing New Jersey's suburbs. Such revitalization is possible and in fact has been witnessed in some of New Jersey's suburban municipalities (*see Chapter 4 for case studies*). Now that these new demand profiles have been made clear, the following chapter will identify the challenges associated with reviving stranded assets and will point to a number of opportunities that allow communities to overcome such challenges.

<sup>53</sup> Gadwa and Markusen, *Creative Placemaking*.

<sup>54</sup> Ma, *Hackensack Invests in Arts, Bonding \$1.5M for Performance Center*.

<sup>55</sup> Ibid.

<sup>56</sup> Hoboken ranks number 11 in CityLab's "Top 20 Creative Class Cities"

# Chapter 3: Overcoming Challenges



## Chapter Takeaways

*Common arguments against repurposing projects, especially those which include housing, are often based in myth or are simply untrue. It is essential to address these issues from the start.*

*Rental properties and affordable housing help create livable neighborhoods. Constructing such properties does not result in increased crime or tax burdens, nor do they negatively impact surrounding home values.*

*Repurposing a stranded asset to include housing does not put an excessive strain on the school system.*

*Attracting major business to an area requires planning for diverse ages and cultures, which ultimately results in vibrant and livable communities.*

*Denser land use patterns are more cost effective in terms of infrastructure and facilitate the implementation of more affordable and diverse housing options.*

*Land use regulations, including single-use zoning and parking minimums, limit opportunities for mixed-use walkable neighborhoods which inhibits a community's economic competitiveness.*

While Chapter 2 discussed the impacts of stranded assets and the opportunities they present in meeting changing demands, this chapter identifies the challenges presented by reusing, repurposing or redeveloping a stranded asset. These challenges include a number of myths or negative perceptions that can hinder the planning process, such as the ability to attract corporations like Google, providing affordable housing and rental housing, and fear of overcrowding schools. The chapter will also address the challenges of outdated zoning, convoluted regulations, and the problems associated with inefficient land use and development patterns in the state. Exploring these obstacles is not meant to deter plans for stranded assets, but rather to inspire ways in which developers and municipalities can overcome foreseeable challenges. Understanding the challenges upfront can prove the greatest tool with which to address issues head on or avoid them completely.

### 3.1 THE “GOOGLE MYTH”

In 2000, the city of Pittsburgh was facing a grim future. Exodus from the city had cut the population in half. And while other cities were experiencing economic growth, Pittsburgh struggled as the steel industry collapsed and abandonment plagued the city. Jump ahead 15 years to 2015 and the story is



radically different, as Pittsburgh finds itself among Forbes Magazine's top 10 most livable cities in the United States (just behind Washington D.C.). So, how does the transition occur from steel capital of America to a city on the cusp of complete abandonment and then to a top destination for highly educated millennials?

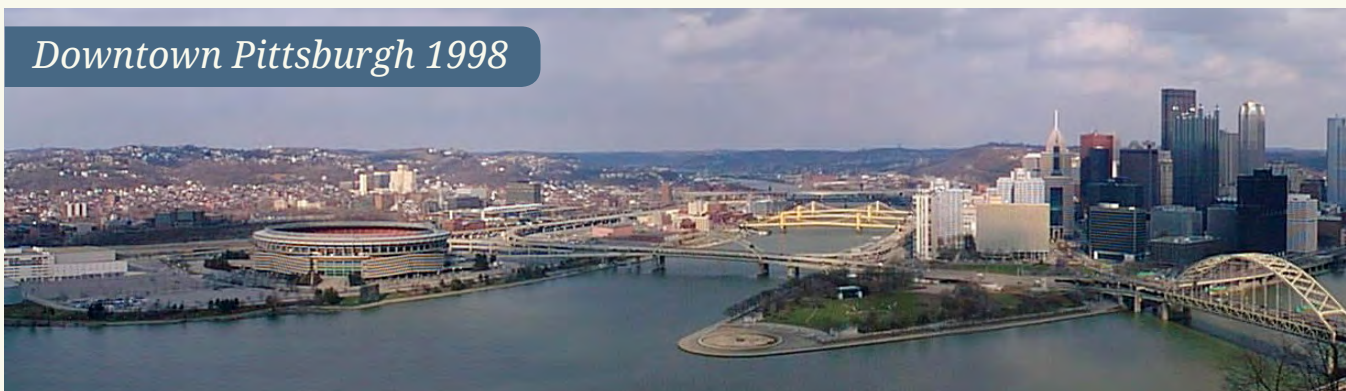
Many have inaccurately identified the takeover of an abandoned Nabisco factory by a well-known technology company as the critical turnaround point. In 2006, Google announced that it would be opening an office in Pittsburgh and, as we have seen in cities like Boston and Seattle, Google's presence is a powerfully attractive force for other prosperous companies. However, simply attributing Pittsburgh's turnaround to Google fails to recognize the decade of work preceding it, which ultimately transformed Pittsburgh from a city spiraling towards failure to a forward-thinking city of growth. This growth was specifically designed to save the city by transforming it through a vast array of initiatives and was not the culmination of a single-minded hope of attracting Google—although that was the ultimate reward.

It was a perfect storm of attractive forces that brought Google to Pittsburgh. Most importantly, Pittsburgh offered an urban setting that was attractive to young professionals as well as businesses. The densely populated urban nature of Pittsburgh, along with access to the research and development leaders at Carnegie Mellon and the University of Pittsburgh, was important but not quite enough. The presence of these attractive characteristics could not reverse or even slow the decline of the city as the steel industry dissipated. What was needed was strong leadership—which was provided by Mayor Tom Murphy from 1994 through 2005—a vision for the future, and a commitment to public-private partnerships that “leveraged more than \$4.5 billion in economic development in the city.”<sup>1</sup>

The focus of this transformation was much broader than any one building or one company; it was based on a vision for the entire city. A red-light district was transformed into a center for cultural arts and training which attracts more than 2 million people annually. Many of these

<sup>1</sup> Murphy, *Building a Competitive City*.

### *Downtown Pittsburgh 1998*

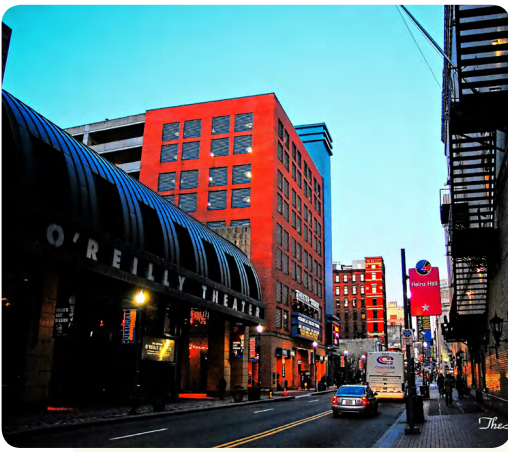


The Pittsburgh skyline, before and after the revitalization. While it is hard to see some of the downtown renovation projects, the difference in the North Shore area (on the left side of the photo) is stark—gone is the old stadium and its sea of parking, replaced by green space, pedestrian walkways, and high-density development. Above: Flickr/ [Filipe Fortes](#), 2009 Below: Flickr/ [Chris Diroll](#), 2012

### *Downtown Pittsburgh 2012*







Above Left: A look into Theatre Square in the heart of the Cultural District, with O'Reilly Theatre on the left and Heinz Hall on the right. Flickr/ [Spencer Patrick McKain](#), 2012. Above Right: The Benedum Center for the Performing Arts, one of many event venues within the Cultural District. Flickr/ [Ran Allen](#), 2011

PNC Stadium at dusk, looking north across the river from the cultural district. The photo shows the riverside bike and pedestrian walkway and the bridge that connects downtown to the stadium, in addition to green infrastructure that increase the resiliency of the riverside areas to flooding. Flickr/ [Spencer Patrick McKain](#), 2012

show attendees would arrive early for a pre-show dinner and then stay for post-show drinks which breathed life into the city's restaurant scene. According to Mayor Murphy, "These deals aren't just transactional, they are connected to a broader strategy."<sup>2</sup> Pittsburgh's leadership worked to attract businesses into the downtown area by connecting new office buildings with public transit and providing parking garages. Throughout the city, surface parking lots were transformed into open space and places for city dwellers to stop and relax by a fountain or under the shade of a tree. Abandoned steel mills were turned into mixed-use destinations that maintained Pittsburgh's character while addressing the walkable demands of today's society. A new stadium was built across the river from the downtown and surface parking was largely removed so that when game day came around, attendees would park in the cheaper downtown parking garages, visit the local

restaurants and bars, and walk or take public transit across the bridge to the game. Of course, parking was also offered by the stadium, but when faced with the premium pricing most attendees chose public transit, thereby further boosting the downtown economy. Each decision that was made was part of a broader strategy that worked to reinvigorate all of Pittsburgh as one interconnected unit.

How does this relate to constraints in redeveloping stranded assets? Those who believe that Pittsburgh hit the jackpot when Google signed the paperwork to take over the Nabisco factory ignore the immense planning that lead up to that moment. A decade of work transformed Pittsburgh into a destination for millennials, families and baby boomers alike who desired to live in a vibrant city where walkability ranks high and bike trails and cultural activities abound. When you attract people, you create an environment where businesses can flourish. Only

at that point do you "hit the

Twelve open hearth stacks are one of the few remnants that remain of the former US Steel Homestead Works. The site is now one of the largest shopping districts in Pittsburgh, complete with restaurants, a hotel, a movie theatre, and upscale

condominiums along the Monongahela River. Flickr/ [Paul Robertson](#), 2012.



2 Ibid.



The old Armstrong Cork Factory from across the Allegheny River before being converted to condominiums (top left) and after. Above Left: Flickr/ [William Real](#), 2003; Right Flickr/ [William Real](#), 2012

jackpot” and Google comes to town. However, there are not enough “Googles” to go around and so the end goal for redevelopment should be livability and neighborhood vibrancy for the good of a community, not attracting a single business whose presence your whole livelihood will depend upon—Pittsburgh learned this the hard way through the decline of the steel industry. The illusion that holding out for a large corporation to solve vacancy problems is not the only myth that surrounds these properties. Inaccuracies surrounding the effects of housing developments and rental properties as they relate to the quality of schools, crime rates and tax burdens have proven just as difficult an obstacle as the Google myth.

*\*To hear more about Pittsburgh’s transformation from Mayor Murphy watch his Urban Land Institute talks [here](#).*

## 3.2 HOUSING, SCHOOL-AGED CHILDREN & RENTALS

Sometimes a myth is based in fact, but often those facts are outdated, misunderstood or unsubstantiated. This section focuses on the facts of mixed-use developments and housing projects, which include rental properties and bringing school-aged children into a municipality. In many instances of redevelopment, these are the primary constituent concerns that must be addressed transparently and upfront in order to achieve success in the face of change (see box 3.2 for more information on the importance of transparency and community buy-in). While this section focuses on the perceived problems that arise with the proposal of housing projects, it does not aim to conclude that all stranded assets should be redeveloped to include housing or even redeveloped at all. This section applies only to those stranded assets for which redevelopment with a housing component is appropriate. However, before discounting housing for a given municipality, a quick scan of this section may prove useful as it answers a number of important questions.

### BOX 3.1: Who is Affordable Housing Really For?

*If a community is particularly vocal against an affordable housing project, it may be quite beneficial to provide perspective regarding the people who benefit from such housing. For example, a two-child family would qualify for affordable housing in Mercer County if the household is making less than \$65,700 per year. According to Glassdoor’s self-reported salaries, the average teacher’s salary in New Jersey, \$45,263, qualifies them for affordable housing in Mercer County. The same is true for mail carriers, who self-report an average of \$52,070 per year, and although they are educated, working full-time and contributing to society, they are considered “cost burdened” by the US Department of Housing and Urban Development. Understanding the many types of residents that can benefit from affordable housing may help communities accept their presence. Essentially, NIMBYism can be counteracted via information and this information should be provided as early on in the process as possible.*

### Do Affordable Housing and Rental Properties Adversely Impact Communities?

A study of a low-income housing project in Mount Laurel looked at “home values, tax burdens and crime rates in Mount Laurel before and after” the opening of an affordable housing project and compared them with surrounding townships over the same period of time. The conclusion? There were no “detectable effects of the project’s opening on any outcome.”<sup>3</sup> Crime rates did not rise, property values did not plummet, and there were no signs that the affordable units burdened the schools or the township in any way. In fact, the study found that the effect of the affordable housing units on the town was such that one out of three members of the surrounding community did not even know affordable housing existed in their neighborhood.

Rhetoric surrounding multi-unit rental properties can be just as negative as that surrounding affordable housing projects. This is significant because rental properties are increasingly becoming the housing of choice for baby boomers and millennials—the two largest

<sup>3</sup> Massey, *Lessons from Mount Laurel: The Benefits of Affordable Housing for All Concerned*.



age cohorts in the nation—and obstructing housing options can greatly impact a community’s loss of labor force. In fact, baby boomers are retiring at a pace of 10,000 per day and as they either look to downsize their living space and opt for greater flexibility<sup>4</sup>, they are outpacing millennials in purchasing condos and renting apartments.<sup>5</sup> Additionally, family roles are changing as millennials are waiting longer to have children and are having fewer. The number of owner-occupied homes in New Jersey has also dropped by 100,000 while the population has grown by nearly 400,000.<sup>6</sup> This shows a major shift in demand from homeownership to renting which cannot be ignored if demand is to be met. Rental demand is growing so much that the Urban Institute expects that from 2010 to 2030 the US will see “five new renters for every three new homeowners.”<sup>7</sup> Writing off rental properties as burdensome or damaging to a community could have devastating effects as demand continues to grow.

### *Do development projects involving housing components place a greater strain on schools?*

A common argument against housing proposals is that residential developments increase the population of school-age children, adversely impacting schools. One developer of affordable housing in the tristate area noted that

4 It is important to note that rental properties do not just include apartments, but also townhomes and single-family houses. Major demographic groups are demanding greater flexibility and mobility, and are therefore choosing not to be tied down to one place. Rental properties, then, are ideal solutions.

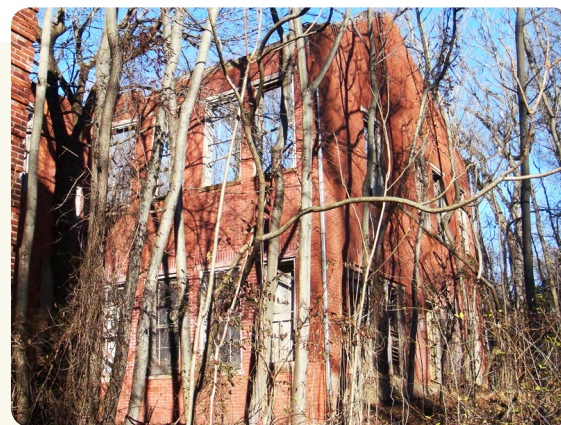
5 Joint Center for Housing Studies of Harvard University, *America’s Rental Housing Expanding Options for Diverse and Growing Demand*.

6 US Census Bureau, 2000 and 2010 Census survey.

7 Goodman, *The Demographics of Demand*, 2.

The former Lambertville High School in New Jersey, built in 1854 but abandoned since 1992.

After years of constant police patrolling it was finally demolished in 2012, but shows that schools are not immune from becoming stranded Flickr/ [Crystal](#), 2009.



projects in New Jersey tend to face strong rhetoric and challenges upfront but upon completion such language dissipates. The developer noted that one school district in New Jersey even called them after completion of a project as they were surprised that the overload on the school district never came to fruition, and in fact there was no change in school enrollments whatsoever.<sup>8</sup> How could a high-density multi-family development not have placed pressure on the school? Well, there are a number of explanations, including evolving demographics and lifestyles.

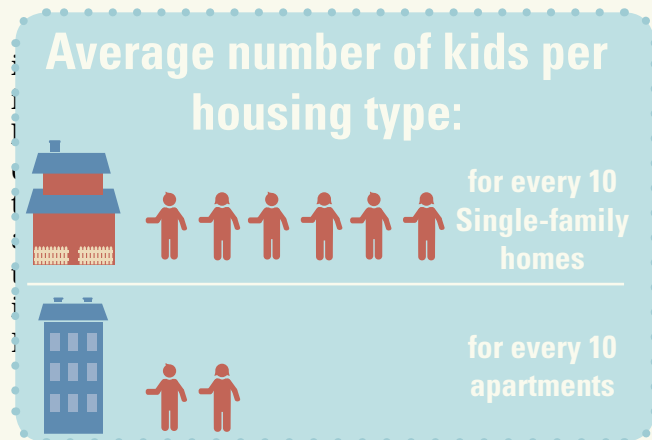
One major reason for the lack of strain on schools may be that enrollment has been gradually declining for some time, despite overall population growth. In the 2014-2015 school year enrollment in New Jersey was 24,000 students fewer than in 2005, even though state aid has

8 Semuels, *The Pervasive Fear of Affordable Housing in New Jersey*.

#### **BOX 3.2: NIMBYism**

***“Not in My Back Yard” or NIMBYism can become a major obstacle to plans that involve a major change such as high-density housing. It is essential, as the case studies and toolkit further detail, to ensure community buy-in from the beginning. In some instances, this may mean gathering the community together for visioning sessions that feed into the plans. In other cases, helping the community to envision the final plan, such as the Bell Works open house detailed in Chapter 4, can be an essential element that helps the community not only accept, but embrace new uses for the property. In other instances, it may be important to identify and collaborate with key stakeholders, especially when there are parties involved in the property with seemingly incompatible agendas. In these situations, it is important to identify common grounds and build support from these groups early on, so as to avoid loud proponents against a well-planned and beneficial project.***

increased by more than \$1 million.<sup>9</sup> In the top 30 municipalities with the greatest number of stranded assets, four out of five have witnessed a drop in school enrollment, with Toms River alone witnessing a decrease of 1,196 students.<sup>10</sup> In fact, data from the New Jersey Department of Education shows enrollment falling by 2.9 percent, or 7,609 students, between 2010 and 2014



enroll additional students, current demographic trends show that new housing projects are bringing fewer and fewer school-aged children into communities.

It is becoming increasingly common to find households without children. In fact, the percentage of households with children has decreased by half since the 1970's.<sup>12</sup> The numbers are even lower for multi-family apartment buildings. The National Multifamily Housing Council reports that more than two out of three apartment dwellers are either single or married with no children. For this reason, high-density housing projects tend to attract a much lower number of children, as can be seen in the infographic above. And with increasing numbers of childless marriages, non-family households, and birth rates that have been on the decline since the 1960's there is no reason to expect an abrupt demographic change. Therefore, redevelopment projects that include housing components should not be automatically written off as burdensome to the school district.

<sup>9</sup> NJ DOE, *State Aid Summaries*.

<sup>10</sup> Ibid.

<sup>11</sup> US Census Bureau, *American Community Survey 2010, 2014, 5-year Estimates*.

<sup>12</sup> Kreider et al., *America's Families and Living Arrangements: 2012*, 1.

Clarifying these facts with community members can greatly improve reception of a high-density housing project.

### *Are the Actual Financial Constraints being Overlooked?*

These unwarranted anti-housing justifications have been used often and the negative attention given to the threat of overcrowded schools, increased crime and deteriorating property values may just be overshadowing one of the biggest financial burdens of all: infrastructure. High-density housing projects may often cause the greatest uproar as constituents fear the myths rebuked above, but what is missing in this dialogue is the benefit of lower infrastructure costs and meeting the rapidly growing demands for healthier walkable communities.

The Tallahassee-Leon County Planning Department, in anticipation of rapid population growth, conducted an analysis of infrastructure costs relating to various growth patterns.<sup>13</sup> The results indicated a drastic cost difference between single-family one-acre lots and higher density development patterns. The infrastructure costs estimated for single-family one-acre lots for the population growth was approximately \$208,000 per household. However, with a higher density development pattern averaging eight units per acre, the costs decreased tenfold. Residents of the higher density development would have paid only \$22,000 for infrastructure per unit. New Jersey's current focus on one-acre lots and larger is not only mismatching housing stock with demand, it is costing the state and its residents greatly.

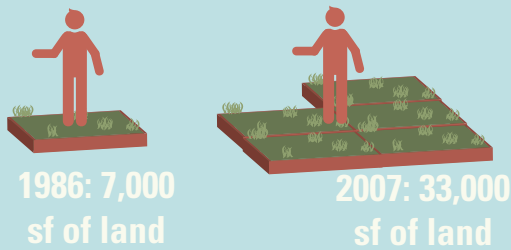
The sprawling nature of the one-acre development in Florida translated to astronomical infrastructure costs. In New Jersey, sprawl is one of our biggest financial burdens, weighing on the cost of road, sewer and water maintenance. In 1986, on average, New Jersey residents occupied about 7,000 square feet of land, by 2007 that number increased nearly five times to more than 33,000 square feet per person.<sup>14</sup> Those two decades were New Jersey's "two most sprawling

<sup>13</sup> *The Tallahassee/Leon County Multimodal Transportation District Plan*.

<sup>14</sup> Hasse and Lathrop, 6.



## The average amount of land used per person in NJ has grown 5x over since 1986



decades in history.”<sup>15</sup> If sprawl translates to higher infrastructure costs, and in turn, higher property taxes, then the antidote is higher density developments. These changes would serve a great financial purpose, but they would also serve to meet the growing demands for walkable, mixed-use communities.

This increased demand is apparent in the lower vacancy rates and higher housing prices commanded in walkable areas. In fact, a study in Washington, D.C. revealed “a more than 100 percent premium for WalkUPs [Walkable Urban Places] over drivable suburban for-sale housing on a price per-square-foot basis.”<sup>16</sup> In Washington DC, suburban communities with walkable centers average \$398 per square foot as compared to the auto-dependent suburbs where housing sells at almost half the rate, only \$222 per square foot.<sup>17</sup> However, as Chapter 2 detailed, there is a great mismatch between the types of communities where housing is available and that which is demanded. One study estimates a tremendous undersupply as “30 percent of the current housing demand is for denser, walkable, mixed-use communities, however less than two percent of new housing starts are in this category.”<sup>18</sup> It is therefore important to remember that, when faced with public scrutiny over projects that include high-density housing, these developments

<sup>15</sup> Ibid, 5.

<sup>16</sup> Leinberger, *DC WalkUP*, 19.

<sup>17</sup> Ibid.

<sup>18</sup> *The Tallahassee/Leon County Multimodal Transportation District Plan*, 24.

are economically more feasible than their sprawling counterparts, as well as more in-demand.

### 3.3 ZONING AND REGULATORY BARRIERS

As the previous chapter and sections have discussed, demand for livable walkable mixed-use communities is growing. Not only are potential residents looking for mixed-use, even businesses are looking to relocate to areas where employees can have a range of amenities within walking distance of work and home. In North Jersey, a multinational corporation signed a lease in 2015

**“A multinational corporation signed a lease in 2015... contingent upon the developer successfully incorporating a housing component.”**

for a portion of a repurposed office park that is contingent upon the developer successfully incorporating a housing component. The stranded assets found throughout the state provide unique opportunities to meet these demands and revitalize the suburbs, but current regulatory and zoning conditions make such repurposing efforts difficult. Through identifying outdated and rigid codes, this section seeks to address the

zoning issues that impede the revitalization of these properties.

Zoning ordinances in suburban towns almost universally limit opportunities for mixed-use walkable designs because of the Euclidean template where uses are rigorously separated. But suburban zoning ordinances have many other deficiencies, all of which prevent the type of mixed-use, pedestrian environments that the market increasingly demands. One seemingly counterproductive measure is excessive parking minimums, which require a specific number of parking spaces per unit developed. Parking minimums ignore the main goal of mixed-use neighborhoods, which is to limit the need for cars. Instead, parking minimums encourage driving and increase impervious surfaces. Additionally, they unnecessarily limit opportunities for much desired green space. Moreover, the construction of parking is yet another expense for the



Space for surface parking lots, such as the one to the left, have been prioritized over safe walkways even though many parking lots are rarely filled to capacity. This prioritization of driving causes situations like the one below where pedestrians are forced to walk dangerously while cars are safely parked. Left: Flickr/[Andy Arthur](#), 2011. Below: Flickr/[Transportation for America](#), 2006



developer, regardless of whether it is needed. A surface parking space “costs about \$4,000 to create” and an underground parking space “can cost \$40,000 or more to build,”<sup>19</sup> and these costs are passed onto prospective tenant’s rents. For low-income housing projects where residents may not even have cars, these higher rents can make the difference between affordable and unaffordable. To limit spending, developers will often turn to surface parking, which is cheaper to build but environmentally destructive. Excessive parking, setback and buffer requirements, height restrictions, and other constraining bulk standards limit the levels of density that is needed in order to achieve walkable communities.

Most importantly though, is the limitation caused by single- or limited-use zoning. In fact, single-use zoning ordinances often “unintentionally stand in the way of providing developers, employers, and workers the types of modern spaces they desire,” therefore, “inhibiting a community’s economic competitiveness.”<sup>20</sup> Often times, a developer who seeks to meet mixed-use demands in a suburban setting is met with numerous challenges that can prove to be a major deterrent.

The land development process in New Jersey can be time- and resource-intensive for both a developer and a municipality (*In Chapter 4, specific case studies shed light on this process, and Chapter 6 offers recommendations for increasing efficiency*). A developer is rarely able to simply proceed with a repurposing project

that incorporates a mix of uses without requesting rezoning or a variance. If the variance falls through then there is a lengthy municipal process to rezone the land, but this is rarely successful unless there is full cooperation and support from local officials and the public. While land uses may be changed, or perhaps more expeditiously the site may be designated as a redevelopment area, the process can be cumbersome and expensive. Under the best of circumstances, either process requires months of preparations and public hearings, even before review of the specific redevelopment or repurposing project can begin. The process can be prohibitively expensive as it unfolds over an often extended period of time.<sup>21</sup> Throughout the process, the developer is covering the soft costs—such as professional, application and escrow fees, as well as employing architects, planners and engineers—and the property owner must continue to maintain the site by paying property taxes, utility bills, and building and site maintenance.

To endure such a protracted process, both the developer and the municipality must invest considerable resources in the pursuit of success. Both sides have the opportunity to achieve great results; a reasonable return on investment for the developer and a high contribution toward the ratable base for the municipality. It is in the developer’s best interest to create a plan that is highly in demand and it is in the municipality’s best interest to approve a plan that serves the greater community. To meet these ends, municipalities and developers must find ways to collaborate and cooperate in the process of negotiation, redevelopment and repurposing sites to ensure that the results satisfy both the community and the developer. It is essential, though, to include the community in this process. As we will see in Chapter 4, transparency and marketing a project are essential components to

<sup>19</sup> Speck, *Walkable City*, 116-117.

<sup>20</sup> Strungys and Jennette. *Modernizing Suburban Office and Industrial Zoning*.

<sup>21</sup> Chapter 6 offers a step-by-step guide for how best to navigate a repurposing project.

ensure community buy-in.

### 3.4 CONCLUSION

This chapter has reviewed a number of challenges associated with reuse and redevelopment, but the most important takeaways are the ways in which these obstacles can be overcome. The reuse of failing and vacant buildings provide both economic and environmental opportunities, but developers and municipalities must work together to ensure the

final outcome suits all parties involved. Achieving this goal entails the development of regulations that support a collaborative environment between developers and municipalities. It is also critical to gain public buy-in through which participation and myth-busting can occur. The following sections will delve deeper into the many opportunities presented by these failed and failing buildings, exploring specific scenarios and providing lessons learned for municipalities and developers looking to revitalize stranded assets.

# Chapter 4: Lessons and Takeaways from Previous Projects



## Chapter Takeaways

*The redevelopment process in New Jersey is commonly being initiated and led by developers rather than arising from municipal planning and leadership.*

*There is no one-size-fits-all solution to repurposing stranded assets, but creativity, vision and community involvement are essential components across the board.*

*A successful repurposing project requires trust amongst the municipality, community, and land owner, and the goals of these key players must align.*

*Repurposing efforts should improve the site's relation to the surrounding community, locally and regionally. This responsibility rests with the municipality.*

*In a number of cases, inclusion of a residential component is integral in ensuring the financial feasibility of a project.*

The previous sections of this guidebook have discussed the need for repurposing stranded assets in New Jersey and highlighted some of the typical rhetoric that often comes attached to repurposing projects—especially those with housing components. This chapter will delve into two New Jersey-based case studies that will help ground the discussion in reality, providing real-life lessons and takeaways for future projects.

It is evident from both projects—Bell Works and the New Jersey Center of Excellence—that developers generally initiate the redevelopment process in New Jersey. Municipalities have yet to get ahead of these issues in order to drive solutions and are instead reacting as they arise from developers. Each project includes a developer-driven solution to issues of vacancy and both experienced significant challenges as they worked to convince municipal officials and the community of their project's benefit—achieving varying degrees of success. After all, an innovative vision is only able to progress a project so far, and it was the establishment of trust and a collaborative relationship between the municipality and developer that ultimately led to success in these case studies.

There are similarities between the case studies, but each presents a unique set of circumstances and lessons to be learned for future projects. Somerset Development was able to integrate innovative workspace, but could not include the high-density housing that was achieved with the New Jersey Center of Excellence. Additionally, both case studies present continuing challenges for transit and mobility. Somerset Development is currently working to address the lack of transit accessibility by exploring options to provide bike and shuttle services to local bus and train stops. Finally, trust and transparency is a central theme in both case studies. Somerset Development won over the heart of the community before gaining the municipality's trust, while Advance Realty worked closely with the mayor and the planning officials to establish a professional and collaborative relationship through which trust was established with the community. These case studies present the various successes and shortfalls of two different repurposing efforts.





The modernist Bell Works building was dubbed “The Biggest Mirror Ever” by Architectural Forum due to its mirror box exterior. Above: “Bell Works Charette – A Sustainable Future” by Michael Calafati, 2008



This aerial shot of Bell Works shows the building’s mass, the surrounding parking, and the complex road network, and provides an idea of the residential and agricultural land uses surrounding the site. The majority of the land, however, is not pictured. Left: Flickr/[Lee Beaumont](#), 2007

While the Bell Works building is barely visible from the main road, this now defunct water tower looms large and iconic at the front of the property. Above: Flickr/[Jo Poon](#), 2008

## 4.1 BELL WORKS

### Key Takeaways:

- » This building’s history makes it wholly unique from other stranded assets
- » Leadership and vision was critical
- » Difficulties with achieving mutual trust between municipality and developer slowed the process but was ultimately achieved
- » Community engagement was pivotal
- » Housing was key to financing the project
- » Lacks housing for millennials and baby boomers looking to downsize in retirement

The former Bell Labs headquarters in Holmdel may at first seem like a classic suburban stranded asset, especially as you enter the isolated complex’s quarter mile private roadway. It is situated on 472 acres with 2 million square feet of rentable space—imagine the empire state building laying on its side—and provides more than 4,000 parking spaces. However, this building is home to a unique history. It was designed by the celebrated architect Eero Saarinen, designer of the St. Louis Archway, and was home to revolutionary technical advances. Ralph Zucker of Somerset Development describes the Bell Works site as “the place where the tech world was born”<sup>1</sup> as it housed historical achievements such as the development of the laser, mobile technologies and the programming languages C and C++. You do not have to be a

<sup>1</sup> Gertner, *A Historic Building Revived*.

historian or technology expert to find yourself getting swept up in the significance of the Bell Works site where eight Nobel prizes were won in physics and chemistry, including the discovery of factual evidence for the “Big Bang” theory.

It was this distinguished history as a center of innovation and scientific excellence that seemed to drive Zucker’s vision for the property as he persevered through the lengthy battle to reinvigorate the site, now named Bell Works. The municipality considered a number of new realities for the property, starting with the hope that “a company as big as Lucent could be retrofitted into the building.”<sup>2</sup> When the town realized a replacement was not coming, they then considered knocking the building down, but having once represented 20 percent of the town’s ratables, it seemed too great a financial loss. Beyond the financial component, community members protested the destruction of a building that held such historical and cultural value. Zucker entered the picture at this point in the municipality’s thought process, when the hope was to regain the building’s value in one way or another, but he struggled to convince the town that this property would best enhance the community if it were transitioned into a mixed-use town center. Zucker had the staying power, vision and wherewithal to win over the community, overcome the various challenges presented along the way and ultimately negotiate a redevelopment agreement. However, the process was lengthy and the final outcome deviated from Zucker’s original plan for the site:

2 Former Holmdel Mayor Patrick Improveduto, interview with Ann Brady, PlanSmart NJ, April 22, 2016.



The open house, pictured above, invited the community to experience Zucker’s vision for Bell Works as a town center. Flickr/[John Moffett](#), 2009

to bring the outdated 1960’s suburban office building into the 21<sup>st</sup> century with the amenities demanded today.

Zucker envisioned a new urbanist mixed-use community that provided some of the amenities of urban living in the beauty of a suburban setting. He worked with a well-known mixed-use and healthy community-focused planner, Jeff Speck—author of *Walkable City* and co-author of *Suburban Nation*. The community would include high-density housing on portions of the original building’s expansive parking lot where residents could live just steps away from shopping, entertainment and employment opportunities. The plan would have decreased impervious surface and utilized existing road infrastructure. Additionally, Somerset Development planned to grant a large tract of land back to the municipality. This version of the plan, though, was not originally accepted by residents or the municipality and speaks to a lack of understanding of demographic trends and demands, but it also speaks to a lack of trust, which is detrimental even for well-planned projects.

Zucker struggled to gain support from the municipality and its residents. He understood that when it comes to a developer’s relationship with a municipality, “It takes a long time for a community to entrust their greatest asset to an outside developer.” It is important not only for the town to trust the developer, but for the developer to trust the municipality. This mutual trust was lacking for many years and is apparent in Somerset Development’s attempt to have the site designated an “Area in Need of





Rehabilitation” to protect the site from use of eminent domain, which is reserved only for an “Area in Need of Redevelopment.” Plans for the Bell Works site stagnated as mutual distrust ensnarled the process.

A major turning point in the process occurred in 2009 when Somerset Development staged an evening open house on the property and invited the Holmdel community to attend. The open house took eight frantic weeks to organize, but was a huge success in gaining the support of local residents. Somerset Development staged a town center complete with benches, trees, local food vendors and a jazz group. The building’s future was brought to life with projectors displaying possible store fronts and posters simulating windows. Thousands of people showed up to see what Somerset Development envisioned for the site, and positive reviews appeared in the New York Times, Asbury Park Press, and NJBiz. Somerset Development engaged the community via blogs, town meetings and community outreach before and after the open house. The end result was successfully gaining the residents’ trust and community buy-in for the town center plans. Thoughtfully marketing Somerset Development’s vision for the property proved an essential component in its success.

In the wake of the open house, the tides started to turn and the municipality came to the table, opening the door for a collaborative partnership. Holmdel created a Redevelopment

Committee and began more serious discussions with Somerset Development. That dialogue was instrumental in building trust between the town and the developer. However, the town still hoped the plans could move forward without a housing component. Arguments were made that additional housing would overload the school and municipal infrastructure which disregarded the project’s financial dependence on a housing component.

The project has benefited from property tax concessions obtained through the redevelopment agreement with Holmdel, and Somerset Development is seeking Historic Preservation Tax Credits, but the project would not be viable without the upfront income generated by its residential component. It is essential to understand that eliminating housing from the plan not only defeated the point of Zucker’s vision for a walkable mixed-use community, it would have dealt a financial blow so harsh that the repurposing would have been economically unviable. Additionally, high-density housing, as discussed in *Chapter 3*, does not increase school enrollment at the same pace that it used to. Eliminating housing from a redevelopment project can therefore be more self-destructive than anything else.

In the end, trust was established, the municipality realized the importance of the housing in funding the project, and a redevelopment agreement



The repurposing effort is in various stages throughout the building, but these pictures represent the vast range of uses and amenities available to the building’s tenants, including an auditorium, an industrial kitchen, and a large event space, which has already staged a wedding.





The final site plan includes Toll Brother's plan for 40 single-family (pink) and 185 age-restricted (purple) homes on the site with a clubhouse (blue), rather than the more condensed development originally planned which would have been built on the Bell Works parking lot rather than on new cul de sacs. Obtained from Bell Works' promotional booklet.

was signed. The compromised agreement included two types of housing: 40 single-family homes priced over \$1 million each and 185 age-restricted carriage houses built along new cul-de-sacs throughout the property. In order for the project to move forward Zucker needed to accept these concessions, and the effect of the housing compromise on the project's success has yet to be seen. Somerset Development sold the housing component to Toll Brothers before the town reportedly considered providing multi-family housing as Zucker envisioned, but it was too late. The contract with Toll Brothers had already been signed.

While the ramifications of this housing concession have yet to be fully realized, it is unfortunate that the municipality came around to the idea of multi-family housing too late. After all, residents who are seeking million dollar large-lot homes or age restricted homes are not the same residents that would benefit from the employment opportunities available in the Bell Works building. The Bell Works slogan, "Work, Shop, Play, Inspire," is missing the "Live" component for millennials, a largely targeted labor pool for tech companies. The town center building provides ideal workspace for millennials as there is a number of shared work spaces, a turf field, trails through the site's wooded areas, and lakes that link up to surrounding parks. There

is also an expansive industrial kitchen which presents a great opportunity for shared culinary space. Providing high-density housing and links to mass transit coupled with the building's history in technological innovation means that this site caters to an ever increasing demand for walkable, mixed-use communities, but does not provide the right type of housing for such. One-acre single-family homes and age restricted housing provide a mismatch of housing stock, as the two largest generations of today, millennials and baby boomers, both seek higher densities and options to rent or buy.

While Somerset Development was unable to incorporate multifamily housing and the uses beyond the Bell Works building are dominated by housing, the array of uses provided within the building are innovative and diverse. Even surrounded by ongoing construction, Somerset Development has been successful in attracting a growing number of tenants, primarily in the tech, creative and lifestyle industries. There are also a number of cultural attractions, including theater space and a 20,000 square foot municipal library. Interest in leasing space is growing and the developer is in negotiations with a tech tenant interested in occupying 350,000 square feet. Discussions are underway with potential operators for a hotel, conference center, restaurants, a gourmet food market, and an industrial kitchen. Somerset Development's marketing efforts have even attracted unexpected uses such as a country music video shoots, fashion photo shoots and weddings.

Ultimately, the success of the Bell Works site can be attributed to Zucker's leadership and vision. Zucker was able to preserve Bell Labs' innovative atmosphere while bringing it into the 21<sup>st</sup> century by engaging the community and municipal officials. His understanding that developers are generally distrusted in New Jersey coupled with a desire to create a highly demanded healthy walkable community translated to the successful redevelopment of the Bell Works site. And while the loss of multifamily housing may limit the site's popularity, hopefully the historical significance can make up some of the difference.



The site of the New Jersey Center of Excellence is centrally located within the Boston – Washington, D.C. life science corridor. Top Images: Sanofi website, Aerial Image: “Supporting Priority Investments Through Access and Mobility Improvements,” Somerset County Planning Board, June 2013.

## 4.2 THE NEW JERSEY CENTER OF EXCELLENCE (FORMER SANOFI-AVENTIS SITE)

### *Key Takeaways:*

- » Leadership at the municipal level was key
- » Professional market, traffic and fiscal impact analyses informed and influenced stakeholders
- » Location and access to transportation motivated the developer
- » Zoning changed through Master Plan Amendment and Redevelopment Plan
- » Mutual trust between the town and developer was key
- » Housing was a non-negotiable component businesses wanted incorporated
- » Uses to work, live and play are separated and not cohesively interconnected

The New Jersey Center of Excellence is located on 109 acres in Bridgewater Township, Somerset County, and was formerly a 2.1 million square foot research and development lab for the pharmaceutical company, Sanofi-Aventis. In 2012, Sanofi-Aventis relocated to Boston and originally intended to find new tenants for the property. Despite the property’s prime location and award winning research facilities, Sanofi-Aventis ultimately decided to put the site on the market. Advance Realty, a Bridgewater-based developer, and CrossHarbor Capital Partners, a Boston-based investment firm acquired the property in April of 2013 for \$45 million. Advance Realty quickly realized it would not be economically feasible to simply re-tenant Sanofi-Aventis’ older, custom-built facilities because of the outdated buildings, unappealing sub-basement space and an expensive and outdated heating system.

Why then, did Advance Realty agree to purchase the property? Advance Realty, despite awareness of potential challenges, saw an opportunity to take control of a large site in a prime location. Many

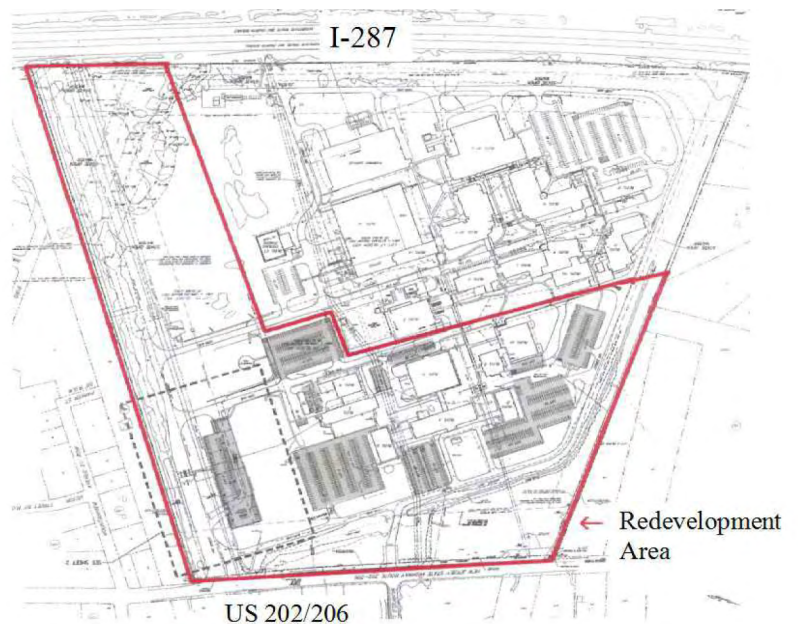


factors contributed to the site's favorability and ultimately outweighed the possible challenges. The property's sale price—nearly \$100 million less than the 2012 assessment—contributed to the financial feasibility of the project. Additionally, portions of the property contained Class A office space which could be immediately tenanted, resulting in positive cash flow during the remainder of the redevelopment process. Strong finances meant that Advance Realty entered the redevelopment project requiring less upfront capital investment, therefore lowering their risk. However, financing was just one component to the redevelopment project. Support from local officials was just as fundamental.

Advance Realty began its redevelopment venture at a time when Somerset County had committed to furthering regional planning and economic development. In fact, the Sanofi-Aventis property was identified as a key redevelopment site in the Somerset County Planning Department's Community Economic Development Strategy (CEDS). The Somerset County CEDS played an important role in applying a regional focus and in educating the municipal leadership about the new housing and employment realities. So when Advance Realty arrived and presented a mixed-use town center vision for the site, Bridgewater was well-prepared.

The officials in Bridgewater placed a high level of trust in Advance Realty having witnessed their commitment to the town's success and even suggested Sanofi-Aventis utilize Advance Realty in the redevelopment process. When Advance Realty brought in a market research consultant, Jeffrey Otteau, in August of 2014, his findings were taken seriously by the municipality. Otteau's analysis revealed Bridgewater's striking loss of more than one third of the millennial population from 2000 to 2010, despite an overall population growth rate of 3.5%.<sup>3</sup> He discussed in detail the declining demand for conventional large-scale office uses and documented how Somerset County's office market was particularly weak. He concluded that "the prospects for continued use of the 62 acres in the former Sanofi-Aventis site

<sup>3</sup> Hutchinson, *Developer: Plan for Bridgewater's Sanofi Research Campus Will Attract Young Professionals*.



Advance used a combination of adaptive reuse and repurposing for the site. Here, the red outline shows the repurposing area, with no changes being made to the uses of the buildings in the northeast section. Image from Bridgewater Township Planning Board & Banisch Associates, Inc.

are non-existent and it is appropriate to consider the redevelopment of that site because it will fill a need in the community.”<sup>4</sup> Otteau's findings support the notion that employers in industries that rely significantly on an educated labor force will not locate in areas that do not offer the lifestyle features that appeal to millennials. Both Bridgewater and Somerset County officials accepted this new reality, realizing that the “mixed-use, town center style environment is attractive to young professionals and empty nesters.”<sup>5</sup> Therefore, the vacant site was a prime location for Advance Realty to redevelop.

So, with the finances in line and support from both the county and the municipality, Advance Realty was only left to be swayed by the site's ideal location. The property has excellent access to regional highways, is in close proximity to NJ Transit's Raritan Valley line, and the Somerset County TMA provides bus service to the site. It is surrounded by housing and the municipality's openness to higher densities made the project even more viable.

According to Advance Realty, the mayor played an important leadership role in facilitating the project. After Advance Realty closed on the property, the mayor set up visioning meetings with small groups of residents and stakeholders.

<sup>4</sup> Scarlett, *Preliminary Investigation Report*

<sup>5</sup> As described by Advance Realty





Left: The redevelopment plan, taken from a report by the Bridgewater Township Planning Board, shows the site with new and diverse uses. Image from Bridgewater Township Planning Board & Banisch Associates, Inc.  
Above: Rendering of Advance Realty's proposed town center. Image from Bridgewater Township Planning Board & Banisch Associates, Inc.

So, not only was Advance Realty working closely with the mayor, but the municipality included the community in the process. A concept plan emerged which incorporated the results of Advance Realty's market analysis and suggested a strong demand for a concentration of mixed-use development which could include a hotel, housing, retail and R&D space. However, the existing zoning regulations did not permit many of these uses, limiting the site's adaptability to a mixed-use town center.

The site was subject to Bridgewater's Special Economic Development zoning, which was prohibitive to the mixed-use vision. The zoning greatly limited density by setting the maximum floor-area ratio at 20 percent. It also required single-occupancy, which as the market analysis revealed was an unachievable and unrealistic demand. The Town Council realized the outdated and restrictive nature of this zoning and, in June 2014, requested the Planning Board conduct a preliminary investigation as to whether the property could be designated an "Area in Need of Redevelopment." By October of 2014, the area was formally designated and the town commissioned a Master Plan Amendment and Redevelopment Plan for the site.

The Master Plan Amendment incorporated the mixed-use qualities desired by residents and businesses. The plan promotes designing downtown areas where residents can live, work and play. In justifying the proposed land use changes, the plan states:

*Large, single user offices have seen the greatest market erosion, with corporations moving increasingly to walkable and typically urban locations. Small "boutique" offices, by contrast, are in high demand in this market area. Policy adjustments to accommodate large corporate users and their desired workforce will involve zoning for the housing and complimentary uses that can retain and attract major employers, particularly high-wage research-oriented uses that are attracted to Bridgewater's highly educated workforce.<sup>6</sup>*

Through the Master Plan Amendment, Bridgewater officials demonstrated their support for incorporating a variety of uses through redevelopment projects that include housing components. It made possible the vision Advance Realty set forth for the property to act as a town center that ultimately includes multifamily housing, a hotel, restaurants, public open space, retail and office space, art galleries and grocery stores. While Advance Realty was only granted 400 of the 475 housing units originally proposed,

<sup>6</sup> Redevelopment Plan and Amendment to Master Plan Land Use Element and Housing Element for the Bridgewater Center of Excellence, 5.

the final plan was an overall success.

One drawback to the redevelopment plans at the Center of Excellence, however, is that many of the uses, while all on one property, are still very much separated and not integrated into the larger community. Suburban isolation has not been fully overcome in this plan, especially as 47 acres are still zoned for single-use. However, the incorporation of multifamily housing and the property's accessibility to mass transit via the TMA shuttle helps to alleviate some of the isolated island effect.

Ultimately, the Center of Excellence was successful because of the vision and leadership of both Advance Realty and local officials. Thanks to their collaborative efforts via visioning sessions, analyses and forward thinking, the Center of Excellence may soon act as an economic engine for the region once more.

## 4.4 CONCLUSION

The case studies highlight the centrality of trust amongst the municipality, community, and land owner. Additionally, the goals of these key players must align in order for a repurposing project to be successful. In the case of Bell Works, such trust was hard to attain but in the end it led to the successful repurposing of the iconic office building and the inclusion of new residential construction which has been integral to the financial feasibility of the project. At the New Jersey Center of Excellence, Advance Realty sought common ground with Bridgewater officials and members of the public to establish in-demand uses. This resulted in a plan to redevelop the property by demolishing some of the older structures, deemed functionally obsolete, and replacing them with a new mixed-used development. While the case studies

represent potential for improvements to the sites and municipality, they also share missed opportunities. It should be noted that these case studies highlight proposals that were ultimately approved by the governing body, but throughout the state there are instances where developers propose redevelopment plans only to have them rejected by the governing body or community. This occurs when all the interests of the municipality, developer and community are *not* aligned. The rejection of innovative and forward-thinking projects that would increase a town's ratable base and efficiently use existing infrastructure is one missed opportunity, but more exist.

In fact, the case studies are consistent to the extent that they do not address the site's relation to its surroundings. From a planning perspective, this is perhaps a missed opportunity in that it assumes either that there is no need to improve existing conditions, or that somehow those improvements are out of reach. The responsibility for looking after and addressing the bigger planning picture rests with the towns, not the developers, so one should not be surprised that the redevelopers of these properties did not actively pursue more transformative interventions. The case studies present opportunities for innovative, holistic, and regional-based solutions, which were implemented with varying levels of success. However, they both entertained some combination of reusing, redeveloping, and greening their respective properties. In the next chapter we will further explore successful repurposing examples from other parts of the nation to highlight the vast array of options available to both developers and municipalities.

# Chapter 5: Opportunities for Stranded Assets

## Reuse, Redevelop, Regreen

### Chapter Takeaways

*Stranded assets inherently present more transformative opportunities for innovation and creativity, with most incorporating elements of redevelopment, adaptive reuse, and regreening.*

*Town's should—through its master planning and redevelopment powers— assess if and how a repurposing process can address local and regional needs.*

*Repurposing plans require finding the right solution, rather than the fastest solution.*

*Not every intervention should include new construction as some communities may receive greater benefit from the regreening of a property or the reuse of a building.*

*Opportunities abound for rebalancing the housing stock by incorporating a diverse range of housing options into repurposing plans, which simultaneously increases the financial feasibility of a project.*

*Successful repurposing projects represent a compromise between competing needs and desires.*

**R**epurposing stranded assets, like many other planning interventions, presents an opportunity to meet changing demands and create more sustainable places. Because stranded assets, by definition, are troubled properties, they present opportunities for more extensive transformations. The level of intervention may be surgical in some cases, with the simple replacement of one set of uses with a different set of uses; or it may be more transformative, with substantial changes to the physical conditions on the site, including block structure, buildings, open space, circulation, drainage, land uses, and character.

Given the nature of these properties—which are never a blank canvas, but may be less compromised by self-imposed constraints than other types of projects—the planning process for repurposing stranded assets may be (or should be) less encumbered by trivial concerns and petty considerations and more open to exploring and pursuing creative, “out-of-the-box” solutions. It also presents unique opportunities for looking at these properties through a “big picture” lens, in other words viewing them in a regional context and developing repurposing strategies that achieve numerous economic and social goals. The opportunities to view properties from this perspective are seldom available as part of the normal municipal planning process.

The national experience to date with repurposing distressed assets suggests that it may be particularly open to innovative ideas, precisely because it is an exercise that requires creativity and the discarding of outdated land use models. Given New Jersey's very large overhang of vacant office space, the state is positioned to become a pioneer in office park repurposing if municipalities embrace the new



realities and take on a collaborative role in the repurposing process. As such, all participants in the repurposing process should approach it with open eyes and open minds.

This guidebook has repeatedly suggested that repurposing both non-performing office parks and retail centers should not be approached as a formulaic exercise. City planning certainly offers a series of principles and best practices that should be applied to the repurposing effort, as they should in any other planning effort, but there is no off-the-shelf solution that will give us the answers we need. Every case must be carefully evaluated on its own merits, and every repurposing project should be an educated response to the specific set of conditions that apply to that location.<sup>1</sup>

## 5.1 LOOKING AT THE BIG PICTURE: PLANNING REGIONALLY

Whether or not the existing property is reused, redeveloped, or regreened, planning for the repurposing of a distressed asset should always begin with an analysis of the bigger picture. This is the town’s job, not the developer’s. The town—through its master planning and redevelopment powers—is responsible for assessing if and how the repurposing process can address other town needs beyond the site itself.

### Regional Connectivity

The bigger picture encompasses questions of how the site physically and functionally relates to the surrounding land use pattern; what role it plays (or should play) with respect to the broader natural systems—stream corridors, watersheds,

<sup>1</sup> See *Retrofitting Suburbia* for a useful and informed overview of the national experience with repurposing both retail and office properties. See also *Sprawl Repair Manual* for a how-to guide to retrofitting a wide variety of suburban conditions.



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The La Roche repurposing project involves a “green necklace”, which provides much-needed green space and trails for the surrounding community, in addition to the wider green space network. Image from RES Group & EE&K, a Perkins Eastman Company.

groundwater recharge, reforestation, wildlife habitat; what role or roles it might play with respect to local community activities or local food production; and also how the past and future activities on the site relate to the regional economy. Stranded assets rarely address these bigger picture questions.

In fact, large suburban office parks were often designed as insulated environments for their users. Their circulation networks were designed to service the buildings and their tenants and discourage outside motorists from using their roads, to the extent that some roads are privately owned, maintained and policed by office park security. The large tracts of land on which these properties sit often contain sparse internal circulation networks, which channel vehicular traffic to perimeter roads and overworked intersections. The repurposing of suburban office parks offers opportunities to create new vehicular connections that facilitate circulation and relieve pressure on failing intersections.

Similarly, the repurposing of suburban office parks offers opportunities to create new bicycle and pedestrian connections between the site and its surroundings. These new connections should be viewed not only for recreational



Left: Northbound view of the Lawrence-Hopewell Trail from the parking lot in Village Park, Lawrence NJ. Image by [Lawrence-Hopewell Trail](#), 2011.

purposes, but also as an additional means of transportation to the site. Examples of this type of connectivity are already apparent in New Jersey, namely the Lawrence-Hopewell trail that connects two towns and runs through the corporate campuses of Bristol-Meyers Squibb and Educational Testing Service. The public health benefits of these types of facilities are firmly established in the planning and real estate literature and, in fact, trail-oriented development has been gaining traction.<sup>2</sup>

### Opportunities for Housing

Municipalities should also ask whether there is a need for new housing, including affordable housing. At a time when New Jersey towns are struggling with another round of affordable housing plans, distressed office parks offer unique opportunities—under the right circumstances—to rebalance a town’s housing stock, by adding needed multi-family housing. We note that the top 30 towns with the most stranded assets also tend to have distorted housing markets, with too much single-family detached housing and not enough multi-family housing (see Chapter 2).

To be clear, we are not suggesting that

<sup>2</sup> *Active Transportation and Real Estate: The Next Frontier*.



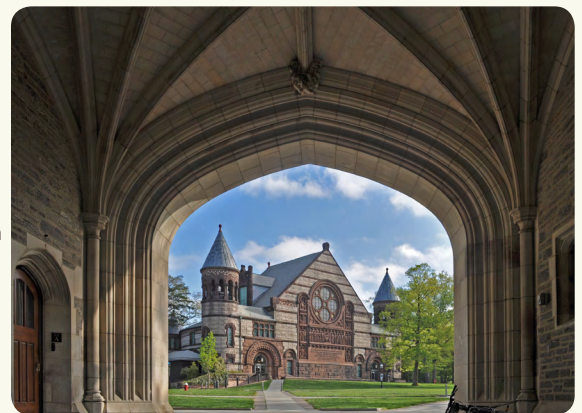
Left: This historical image of Trenton’s St. Francis hospital portrays New Jersey’s long-standing tradition as one of the leaders in healthcare, medicine, and education. Image by Boston Public Library, 2011. Right: Princeton University roots run deep in the state and provide major opportunities for building synergies as businesses look to locate near higher education institutions. Flickr/[Harshil Shah](#), 2013.

adding housing is the solution to repurposing every distressed office park and retail center. We are suggesting that it is an option that should be seriously considered for several reasons. First, because it may help rebalance a lopsided housing market, thereby creating the conditions needed to attract younger residents or retain older ones. And second, because it may be the one ingredient that makes the repurposing financially feasible—as demonstrated in the Bell Works case study. The strength of the housing market will, in many cases, be the one factor that mitigates the weakness of the commercial office market. The financial feasibility of the repurposing effort will rest on the ability to capitalize on the strong demand for housing.

### Regional Economy

Another significant factor in the repurposing process should be the consideration of a site’s relation to the regional economy. This should be part of every town’s economic development strategy, a point convincingly made in the New Jersey Center of Excellence case study.

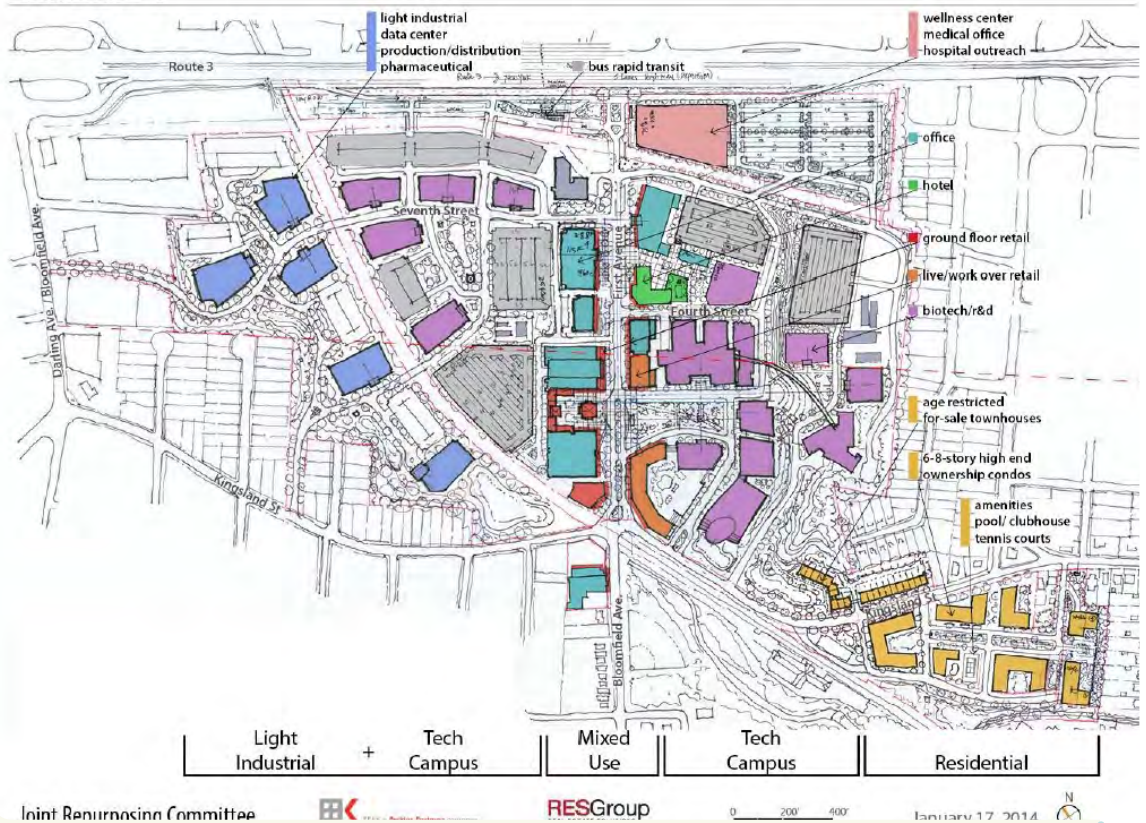
Opportunities for successfully positioning the repurposed site within the context of the regional economy are abundant, but only if certain factors are taken into consideration. The site should capitalize on the region’s major economic drivers, including assessments of the region’s growing industries so that complimentary businesses may also be attracted. This is not about seeking to attract another major corporation or the latest iteration of the lifestyle center, but rather about complimenting and facilitating growth for those industries that are expanding—such as specialized health care, higher education, logistics, bio-medical, medical supplies, robotics and advanced electronics.





## Scheme 1

Understanding the complex links and interdependencies between research universities and other institutions of higher education, and knowledge-based industries and their supply chains is likely to be far beyond the capacity of local officials, even in those few towns that have staff responsible for economic development. There is an important role for counties, the state and non-profits to play in this arena, but repurposing a stranded asset should never be about finding the fastest solution for the problem, but rather finding the right solution. This is the perspective that must inform decisions on whether to reposition, reuse, redevelop or regreen.



The La Roche repurposing project is a mixed-use project which includes diverse housing types, seen here in the southeast corner of the plan, as well as dispersed throughout the retail portions of the site. Image by RES Group & EE&K, a Perkins Eastman Company.

However, given the harsh realities of the retail and office markets in New Jersey, these interventions will have limited application. Indeed, a recent report<sup>3</sup> found that obsolescence of office space has accelerated rapidly and that 14 to 22 percent of the suburban inventory is in some stage of obsolescence,<sup>4</sup> equating to 600 million to 1 billion square feet in the 50 largest US metro markets. In the Parsippany-Troy Hills submarket, the same report estimates that 77 percent of the office inventory has some incurable obsolescence factor, and is “no longer in line with what today’s tenants are seeking.”<sup>5</sup> A review of this report may be beneficial for municipalities in determining whether a property stands a chance with regards to re-tenanting. Owners of sites not amenable to re-tenanting must contemplate repositioning the property either via reuse, redevelopment or regreening.

3 Suburban Office Obsolescence: Quantifying Challenges and Opportunities.

4 Obsolescence is defined in the above report as a decline in the economic value of an office building, with net operating income insufficient to justify its occupancy.

5 Suburban Office Obsolescence: Quantifying Challenges and Opportunities, 19.

## 5.2 REPOSITION: REUSE, REDEVELOP, REGREEN

Repositioning a property refers to a broad array of outcomes that seek to revitalize a failed or struggling site. It is important to point out that repurposing is not a foregone conclusion for all stranded assets. Examples abound, many in New Jersey, where property owners and developers have successfully repositioned distressed properties through re-tenanting and returning them to the market as fully performing assets. This process is seemingly least risky and involves making investments in upgrading the property’s physical condition, tenant amenities, mechanical systems, interior layout, and high-speed internet. Through these upgrades, some developers and property owners have been able to re-tenant troubled properties without having to face the challenges of the repurposing process.





L+M Development Partners, along with others, are currently repurposing Newark's 400,000 sf Hahne & Co. building into a mixed-use structure. 160 residential units will occupy the upper levels, and 75,000 square feet of retail will occupy the ground floor, which includes a Whole Foods. Left: Image by XR3D Studios. 2008. Right: Flickr/ [Scott Miller](#).

## 1. ADAPTIVE REUSE

Perhaps the first question any repurposing project must seek to answer is whether to repurpose existing buildings for new uses. This can be a complicated and difficult question, as the answer may depend on a variety of factors. In the interest of brevity, we will describe here a simplified analytical and decision-making process.

First, is there a sufficient reason to try to save a building? Adaptive reuse is far more sustainable than demolition followed by new construction, but not every building is worth saving, and not every building can be saved. In this respect, consideration for the age and type of the building(s) is highly important in establishing the repurposing process. Older retail and office buildings were generally built to last, and there are many examples of adaptive reuse of these structures, both in New Jersey and across the country. More recent office buildings are of lesser quality, but still tend to be far more durable than more recent retail buildings.

Older urban department stores have been successfully or are currently being converted to other uses—such as the Hahne & Co. department store building in Newark which is being repurposed to include residential units, retail, and educational space. Similarly, older class B and C urban office buildings have also been converted to other uses, often housing—such as 1180 Raymond Boulevard, also in Newark, which now houses luxury condominiums. These mid-rise buildings are of durable construction, even though they required new mechanical systems and many other replacement parts, and present compelling cases for adaptive reuse.

There is a wide range of documented examples of repurposed big box retail buildings from all over the country. New uses include a variety of community facilities, such as municipal buildings, courthouses and justice centers, charter schools, early childhood centers, senior resource centers, libraries and health centers, civic buildings, like museums and chapels, recreational facilities, like an indoor go-kart racing track, and multi-tenant retail stores.

(Images on next page) Mizner Park in Boca Raton, Florida, a lifestyle center that houses numerous retailers, restaurants, apartments, offices and a large public plaza surrounds a stage where concerts are held regularly. 1 and 2: Flickr/ Haugh Photography, 2011. The Streets at Southglenn is a mixed-use redevelopment project which was once a mid-size shopping center in Centennial, Colorado. The project permits a variety of business, residential, entertainment, and retail uses, which contributes to the area's vibrancy. 3: Flickr/ [Kent Kanouse](#). 2008. 4: Flickr/ [Kent Kanouse](#). 2008. 5: More public space at Southglenn. Flickr/ [Trevor Munson](#). 2013. 6: Englewood Towne Center, a retrofitted retail site outside of Denver, Colorado, features many high-density residential buildings, as pictured here. Photo by Carlos Rodrigues PP/FAICP.





## 2. REDEVELOPMENT

There is a wide range of documented examples nationally of transformative interventions with respect to community shopping centers and regional malls. Beginning with the pioneering work in the 1990s at Mashpee Commons on Cape Cod in Massachusetts, numerous shopping centers and malls all over the nation have been partially or totally demolished and replaced, in most instances by mixed-use centers combining housing, retail, services, office, civic, recreational and other uses. In the Denver region alone, six malls and shopping centers have been redeveloped, including some transit-oriented applications located along the region's expanding light rail system. These larger projects replace the large footprint mall buildings and vast surface parking lots with a modified grid of traditional-size blocks, smaller building footprints, traditional streets and public places. Mizner Park in Boca Raton, Florida was an early and very successful application of this approach. Many others followed.

Willingboro, NJ is particularly interesting. The town used the redevelopment statute to take control of the property, create a redevelopment plan, and to subsequently recruit a redeveloper from New York City to completely change the face of the site, bringing a variety of new uses and creating a town center of sorts for a community, designed by the Levitts, with the mall as its town center.

The literature on documented cases of office park redevelopment is not as extensive as with retail, but some examples exist from around the nation. A large number of former military bases which, as a result of the Federal Base Realignment and Closure process (BRAC), have been decommissioned and returned to civilian jurisdiction. Military bases often included large amounts of office space that have been repurposed for a multitude of other purposes under approved BRAC plans. Fort Monmouth in Monmouth County offers a local example, although the extent of the repurposing of office space to other uses appears very limited.

Willingboro's Town Center plans which includes a wide range of uses, Plan by Croxton Collaborative Architects, PC Meridia Design.



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### 3. REGREEN

Suburban office parks are often subject to zoning standards that impose very low site development yields, thereby leaving significant portions of the site undeveloped. This is highlighted in the case studies—witness the extremely low Floor Area Ratio imposed by Holmdel on the Bell-Labs property, or the average FAR in our list of the top 20 stranded assets. Other zoning standards, such as oversized setbacks, large buffers and low impervious coverage limits lead to similar results. However, the restrictive regulations that left these properties stranded can be a blessing in disguise, allowing for greater opportunities to repurpose *and* regreen.

If significant portions of a site are free from development then opportunities exist to infill other portions of the site, as is the case with the Bell Works case study. New development can occur on this land and bring new uses and new users to the site. New development may indeed be necessary to underwrite the costs of landscape restoration and the creation of functional habitats and natural systems that replace the corporate lawns, stormwater detention facilities and ornamental fountains.

But not every intervention needs to result in new construction. Depending upon a project's pro-forma, it may be possible to replace vacant space, such as expansive corporate lawns, with new recreational space. They can also be replaced with new wooded areas, providing enhanced habitat for wildlife as well as fulfilling a much needed carbon sequestration function.<sup>6</sup> The repurposing process also offers an opportunity for a town to change the rules in terms of public access in these places, promoting community engagement by turning these mono-culture lawns, for example, into something different—such as butterfly gardens, orchards or community gardens—that people would have reason to visit. If repurposing brings new housing to the site, the residents would view these features as amenities.

Repurposing can also involve retrofitting the stormwater management system to incorporate green infrastructure. The unattractive detention/retention basins that mar many an office park can be replaced with considerable environmental advantages, with constructed wetlands, bioswales, permanent water features, and any combination of the three. These in turn can provide new habitat for both fauna

<sup>6</sup> See *Sustainable Urbanism: Urban Design with Nature*; and *High Performance Landscape Guidelines: Design Trust for Public Space* for a variety of interventions and best practices in landscape and habitat restoration.



and flora and become attractive features with both valuable environmental functions and popular recreational uses. Planners involved in repurposing projects should build collaborative working relationships with landscape architects, habitat specialists, agronomists and others who can advise on how to best restore and enhance the natural landscapes.

Finally, it should be stated that not all distressed assets, particularly commercial office parks, should be repurposed. While this may be disheartening for the property owner and the town, the reality is that some office parks have been built in the wrong locations. Some distressed assets are located outside smart growth areas, and are therefore unable to benefit from financial or fiscal incentives. They may also be too isolated from the skilled labor pools that new employers rely upon, too remote for any type of functional transit service, located in areas of extreme low-density, and generally too disconnected from the fabric of the surrounding communities. In these scenarios, the appropriate course of action may be to explore de-urbanization, where the property is reverted back to nature, through a carefully conceived and controlled process, and dedicated to other uses such as agriculture, forestry, constructed wetlands or wildlife habitat. While this scenario sounds like a permanent loss in ratables, the fact that the property is stranded means it is already facing that reality. Carefully planned regreening may prove more beneficial than holding out for a new tenant as homes situated near planned green space maintain higher property values.

### 5.3 DETERMINING WHETHER TO REUSE, REDEVELOP, OR REGREEN

The adaptive reuse of an existing building is by far the most sustainable approach. But there may well be good reasons for trying to save a building, whether office or retail, beyond the sustainability argument: perhaps it has historic significance, as the Bell Labs building; perhaps it displays architectural beauty; perhaps the community has grown attached to it; or there simply might not be any compelling reasons to demolish it. If that is the case, then one can

justify a more careful analysis of what it might take to save and repurpose the building. In considering adaptive reuse of these buildings, it is important to understand the differences between office and retail buildings.

The type of construction typically used in contemporary suburban strip shopping centers and big box retail is cheap and designed to have a limited lifespan. In other words, these types of buildings are often designed to be rapidly amortized and to be disposable after 15 or 20 years. The frequent shifts in the formats and building footprints preferred by many large retail chains makes it inevitable that older stores will not be considered suitable and therefore deemed obsolete. That explains the vast experience in the US with adaptive reuse of obsolete retail centers.<sup>7</sup>

Suburban office buildings, on the other hand, are designed and built with a view towards a longer life span. The real estate office market does not shift floor plates and building formats nearly as often as the retail industry. It is anticipated that internal floor layouts, partitioning, tenant amenities and other features may require periodic updating, but owners view these buildings as long term investments.

This does not mean that the adaptive reuse of suburban office buildings does not present thorny challenges. Their conversion to residential uses can be particularly difficult, as building code requirements vary considerably from office to residential, for example different standards for elevators, stairwells, and access to natural light, not to mention completely new plumbing and HVAC systems. Re-partitioning a suburban office floor plate in order to convert it to residential units can be particularly challenging, requiring new internal light wells or courtyards, as well as other design changes. New Jersey's Rehabilitation Sub-Code, an element of the Uniform Construction Code, recognizes the challenges presented by the adaptive reuse of older buildings, and does not require many provisions of the current building code to be applied to adaptive reuse of older buildings.

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<sup>7</sup> See *Big Box Reuse*, which provides an overview of the national experience with adaptive reuse of former big box stores.

If the decision has been made to investigate the feasibility of adaptive reuse, then the next step is to assess the age and condition of the building(s): its exterior (roof, skin, windows), mechanical systems (heating and cooling), electrical and plumbing, internal layout, structural integrity and other engineering and technical factors. For some of the older buildings at the NJ Center of Excellence, the cost of replacing the windows alone exceeded that of demolition and new construction. A thorough analysis of the engineering and construction costs may, on its own, rule out the adaptive reuse option.

At the same time, the project sponsor should undertake an analysis of whether the building can be converted to provide an appropriate environment for the new uses, at an appropriate level of quality. Will the internal circulation work? Will there be appropriate exposure to natural light? Does the column spacing lend itself to re-partitioning the floor plate and create efficient spaces? Can the amenities and other features that future tenants demand be accommodated? Will the future users be comfortable and happy in the new environment? If the answer to these questions is no, then the adaptive reuse option may not be the best choice.

In addition, even when the adaptive reuse option is technically and financially feasible, if the resulting product fails the test of the market, then adaptive reuse is not the right choice. In other words, it may be financially and technically feasible to execute the adaptive reuse of a building, but if the final product does not appeal to the target users – for whatever reason – the adaptive reuse will have been a bad decision.

Repurposing may include adaptive reuse of some, or all, existing buildings, but it may also involve additional site development. This may be justified both for planning reasons, as well as financial considerations. Additional site development is not just a mechanism for the developer to make a greater return on investment; it may well be the mechanism for the town to satisfy latent needs or achieve other important objectives.

Any planning project represents a compromise between competing needs and desires. If those realities are handled appropriately, the project will be successful, if they are not, it will fail. Towns should resist setting the bar too low and ruling out more ambitious schemes in the name of retaining community character.

## 5.4 CONCLUSION

The experience to date, which is well documented in the literature, shows that there are endless opportunities for repurposing stranded assets. Visionary projects that dispelled myths, broke down barriers and charted exciting new courses have been executed and are a constant source of pride in their communities. Of course, not every repurposing scenario will be feasible and towns should not insist on repurposing scenarios that are patently not realistic. Project feasibility is paramount, and if the right zoning is not in place, the property will languish and the community will suffer—a sure sign of a planning failure. However, ensuring project feasibility does not mean that a community has to necessarily lower its expectations or its standards. High quality repurposing projects are certainly possible, provided there is a market; the planning and regulatory frameworks are sensible and appropriate; the right people are assigned to project execution; and there is a civil and productive relationship between all parties involved.

Repurposing projects cannot happen without a developer. Finding and retaining the right developer is very important, as our case studies show. Towns should invest time and resources in the process that carefully vets interested developers, and ultimately leads to developer selection, as this initial investment will pay off over time. Towns should also carefully weigh the facts as circumstances change and developers require additional concessions. The following chapter will walk readers through the process of finding a solution for a specific stranded asset in their community.

# A Guide to the Future

## PART II: TOOLKIT

### A STEP-BY-STEP GUIDE TO REVITALIZATION



**T**he first half of this guide detailed the impacts of and need to address stranded assets. This section explores the steps needed to help solve the problem. As the case studies in Chapter 4 highlighted, repurposing a property can seem daunting and requires strong leadership with a creative vision and an ability to call on much needed resources. The toolkit walks readers through the revitalization process, beginning with assessing the problem, then identifying possible solutions, and finally implementing the vision, resulting in a positive and revitalized alternative for these properties. Due to the individualized nature of repurposing projects, the guide will provide general direction and identify the resources and key players whose involvement will help complete that section's tasks effectively. Additionally, more specific recommendations can be found in the boxes throughout the toolkit, but these may not be appropriate for all cases.



## 6.1 ASSESS THE ISSUES

### 1. Convene a leadership group or steering committee

This group will oversee the revitalization process and will work with municipal staff and the land owner to achieve long-term, holistic and sustainable success that meets the needs of all parties involved. Throughout the process, the group should seek input and support from the surrounding community, municipal and regional officials, and experts in related fields such as real estate, planning, the environment, infrastructure, and transportation. For the purposes of staying true to these guiding values, the group should aim to incorporate all applicable stakeholders or leaders of key stakeholder groups. The primary goal of the group should be to promote community and regional vitality, while balancing competing interests and maintaining efficiency, pragmatism, and objectivity throughout the entirety of the project.

**Who to Involve:** *Volunteers/participants should be recruited who have substantive knowledge in applicable fields, i.e. local commerce, real estate, planning, engineering, and architecture, and should also include key officials, such as the town administrator, the mayor, and any economic or community development leaders such as elected officials, planning board members, residents, landowner, and property manager.*

### 2. Gather relevant background materials

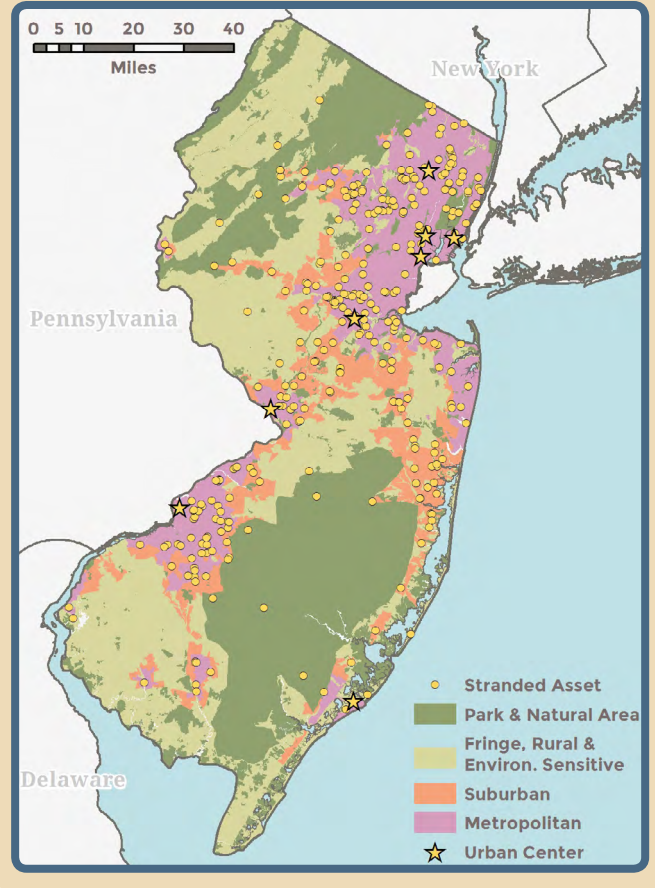
Gathering pertinent background materials ahead of time will be helpful in establishing a starting point for the project and will help to reveal potential challenges that may arise down the line. There are a few examples of integral materials at the site, community and regional level that should be gathered. Projects previously submitted by other developers or conceptual designs created for educational studio projects that apply to the site can be helpful in avoiding duplicative work. Zoning ordinances and the master plan will later help to inform whether the redevelopment process requires regulatory changes or if the existing regulatory climate allows for sufficient development flexibility. Referring to previously conducted regional plans and studies—such as existing market research analyses, county level planning documents, and regional planning documents (i.e. the Together North Jersey plan)—may provide valuable information and help guide the project in accordance with regional goals. It is also important to think beyond the region and understand the relevant state level designation and regulations.

**Who to Involve:** *These documents should all be accessible via the township planner, engineer and administrator: Master Plan; Redevelopment Areas; Previous plans for area; Zoning/State Plan designation; Water Quality Management Plan status; Urban Enterprise Zone/Innovation Zone*

### 3. Identify and understand applicable state regulations and programs

Developers, planners and other officials need to remain vigilant to laws and regulations that might affect their work. The 2001 New Jersey State Plan's Resource Planning and Policy Map (RPPM) divides the state into certain designations that encourage varying levels of development. The New Jersey Office for Planning Advocacy provides maps depicting the location of Smart Growth Areas. Other state agencies – such as EDA, HMFA, NJDEP and NJDOT have adopted regulations that reflect the RPPM framework and steer state funding to designated Smart Growth Areas. Generally speaking, Metropolitan Areas (PA1) hold the most potential for growth, and Suburban Areas (PA2) are the next, with Fringe Areas (PA3), Rural Areas (PA4), and Environmentally-Sensitive Areas (PA5) each having decreasing allowances for growth. Understanding which planning area the site falls into will inform the types of state funding and incentives applicable to a particular revitalization project.

## Location of Stranded Assets in Relation to Smart Growth Areas



At this stage, it would be wise to understand the implications of any applicable federal and state regulations or programs as they relate to local conditions. It is highly important to have a solid understanding of federal and state programs and provisions as, unlike at the municipal scale, they are unable to be modified if they conflict with plans for the stranded asset.

*Who to Involve: Speaking with someone familiar with different regulations such as a planner, engineer, attorney and state/regional agencies can help to identify the regulations a property must conform with. Involving agencies, local government, and planners who have knowledge of the regulatory framework and the conditions pertinent to the specific site and the surrounding area will be highly beneficial in determining the appropriate path forward. Contacting regulatory agencies such as the DEP early in the process can help to expedite the process and overcome possible challenges.*

### 4. Undertake a careful site analysis (infrastructure, capacity, regulated areas, etc.)

The local and site-specific background materials collected in previous steps may cover much of what is necessary in the site analysis. However, previous plans and documents may be outdated or inaccurate. Therefore, there should be a careful site analysis undertaken to gain an understanding of *present-day* conditions. It is important to also consider the connection with the surrounding area, including gray and green infrastructure connectivity, transportation systems, and trails and open space.

On the site, knowledge of the existing infrastructure—both above and below the surface—will help to inform the extent of upfront capital costs and the nature of the redevelopment project. In many instances of stranded assets, infrastructure is already in place with sufficient capacity, requiring less investment and improvement efforts, and therefore allowing a developer to redirect those funds to other project components. Conversely, obsolete infrastructure that requires replacement may compromise project feasibility. It is therefore critical to understand these conditions prior to making significant investments in time, resources and money.

*Who to Involve: A planner would best be able to conduct a site analysis, but many situations may also benefit from market trend analyses like those described in the case studies; Specialists in the areas of transportation planning, utilities and engineering may also be of great help with site analysis.*



The Together North Jersey Plan is a highly-acclaimed regional planning document and more information can be found [here](#).

## BOX 6.1: The benefits of Transit-Oriented Development (TOD)

*TOD is an approach to development that encourages denser developments around transit, as its name implies. TOD has been shown to be more economically resilient than auto-dependent land use patterns, as demonstrated in the financial downturn when vacancy rates and property values fared better in TOD areas. In the 21<sup>st</sup> century, it is projected that at least one quarter of all housing demand will be for homes and apartments within walking distance of rail transit stations.<sup>1</sup> These compact areas expand access to public transit to meet some or all of a community's transportation needs. Some of the benefits of TOD include:*

- » *Improved and expanded mobility choices for people of all ages, incomes and abilities*
- » *Heightened public safety due to 'crowd effect' and reduced automobile traffic*
- » *Increased disposable income through reduced transportation costs*
- » *Lower regional congestion, air pollution, and greenhouse gas emissions*
- » *Creation of walkable communities that accommodate healthier and active lifestyles*
- » *Increased transit ridership and fare revenue*
- » *Higher land-use efficiency, resulting in the conservation of lands and open space*
- » *Sustained property values and increased provision of affordable housing*



In recent years Denver has been highly praised for its efforts to focus growth in transit corridors. Photo by Carlos Rodrigues PP/FAICP.

<sup>1</sup> America in 2015: A ULI Survey of Views on Housing, Transportation, and Community.

## 5. Identify environmental considerations

Environmental considerations may be either physical or regulatory. Physical considerations should be factored into the site analysis, including aspects such as land cover, wetlands, streams, rivers and trails. Regulatory and legal factors, such as easements, rights-of-way and contaminated areas may not be as immediately obvious, but they can highly restrict development on a site, so it is important that their presence is explored early in the repurposing process. Environmental regulatory provisions are, generally speaking, under the jurisdiction of the Department of Environmental Protection (NJDEP), along with some of the regional agencies (Pinelands Commission, Highlands Council)<sup>1</sup>. Specifically, New Jersey has several regions that are subject to regional regulations for development, including:

- » **CAFRA:** The Coastal Areas Facilities Review Act area establishes regulations over development in the coastal zone. Find out more: <http://www.nj.gov/dep/cmp/>
- » **Pinelands Area:** The Pinelands Comprehensive Management Plan ensures local planning in the region is consistent with rigorous conservation goals. Find out more: <http://www.state.nj.us/pinelands/>
- » **Highlands Area:** The Highlands Water Protection and Planning Act mandates strict land use controls throughout the Highlands Master Plan directly over the Highlands Preservation Area and indirectly over the Highlands Planning Area. Find out more: <http://www.highlands.state.nj.us/>

*Who to Involve: Stranded assets that fall into a regional planning authority such as those listed above may benefit from regreening areas of the property in which case consultation with landscape architects, habitat specialists, and agronomists may be useful; Consultation with the NJ Association of Environmental Commissions, environmental planners, engineers and environmental commissions will also be useful at this point in the process*

<sup>1</sup> The New Jersey Builders Association maintains a useful, and very long, list of all the land use-related permits required for land development activities in New Jersey.



## BOX 6.2: Green Infrastructure Benefits and Financial Incentives

*Green infrastructure provides multiple environmental, societal and economic benefits and supports sustainable communities by weaving natural processes into the built environment. Green infrastructure alleviates pressure on drainage systems by addressing stormwater at its source. It utilizes natural systems such as rain gardens and vegetated buffers that increase stormwater infiltration, improve water quality and reduce the quantity and speed of water entering a given system. Enhancing natural systems to manage stormwater runoff is less costly than traditional grey infrastructure. Green infrastructure offers a variety of economic, social and environmental benefits:*

- » *Increased resiliency via flood mitigation (A flood event occurring once every 100 years could increase to once every 5 years if impervious area is increased by 25 percent)<sup>1</sup>*
- » *Improved water quality (“One inch of rainfall that falls on an acre of parking lot produces 27,000 gallons of stormwater” and runoff causes 80-90 percent of river pollution)<sup>2</sup>*
- » *Attractively planned green infrastructure is attributed to increased property values, higher rents (between 5 and 22 percent), increased demand and lower vacancy rates for residential, retail and office space.<sup>3</sup>*
- » *Reduced energy consumption: According to the Student Conservation Association, trees can reduce heating and cooling costs by 20 to 50 percent by providing shade and protection from wind.*
- » *Creation of recreational space, wildlife habitat provision, and air quality and temperature regulation: planting vegetation can reduce street-level nitrogen dioxide (NO<sub>2</sub>) and particulate matter (PM) by as much as 40 percent and 60 percent, respectively.<sup>4</sup>*

*Despite all of these benefits, green infrastructure in New Jersey is primarily utilized in support of gray infrastructure in the management of stormwater and current regulations give it little recognition. However, its low cost and effectiveness is seeing rapid increases in popularity. Cost benefits are furthered by a number of funding opportunities such as:*

- » *NJWSA and the Rutgers Water Resources Program offers a Rain Garden Rebate Program*
- » *Municipalities can offer incentives such as financing or cost-share programs and rebates for installation*
- » *Federal funding opportunities:*
  - ♦ *EPA Clean Water Act Nonpoint Source Grant*
  - ♦ *EPA Clean Water State Revolving Fund (CWSRF): provides permanent low-cost financing for a wide range of water infrastructure projects*
  - ♦ *DOI Rivers, Trails, and Conservation Assistance (RTCA) Program*
  - ♦ *Nonpoint Source Pollution Control and Management Implementation Grants*
  - ♦ *Environmental Infrastructure Financing Program*
  - ♦ *HUD Sustainable Communities Regional Planning Grants*

1 Odefey, et al., *Banking on Green*, 21.

2 Francis, *Gray to Green*, 16.

3 Clements, *The Green Edge*, 17.

4 Pugh, *Effectiveness of Green Infrastructure*.

Right: These bioretention/  
bioinfiltration areas constructed  
in a university parking lot. [Aaron  
Volkening](#), 2011



Above: These constructed wetlands near a suburban residential area in Fort McMurray, Alberta, Canada, provides recreational, manages stormwater and creates wildlife habitat. Flickr/ [Gord McKenna](#), 2005

## 6. Understand current and future demographics (local and regional age)

Understanding current and future demographics will inform the shape of the repurposing effort by identifying community strengths and assets such as a large immigrant population or a growing creative class. It is important to note, however, that a simple market analysis study will not necessarily be sufficient as this merely quantifies a particular moment in time and is narrowly focused. Instead, understanding trends and population projections will increase the chances of a repurposing project achieving longevity and relevance for future demographics.

Local and regional community strengths and assets will help leadership identify uses that are missing, already oversaturated, and those that will compliment rather than disrupt the local and regional community. Developers and local officials can utilize visioning and conceptual exercises (discussed in more detail later) to reveal the types of uses that would best incorporate with the current community fabric.

*Who to Involve: Professional trend analysis may be conducted by a planner or real estate expert; Involvement of local community members will help to highlight the types of experiences residents feel are lacking; Local community groups, including the business community, will also help in identifying a community's strengths and weaknesses*

### BOX 6.3: Importance of Regional Park, Trail and Bike Network

*We have already discussed the benefits of transit-oriented development, but mass transit is often limited in its ability to reach all populations, especially in more isolated suburban areas. Now, however, trail-oriented development is being spurred on by the growing popularity of trails, bike lanes, bike-share systems and other forms of active transportation infrastructure which can help provide the “last mile” link for many public transportation trips. As more people look to alternative transportation means, these networks are becoming increasingly important. Additionally, open space, trails and bike infrastructure require very little capital cost in comparison to transit and road infrastructure, resulting in immediate benefits such as increasing prices/rents in surrounding commercial and residential units, improved environmental conditions and healthier communities.<sup>1</sup> By implementing active transportation infrastructure and creating open space, municipalities can create spaces that appeal to additional demographics, such as millennials and baby boomers who are looking for a more walkable, bikable and healthier lifestyle.*



Left: The Atlanta Beltline is a publicly financed ribbon of parks and concrete trails that was previously abandoned rail, and connect all the neighborhoods of Atlanta. The Beltline has revitalized many struggling neighborhoods and improves accessibility to quality green space (Flickr/ [Daniel Lobo](#), 2016). Center: The old City Hall building pictures here was recently repurposed and is now Ponce City Market, a mixed-use development. The effort can be largely attributed to the construction of the Atlanta Beltline (Flickr/ [Mike Hipp](#), 2012). Right: Gabriel Richard Park in Detroit connects to the RiverWalk and wider trail network to enhance pedestrian and cyclist mobility in and around the city. These amenities are highly sought-after and are stimulating development in such areas. Photo by Detroit Riverfront Conservancy.

<sup>1</sup> *Active Transportation and Real Estate: The Next Frontier.*



## 7. What is causing the property's distress?

The underutilization of a property can be attributed to a multitude of characteristics. The majority of stranded assets identified in this report were distressed due to outdated uses, physical isolation and a disconnect from current and future market conditions and demands. While it is important to understand why a *type* of property is distressed, identifying the unique reasons behind why a *specific* property fails are just as, if not more important. Understanding these underlying issues will reduce the risk of a repurposed property failing again in the future.

*Who to Involve: Local real estate brokers may have expertise and insider knowledge regarding a property's inability to successfully compete on the market. Additionally, planners, property managers and the town administrator may all have information that speaks to a specific property's failure*

## 8. Community assets and challenges

Community assets are integral to the vibrancy and vitality of an area. They can stand as economic engines to a municipality by attracting visitors from surrounding areas, but can also generate a greater sense of community and quality of place for existing residents. Assessing community challenges includes seeking answers to some of the following questions: what is missing or deficient at both the neighborhood and regional level? What businesses will support the community without causing undue disruptions? What are some uses that would be complimentary to other uses in the community or region?

*Who to Involve: No one understands a community's assets and weaknesses better than the community itself; Planning board members, elected officials and other community leaders should also be involved; additionally, local cultural, business and environmental groups can provide unique and important perspectives*

### BOX 6.5: Creative Placemaking Benefits

***Creative Placemaking leverages the power of the arts, culture and creativity to animate public and private spaces, rejuvenate structures and streetscapes, improve local business viability and public safety, and help create a sense of place. It can engage residents locally, enhance public space, and contribute to healthy communities through creative initiatives. Successful creative placemaking employs innovation, vision and drive, tailors strategies to distinctive features of a place, mobilizes public will, attracts private sector buy-in, enjoys local support and creates multifaceted partnerships throughout the community and the surrounding region.***

### BOX 6.4: "Early Warning System" for future Stranded Assets

***In order to avoid the widespread vacancy problems that New Jersey is currently experiencing, an "Early Warning System," which identifies future failing properties and addresses the issues before they are allowed to become stranded, should be adopted. A system based on foresight, where government agencies, municipalities, and developers are proactive rather than reactive would prevent blight and unsustainable growth. This system would look for variables such as migration, demographics, housing and financial statistics, industry consolidation and relocation patterns, changing personal and business preferences, and other trends that help explain current stranded assets (see Chapter 1), and could be used to indicate priority areas. In New Jersey, we saw this system of foresight demonstrated; Kushner Companies recognized the outdated development pattern of the Monmouth Mall and quickly moved to propose a repurposing and expansion plan for the site to be more consistent with the current trends, demands, and preferences of their target audiences (albeit unsuccessfully, as of the date of this publication). If a municipality looked at their role with business owners in their community more like the relationship between a landlord and tenants, it would be easier to see these early signs of failure; increased vacancy, dropping rents and changing demands.***



The Triangles, in the Grays Ferry district of Philadelphia, is the city's first conversion of a roadway to public space. It is community organized with place-based programming such as food trucks, film screenings, and live music.

ensuring that the Triangles remain a valuable community asset for many years. Photo by Project for Public Spaces.





**Left and Left Center:** Community workshops and events to promote planning in Newark get creative with legos and Monopoly pieces. Photos from [Hector Urban Design, Planning and Civic Arts](#). **Top and Bottom Right:** The Michigan Municipal League organized a week of activities and events to show residents how a little bit of planning could transform Capitol Avenue into a lively, interactive, people-focused street. In the photos, passers-by participate in the planning process in an unconventional way. Flickr/ Michigan Municipal League.

## 9. Community and regional needs

Assessing community and regional needs will require both quantitative and qualitative analysis. Statewide and municipal data relating to key factors such as transportation, demographics, and housing, will provide a simple but comparative snapshot of the needs and demands of a community or region. For example, a community with lower-than-average amount of rental or multi-family housing stock might benefit from repurposing efforts that include denser and more affordable housing options. Qualitative research, including community meetings, surveys and other local/regional feedback would ground these assumptions in reality.

In order for an area to be truly sustainable and beneficial to the community and wider region, repurposing efforts should also seek to address the sustainability and flexibility of a property to flourish for the foreseeable future. Looking at the region as a whole is one important aspect of this, but it is also essential to ensure the property is incorporated into the fabric of the community and not established as another isolated island of development.

*Who to Involve:* Input from regional planning agencies, non-profits and county officials will

### BOX 6.7: Attracting Businesses and Engines of Economic Development

*Economically resilient towns, cities, and regions adapt to changing conditions and even reinvent their economic bases as necessary. Even if a community loses its main economic driver, as many municipalities with large stranded assets have, there are always other strengths that can be used as platforms for attracting businesses and other engines of economic development. As Chapter 3 discussed, successful economies do not simply attempt to recruit major corporations or employers, rather they emphasize existing assets and utilize distinctive resources. Several successful tactics to attract business and stimulate economic development include:*

- » *Creative leadership that is inclusive, collaborative and connected*
- » *Identifying all community assets and creating a plan to take strategic advantage*
- » *Connecting and engaging with all stakeholders*
- » *Encouraging regional cooperation*
- » *Taking advantage of public and private funding*
- » *Creating incentives for redevelopment and encouraging investment in the community*
- » *Supporting a clean and healthy environment*

*For further reading see EPA's "[How Small Towns and Cities Can Use Local Assets to Rebuild Their Economies](#)"*

*be useful. It is also suggested to have discussions with the school district, recreation department(s), major employers and community leaders and groups.*

## 10. Economic impact

Assessing the economic impact of a project is important—after all, the bottom line is one of the biggest motivators for a repurposing project. Economic impact studies conducted for various neighborhoods and industries may already exist and should be utilized. Additionally, Comprehensive Economic Development Strategies (CEDS)—highly comprehensive “strategy-driven plan for regional economic development,”—are another great tool for incorporating holistic solutions for these properties. Examples include the CEDS created by the New Jersey Urban Mayors Association (NJUMA), as well as the multi-county CEDS created by Together North Jersey and NJTPA for the North Jersey region. These resources may already be available and can be of great help in this process, but in instances where a CEDS or economic impact study has not occurred, leadership should consider seeking a professional that can provide unbiased expertise.

*Who to Involve: County and regional planning agencies, business partnership groups, economic development departments and non-profits, finance directors, market research specialists and real estate consultants can all provide valuable input at this point in the process.*

## 11. Determine whether to reuse, repurpose or regreen

The information collected throughout the assessment stages, coupled with the guidance provided in Chapter 5, should inform leadership on the best opportunity for revitalizing the property. This may mean reusing, repurposing or regreening the property, and will often result in a combination of two or all three options. For example, a property owner may wish to maintain a portion of the buildings and develop a portion of the property while regreening the remainder of the property. No matter which solution(s) are taken there should be a number of goals achieved (see the end of the chapter for *A Checklist for Success*).

*Who to Involve: Leadership group/steering committee should work closely with the property owner and planning officials, ensuring transparency and inclusion of key stakeholders in the decision-making process.*

### 6.8: The Connection between Housing and Financing a Project

*Given the strength of the housing market, and weakness of the commercial and retail markets, housing is likely to be a key component of many repurposing or redevelopment projects. Throughout this report we have highlighted the growing demand for walkability and an essential characteristic of walkability is high density mixed-use, which must include housing. But here we are speaking to the financial viability of a repurposing project. Housing opens up numerous financing and funding opportunities for the project (see Box 2.6 for specific examples). And as we have seen in the case studies, housing provides the developer with the upfront funds needed to support the rest of the redevelopment project. Additionally, commercial tenants are attracted to sites where it is apparent their employees and critical consumers can locate close by. In Chapter 4, the redevelopment of Bell Works depicted the centrality of housing to the economic viability of a project, but also demonstrated why a municipality must be proactive in promoting affordability and providing a diverse range of housing types.*

## 6.2 IDENTIFY SOLUTIONS

### 1. Leadership group should brainstorm solutions, bring in expert advice, and seek local influential groups

In order to achieve holistic and well-rounded solutions the leadership group should work collaboratively with industry experts, community groups, and regional organizations. At this point in the process, speaking to professionals with relevant expertise would be helpful in gaining knowledge of potential opportunities and barriers. Influential civic groups, shared service providers, developers, real estate interests, environmentalists and historic preservation advocates should also be engaged to help identify and overcome any perceived problems with the repurposing effort thus far.

Not to be confused with consensus building efforts, brainstorming solutions is merely a preliminary, but important, activity which allows a leadership group to identify potential issues *prior* to official meetings where negative discussions could cause significant setbacks in repurposing efforts. This step is also helpful in building early support in a variety of fields, as well as establishing a clear direction for future meetings and visioning activities.

*Who to Involve: Key community and civic group leaders; Property owner; Planner*

### 2. Consensus building meetings with stakeholders

Consensus building is based on the principles of local participation and ownership of decisions. Ideally, consensus building would meet all of the relevant interests of stakeholders. However, there will rarely be unanimous agreement between competing interests, so compromise is key. As such, engagement with leading stakeholders should be prioritized, i.e. those individuals and groups most pertinent to or impacted by the repurposing effort. It is likely that these groups will offer the most radical opinions—both positive and negative—which is another reason to engage them earlier in the process and iron out the potential issues that may arise later on. Further meetings should then be held with additional stakeholders upon the advice of local and regional experts. By holding such meetings there will be opportunities to find common ground and space for compromise. This is the section of the planning process where vision is key. If leadership maintains, and portrays, a vision for the property that has strong positive ramifications for both the community and the property owner, then success is achievable (see the case studies for more on the importance of vision and consensus building in the planning process).

*Who to Involve: Property owner and major stakeholders such as neighboring property owners, environmental, business or community groups. It may also be helpful to include any analysts utilized in the assessment process as they may be able to provide factual basis for the need for repurposing by giving trend analyses, fiscal impacts, school enrollment figures, affordable housing realities, etc.*

### 3. Public Visioning Sessions

Community visioning is the process of developing consensus regarding a community's future. A public visioning session is different from meeting with key stakeholders as it opens up the project to public opinion. There is less control in these scenarios and they can quickly lose sight of the end goal, so for more contentious projects it may be wise to conduct additional private meetings and outreach events before a fully-fledged public visioning session or to conduct a series of small visioning sessions (as with the Bridgewater case study). It may also be helpful to utilize a professional with visioning skills. However, a visioning session may not be necessary in all instances. The Bell Works property was driven by Ralph Zucker's vision and supported by information collected from the community, but it was not



driven by a visioning session. Community buy-in was reached via the open house, not input in a visioning session.

Thoughtful visioning processes can be a large and time-consuming undertaking but may be appropriate in identifying community-based solutions for any given issue in an area. Visioning may have been an integral component to the creation of the municipal master (or comprehensive) plans which is

### **BOX 6.9: Innovative and Collaborative Communities**

*One of the main drawbacks of suburban sprawl is isolation and an ever-decreasing sense of community. It is no surprise, then, that some of the top rated “most livable” places in New Jersey are walkable, mixed-use areas that maximize social interaction and promote interesting and engaging community focal points. There are a number of innovative ideas that are helping to promote social interaction and create a sense of place in the suburbs.*

**Agrihoods:** *All over the United States people have been embracing local food production. Of course, community gardens and urban agriculture are nothing new, but in agrihoods housing developments are built around a farm, where residents share the workload to create a sustainable food system for the entire community. This type of community can be scalable and its attractiveness is the general premise that encourages environmental stewardship, healthy living, and community engagement. Agrihoods are commanding significantly higher home values than the surrounding communities in places such as Serenbe outside Atlanta, Georgia and Willowsford in Virginia.*

**Intergenerational Living/ Cohousing:** *Guided by the principle that all generations should live side by side in a collaborative environment, intergenerational living usually consists of denser housing units—rented and owned—and shared common areas such as lounges, dining areas, entertainment rooms, recreational facilities, and open space. Multigenerational housing is encouraged to promote social cohesion and facilitate the caretaking of dependent individuals (such as infants and the elderly). While intergenerational living spaces are not for everyone, examples are cropping up all over the nation, including Ecovillage at Ithaca, in upstate New York which emphasizes many of the components of agrihoods.*



Agritopia, located in Phoenix, Arizona, features 450 residential lots along with commercial, agricultural, and open space tracts. The central feature is a working farm complete with lambs, chickens, a citrus grove, and rows of heirloom vegetables. Left: Flickr/ [Megan Sparks](#), 2015 Right: [Aaron Burr](#), 2010.



Duke Farms, right here in New Jersey is the largest allotment-style community garden in the nation. Images by Carlos Rodriguez PP/FAICP.

**Community Gardens:** *Community gardens began in urban areas, where many residents had little access to personal yards. However, community gardens are gaining popularity for reasons that extend beyond typical food production. In both urban and suburban settings, residents are appreciating the collaborative and social settings of community gardens, which help to promote a sense of place and increase community character. These places have become the focal points of many communities, and are helping to alleviate crime, utilize vacant or underutilized space, and engage underserved youth and community members. In New Jersey, Duke Farms Community Garden is the largest allotment-style community garden in the country.*



required to be updated on a regular basis. If the master plan is up to date and incorporated a community visioning process, then time and resources can be saved.

*Who to Involve: Planner or professional with visioning experience—this may be an appropriate time to utilize creative marketing such as with Bell Works. Again, presenting professionally analyzed facts regarding the need for repurposing may benefit the visioning process.*

#### 4. Generate conceptual plan(s)

By this point, there should be a comprehensive list of components for the repurposing or reuse of a site. This list should represent the culmination of ideas provided by the community, the region and all the stakeholders and experts involved throughout the process, as well as a compilation of community and regional needs and desires which should not have been subject to concerns about feasibility at this stage.

Conceptual plans can change the momentum of a project by providing a visual that invites onlookers into the new possibilities for the site. Conceptual plans are graphics-based, not text-based, which increases accessibility for public viewing—not all members of the community will be able or willing to read and/or interpret a technical planning document. Creativity can go a long way in this process, as was witnessed with the Bell Works property in their open house.

*Who to Involve: A planner can help develop the final plan in conjunction with the municipal engineer, landscape architects, and the landowner or developer; a graphic designer or illustrator can create a final product that depicts the revitalization.*

#### Box 6.10: Benefits of Public-Private Partnerships

***Private capital cannot always be relied upon to pay the high price of assembling and preparing appropriate sites for redevelopment, nor can local government bear the full burden of paying the costs of public infrastructure and facilities. PPPs replace potential confrontation between these two sectors with collaboration and cooperation to achieve shared goals and objectives. According to ULI, PPPs are considered “creative alliances,” each one unique in its local implementation, which results in net benefits for all parties if successfully navigated. “Public sector entities can leverage and maximize public assets, increase their control over the development process, and create a vibrant built environment”, and “private sector entities are given greater access to land and infill sites and receive more support throughout the development process.” Furthermore, developers that have established this connection to the public sector develop a reputation as a reliable partner, and vice versa.***

***Further reading: ULI’s “[Ten Principles for Successful Public/Private Partnerships](#)”***



The revitalization of the downtown of Silver Spring, Maryland emerged from ongoing communication between public and private partners. Left: Flickr/ [Amara U.](#) 2007. Right: Flickr/ [Craig.](#) 2007

## 5. Assess available funding/financing

Previous steps that established the environmental, regulatory, and geographic considerations will greatly inform the level of funding available to help close the gap between private investments made by the land owner and the final cost of the repurposing. Another useful tool is the New Jersey Site Evaluator map, which highlights the funding programs that a particular location is eligible for. (See Box 6.5 for information on municipal level funding incentives, PILOTs)

Examples of State funding programs include:

- » Urban Enterprise Zones and Innovation Zones: Benefits include reduced sales tax, tax free purchases, financial assistance, tax credits, etc. Find out more: <http://www.nj.gov/dca/affiliates/uez/index.shtml>
- » Smart Growth Areas: certain areas are prioritized for growth and development. A stranded asset located within these areas is eligible for a number of state agency funding programs, including: HMFA: Loan and Subsidy programs; EDA: Business Employment Incentive Program; BPU; and others. Find out more: <http://www.state.nj.us/state/planning/spc-research-resources-sga.html>
- » HMFA housing programs: CHOICE (Choices in Home Ownership Initiative Created for Everyone), Low Income Housing Tax Credits, Multifamily Developers financing, and UNIAP. Find out more: <http://www.njhousing.gov/dca/hmfa/developers/>

Examples of Federal funding programs include:

- » New Markets Tax Credits: Supports commercial development in qualifying areas, increases access to and/or lowers cost of capital.
- » Affordable Housing Tax Credits
- » Historic Preservation Tax Credits

*Who to Involve: Planners, economic development experts, attorneys and organizations such as the Business Action Center and NJEDA will be knowledgeable about funding options*

## 6. Explore implementation options

Implementation options will grow throughout the process as community and regional leaders, industry experts, and primary stakeholders are engaged. Additionally, as the bottom line is a pre-condition for repurposing, available funding sources will likely dictate the direction of the effort. Implementation options will be more apparent as community and regional strengths are identified, synergies are realized and public-private partnerships (PPPs) are developed.

*Who to Involve: Planners, regional authorities, and municipalities with experience with PPPs will be useful at this stage*



## 6.3 IMPLEMENTATION

### 1. Determine Required Regulatory Changes

In order to achieve a sustainable long-term solution, it is highly likely that changes to the local land use regulations will need to take place. Depending on the level of municipal support, these changes can be time- and resource-intensive, so it is important to understand the process for making changes. The speed with which regulatory revisions are undertaken will also depend on the level of public and

#### **BOX 6.11: Options for Changing the Land Development Framework**

*Towns have several options when faced with the need to amend the planning and regulatory framework for a site. Ideally, the land use element of the municipal master plan, either on its own or as part of a master plan reexamination report, is amended to reflect the new vision for the site. Amending the master plan is important because it is an action of the planning board—the municipal planning agency—and because it will provide the substantive basis for later changes to the zoning. The master plan amendment will provide the rationale for changing the site’s land use designation and will reconcile this action with the overall municipal planning framework. While towns are not required to amend the land use element of the master plan prior to every change to their zoning, it is good practice to do so, as it can help sidestep concerns with spot zoning and promotes transparency by involving the municipal planning arm in the process.*

*If a town bypasses the master plan amendment process and the governing body introduces a zoning amendment directly, this proposed amendment will be referred to the Planning Board for comment and an evaluation of consistency with the Master Plan. The planning board has 45 days to satisfy these referrals. While the planning board may not object to the changes, it may find the proposed amendments inconsistent with the municipal master plan, absent a previous amendment to the master plan to effectuate the revised thinking regarding the site or the area. The municipal planning board may fail to present comments on the proposed zoning changes within the stipulated 45 days, and the governing body may adopt those proposed zoning changes. However, the end result is a zoning framework that is further divorced from the underlying master plan*

*and therefore more difficult to justify and defend in the event of legal challenge.*

*Towns may also amend their zoning through the Local Redevelopment and Housing Law (LRHL). The LRHL allows a governing body to take steps that can assist with rebuilding or restoring an area in a measurable state of decline, disinvestment or abandonment. The process can be publicly or privately initiated, but is always preceded by a Preliminary Investigation, requested by the governing body and executed by the planning board. The planning board will determine whether the area qualifies as an “Area in Need of Rehabilitation” or an “Area in Need of Redevelopment” under the statute.*

*There are important distinctions between the two designations, but both provide powerful tools to a municipality and developer for repurposing. “Areas in Need of Redevelopment” can fall into either a non-condemnation or condemnation area, the latter of which authorizes the exercise of eminent domain on behalf of a private interest. However, both designations allow a municipality to enact Long Term Tax Abatements and establish Payments-in-Lieu-of-Taxes (PILOTs) for up to 30 years. “Areas in Need of Rehabilitation” do not grant condemnation rights and only offer five-year tax abatements. Depending on the physical conditions of the property and the relationship between the municipality and the developer or property owner, it may make more sense to pursue one designation over the other.*

*If the area is deemed to satisfy the criteria for either designation, then the next step is for the planning board to prepare, and adopt, a redevelopment plan, which must also be adopted by the municipality, and which will contain a new land use plan, possibly a new circulation plan and new zoning standards (permitted uses, densities, bulk standards) for the area.*

municipal support for a project. A developer may request, and a municipality may introduce, a proposal to change the zoning to permit the repurposing project's intended uses. The recommended way to do this is to adopt an amendment to the land use element of the master plan. If there is a consensus that the repurposing project would benefit from the application of the Redevelopment Statute, the municipality may initiate a preliminary investigation to establish whether the area qualifies for a redevelopment designation. If the area is found to qualify as an area in need of redevelopment, and its designation as such is approved by the municipality, then the municipality should proceed to create and adopt a redevelopment plan. It is highly recommended that the town, in preparing the Redevelopment Plan, consult closely with the key stakeholders, including the property owner and potential redeveloper(s), to make sure that the plan is realistic and feasible. (See Box 6.1 for more on regulatory changes).

*Who to Involve: Ideally, the planner, planning board and property owner should work collaboratively. Large site changes come with a great deal of stigma and must overcome community distrust, so it is essential to actively include key stakeholders and the community throughout this process by providing as much information as possible; the municipal attorney may also be helpful to include at this point*

## 2. Ensuring a smooth approval process

Trust, as this guidebook has highlighted throughout, is one of the most important parts of the process, and must be mutual; the municipality and its residents must trust that the developer has the community's needs in mind and vice versa. Municipal support for a project considerably strengthens a developer's application with regulatory bodies. Furthermore, an established relationship between municipal officials and a developer can facilitate transparency in planning, and in turn generate greater public feedback and potential support for a project. This type of collaborative relationship should ensure a smooth approval process that achieves goals for both the municipality and the land owner.

*Who to Involve: Municipal officials such as the planning board, planner, municipal attorney and mayor should work with the landowner; and regulatory bodies such as the NJDEP and watershed management regulatory bodies.*

### Box 6.12: Increasing Efficiency in the Municipal Permit Process

***New Jersey development projects must receive approvals from multiple agencies, each of which regulates a different facet of development, including land use, water and sewer systems, and a variety of environmental regulating bodies. In some more frustrating situations, overlapping regulatory bodies may have contradicting requirements. Developers often spend a great deal of time and money fulfilling these requirements before all the necessary approvals are granted and work can begin. Frequently, repurposing projects demand a great deal from developers, which can be off-putting. However, prioritizing the repurposing of stranded assets, which already contain significant infrastructure investment, may help to mitigate the risk associated with redevelopment projects. Therefore, it is necessary to address efficiency in the municipal permitting process, so that approvals can be granted to redevelop large, economically burdensome, and distressed properties. Streamlining the process would benefit from the following actions:***

- » ***Improve the speed and consistency of local review processes***
- » ***Provide municipal support during the approvals process, and reduce their costs***
- » ***Use technology to expedite the process***
- » ***Revise zoning ordinances to minimize the need for project-related variances (see next Box)***

**Find out more:** [HousingPolicy.org](https://HousingPolicy.org)

### 3. Establish Funding

At this point, available funding will have already been explored, as suggested in section 2.5 of the toolkit. After multiple stages of input from various community and regional bodies, the plan should now be final and ready to submit for public and private funding. In addition to acquisition, construction and other types of loans from private sector lending institutions, public sector financing and other types of public sector assistance may be needed to make the project financially feasible. Below are some of the organizations, or mechanisms, which may provide public sector funding assistance for repurposing projects.

- » Economic Development Authority (NJEDA & EDA)
- » New Jersey Department of Community Affairs (NJDCA)
- » Payments-in-lieu-of-taxes: PILOTs are limited to designated Redevelopment Areas. Short-Term Tax Abatements are also available for designated Rehabilitation Areas.
- » State, County, and Municipal Open Space Funding: Acquisition and/or capital improvement funds may be available to help underwrite the open space and recreational components of the project
- » New Jersey Environmental Infrastructure Trust (NJEIT): low interest loans for water quality infrastructure projects
- » Transportation Infrastructure (NJDOT): May be available to help underwrite investments in the pedestrian, bicycle and vehicular circulation networks.

*Who to Involve: The town administrator, mayor and planner may have funding knowledge, but it is also important to seek assistance from various departments including the community development, economic development and open space coordinators for their unique perspectives on funding opportunities.*

#### **BOX 6.13: Avoiding the Need for Variances**

*Currently, if a development proposal fails to satisfy all the requirements and restrictions of the town's land development regulations, it is likely to need one or more variances or waivers. The Municipal Land Use Law (MLUL) defines variances as "permission to depart from the literal requirements of a zoning ordinance." Under the MLUL, variances fall into two broad categories 'bulk' variances, which deal with deviations from a dimensional or area requirement of the ordinance; and 'use', variances which deal with uses not permitted in the zoning district.*

*The burden of proof required from an applicant by the MLUL and relevant case law is arguably lower for a bulk variance than for a use variance, but both are demanding and unpredictable. It is unlikely for a repurposing developer to take the risky step of seeking a use variance from a zoning board. The need for bulk variances will be avoided, if possible, even if that results in a lower quality repurposing project. As such, towns must pay particular attention to making sure that the revised zoning and land development regulations are flexible, well-adjusted to the site, and supportive of desired project outcomes. This means:*

- » *Adopting a broad, not restrictive, interpretation of the permitted land uses;*
- » *Allowing for multiple uses in buildings and multiple structures on a single tax lot;*
- » *Adopting bulk standards that accurately reflect the site's dimensions, configuration and defining physical features;*
- » *Adopting contemporary parking and engineering requirements that reflect current industry standards and consider future demands; and*
- » *Granting administrative discretion to the administrative officer and the planner wherever and whenever possible under the MLUL.*

*All of these actions will facilitate project review, reduce the time to project approval and reduce the developer's professional and administrative costs.*



## **BOX 6.14: PILOTs as Necessary Incentives for Repurposing and Redevelopment Projects**

*Payment-in-lieu-of-taxes, or PILOTs, are one of the few locally-controlled fiscal incentive tools available in New Jersey to encourage development in distressed areas. Long-term (up to 30 years) abatements are authorized in designated redevelopment areas while short-term tax abatements (up to 5 years) are authorized for designated rehabilitation areas. PILOTs are necessary for many projects to secure long-term financing from lenders because property tax increases are held within a negotiated range, thus reducing fiscal uncertainty associated with future tax increases. The reduction in this fiscal uncertainty is critically important to project lenders. The project's reduced fiscal burden is then passed on to project tenants, thereby making projects more affordable to commercial and residential users alike. This gives the project a competitive advantage, and attracts tenants to the distressed property that might otherwise go elsewhere.*

*When a repurposing project is successful, the property increases in value over time, and is therefore subject to higher property taxes. Under a PILOT, those increases are negotiated and managed upfront, thus reducing uncertainty with respect to the project's future fiscal liability, within the time frame of the PILOT. The law assumes that a period of up to 30 years may be the appropriate horizon for a project to be deemed successful.*

*PILOTs have been unfairly criticized as a result of widely held misconceptions. A threshold question is whether PILOTs provide redevelopers with undeserved fiscal advantages at the expense of towns and counties. It is important to understand that PILOTs make projects financially viable – they may be the only factor standing between project failure and success. Without PILOTs, a project may not be financially viable, in which case any opportunity to generate new revenue from the site would be lost.*

*Second, school districts and counties receive their required revenues without contributions from the properties subject to PILOTs because the tax assessment needed to meet their budget requirements is spread over the remaining tax base. Whatever portion of that would normally be allocated to properties subject to PILOTs is covered by all other properties subject to the assessment. Furthermore, counties continue to receive their share of the tax assessment on the value of the land included in PILOT projects – just not on the value of the improvements. In summary, school districts and counties are essentially held fiscally harmless under PILOTs. Many projects that benefit from PILOTs—namely commercial projects and transit-oriented residential projects—do not contribute to additional public school costs. When no additional public school children result from a project, or just a handful, the school district is not adversely impacted. In the long run, the experience with these fiscal mechanisms in New Jersey strongly indicates that successful projects that benefited from a PILOT more than adequately compensate fiscally for the deferred tax payments.*

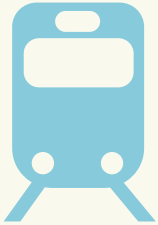
*Finally, the approval of a Long-Term Tax Abatement is subject to a transparent public process – a PILOT cannot be approved until the town has held a public hearing (with public notice) along with the public filing of the PILOT agreement prior to the public hearing. In addition, detailed annual audits must be filed with NJDCA. Many projects would be deemed financially unfeasible without PILOTs. They require the city and the developer to work together to achieve multiple goals. The developer receives financial incentives which decrease the level of risk associated with a project and may mean the difference between successful completion of a project and a stranded asset remaining vacant. The municipality is benefited by the elimination of blight and the revitalization of the community, which in turn increases ratables and attracts jobs.*

*Find out more: <http://www.njslom.org/100thconf/presentations/librizzi-dolan-exemptions.pdf>*

# Checklist for Success:

Throughout the planning process, it is important to keep your goals in mind. Whether repurposing, reusing, regreening, or utilizing any combination of the three, the project should meet a number of goals and the following checklist will help maintain leaders in this process.

Does the project...



- ☐ Improve and diversify transportation options?
- ☐ Improve access to transportation options?
- ☐ Improve connectivity with the broader community beyond the site including connecting to larger trail and bike path systems?
- ☐ Improve quality and quantity of bicycle and pedestrian facilities
- ☐ Improve site circulation?



- ☐ Incorporate green infrastructure and increase stormwater infiltration and improve quality of surface water?
- ☐ Increase access to quality open space?
- ☐ Improve biodiversity?
- ☐ Mitigate or decrease the heat island effect?
- ☐ Meet LEED standards and make a positive contribution to combat climate change?



- ☐ Provide equitable housing (i.e. a range of price points and levels of luxury)?
- ☐ Diversify housing stock (i.e. rental properties, higher densities)



- ☐ Does it enhance/build upon regional assets?
- ☐ Increase the site's access to the region and improve regional circulation?
- ☐ Compliment other uses in the region?
- ☐ Does it address regional needs (i.e. housing, transit, economic, equity)?



- ☐ Attract a diverse demographic range?
- ☐ Increase walkability?
- ☐ Decrease gaps between current stock & future demands (lifestyle, housing, work options)?



- ☐ Employ creative Placemaking by incorporating the arts and other cultural pieces?
- ☐ Enhance the quality of place and create a destination?



- ☐ Does it improve the region's jobs to housing ratio?
- ☐ Does it increase land use efficiency?
- ☐ Does it increase infrastructure efficiency?
- ☐ Does it positively impact economic development goals?

# THINKING AHEAD: OPPORTUNITIES FOR IMPROVEMENT

Leadership, ingenuity and visionary thinking are important pieces in the puzzle to address stranded assets, but this work at the local level could benefit from county- and state-level assistance. PlanSmart NJ will provide a follow-up to this guidebook which will highlight a number of issues that exceed the reach of municipal and county planners and require action at the state level. These state-level recommendations are currently being drafted with input from municipal officials and leadership in the public, private and non-profit sectors. In addition to these recommendations, PlanSmart NJ will follow-up with the information on the process and outcomes from the demonstration project(s) conducted in cooperation with municipalities that are home to stranded assets. The demonstration project will complement the guidebook's analysis and further highlight opportunities to overcome obstacles at the state and local level that will help promote innovative planning, in turn making healthier vibrant communities a reality for New Jersey's suburbs. The findings of PlanSmart NJ's research have deeply informed the suggestions made throughout the following chapters, but first it is important to understand how PlanSmart NJ defined and identified stranded assets.



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## Map Citations

Map 1: Location of Stranded Assets

**Data Sources:** CoStar, 2015; US Census Bureau, 2013; TIGER/Line Shapefiles, prepared by the US Census Bureau, 2015; ESRI, 2012; NJ Department of State, Office for Planning Advocacy, 2001

Map 2: Stranded Assets and Transit

**Data Source:** CoStar, 2015; TIGER/Line Shapefiles, prepared by the US Census Bureau, 2013; ESRI, 2012; NJOIT – NJ Transit, 2015

**Notes:** Only 5 percent of stranded assets are located within walking distance (half a mile) of a train station. However, 90 percent are serviced by a bus line.

Map 3: 2010 to 2015 Population Change by County

**Data Source:** US Census Bureau, 2010; American Community Survey, 2015; TIGER/Line Shapefiles, prepared by the US Census Bureau, 2013; ESRI, 2012; NJ Department of State, Office for Planning Advocacy, 2001

**Notes:** The map shows population change by county for New Jersey's counties from 2010 to 2015. Growth is concentrated in more urban areas (see population density map for more detail) and the most suburban and rural areas of the state have experienced the most outmigration.

Map 4: 2010 Population Density and Stranded Assets

**Data Source:** CoStar, 2015; ESRI, 2012; TIGER/Line Shapefiles, prepared by the US Census Bureau, 2013, 2014; NJOIT – OGIS, 2012; NJ Department of State, Office for Planning Advocacy, 2001

**Notes:** This map is an indicator of population densities and the link to stranded assets, showing location of distressed properties in largely suburban areas. The "Urban, Suburban, Rural" classification is based on limited research and New Jersey municipal averages; "Urban Area" = 3911 and greater, "Suburban Area" = 543 to 3910, "Rural Area" = 542 and lower.

Map 5: Smart Growth Areas and Stranded Assets

**Data Source:** CoStar, 2015; US Census Bureau, 2014; NJ Department of State, Office for Planning Advocacy, 2001;

**Notes:** The 2001 New Jersey State Development and Redevelopment Plan designated planning areas (PA) throughout the state which, among other things, grant varying levels of growth. They are listed under Areas for Growth: PA1. Metropolitan, and PA2. Suburban; and Areas for Limited Growth: PA3. Fringe, PA4. Rural, and PA5. Environmentally Sensitive. The vast amount of stranded assets fall within PA1 and PA2, which grant more allowances and flexibility for redevelopment.

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