Saving Suburban Spaces
Opportunities Abound for Repurposing Stranded Real Estate Assets

By Timothy McDonough, Mayor, Hope Township; NJLM Past President & Timothy J. Touhey, Senior Vice President, Investors Bank; Former Chairman, State Planning Commission

There was a time when New Jersey, with its educated workforce, excellent school system, proximity to financial markets, and world-class transportation system, was considered to be one of the nation’s prime locations for companies to call home. Until the mid-20th century employment centers were located in the Garden State’s urban areas such as Newark, Jersey City, Hoboken, Trenton, and Camden.

With shifting public policy and investment in the nation’s highway system during the post-World War II development boom, companies began abandoning the high rise office buildings in cities in favor of gated, self-contained, highly specialized, and entirely auto-dependent suburban office campuses surrounded by undeveloped land. As early as the 1940’s companies such as Bell Labs, RCA, and Merck lead the exodus from urban areas to suburban office campuses. Other businesses soon followed suit in New Jersey and across the nation.

CHANGING TASTES The low-density, single-use land use model that has dominated our land use patterns for over a half-century is increasingly understood to be unsustainable and undesirable for the 21st century global economy. Interestingly, the pioneers of suburban office development—Bell Labs, RCA, and Merck—were among the first to abandon their once prestigious suburban sites.

Increasingly, New Jersey corporations are abandoning their suburban office parks in favor of locations that are appealing to today’s workforce, leaving suburban communities with
underutilized or abandoned assets. These commercial office parks were once a significant part of the ratable base and prestige, but are quickly becoming obsolete, vacant, and difficult to market.

Likewise, shopping centers that have rising vacancy rates and lack of maintenance contribute to a sense of community decline and blight. The loss of ratables is putting a strain on county and municipal budgets, further hindering the state's ability to rebound from the recession.

According to the National Association of Realtors, research shows that only 52% of Americans currently want detached homes, while 59% want public transportation, and 60% favor mixed-use neighborhoods. A study conducted by the U.S. Department of Transportation and the University of Michigan found that only 47% of 17-year-olds had a driver’s license in 2010 compared to 66% in 1980. Millennials and baby boomers are looking for pedestrian-friendly communities with a variety of housing types, a mix of commercial and retail, and access to public transportation. Employers in the “new economy” and creative sectors similarly demand work space that is close to housing, less auto-dependent, and better integrated with other community functions and amenities.

**PUTTING THE PIECES TOGETHER** In spring 2013, PlanSmart NJ launched its Repurposing Stranded Assets Project to better understand the challenges and opportunities these underutilized assets present to their communities and the State. The project is analyzing demographic and real estate data and evaluating best practices and case studies to write and publish Suburbs That Work: Changing Economy, Changing Land Use Guidebook.

The guidebook will describe the fiscal impacts stranded assets have on communities and make recommendations for ways to repurpose sites to correct the multitude of problems associated with underperforming corporate campuses and retail sites while at the same time helping to achieve other local and regional planning objectives.

PlanSmart NJ has defined stranded assets as commercial buildings of 100,000 square feet or greater with a vacancy rate higher than 14% for five years or more. Preliminary data collection focused on the North Jersey market which includes: Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Morris, Monmouth, Ocean, Passaic, Somerset, Sussex, Union, and Warren counties.

The analysis found that vacancy rates in that market are greater than those in the rest of the country. In North Jersey alone there are 128 of these 100,000-square-foot buildings that have a vacancy rate greater than 14% and there are 45
buildings that are completely vacant.

The vacant space is equivalent to seven Empire State buildings and it is estimated that it will take 36 years to fill that space at current rates. Only 12% of stranded assets are in urban areas, while 88% of the sites are in the suburbs.

**TAPPING THE POTENTIAL** These staggering numbers are cause for concern for the entire state. In this day and age of stretched budgets and doing more with less, towns must seize the opportunity to capitalize on past public investment and

In this day and age of stretched budgets and doing more with less, towns must seize the opportunity to capitalize on past public investment and breathe new life into their communities.

breathe new life into their communities. Underused suburban office parks and retail centers have untapped potential with millions of dollars of design and infrastructure investment.

The underutilized sites in North Jersey are sitting on approximately 6,000 acres (the equivalent of six Central Parks). In most cases, this land has infrastructure such as roads, sewer, and water in place, making it ideal for redevelopment. Galina Tachieva, managing partner of DPZ and author of the Sprawl Repair Manual, recommends capitalizing on the investments made to the sites by redeveloping and using the existing infrastructure.

Communities that want to reposition their stranded assets to restore the local ratable base and achieve multiple planning goals may consider revising zoning to promote high-density, mixed land uses that include housing, retail, and commercial. A mix of uses allows housing to be located close to where the jobs are and reduces dependency on cars.

Higher densities also offer efficiencies in scale and provide opportunities to incorporate alternative energy, making sites more resilient. The impact of higher densities can be offset with site plans that include passive and active open space and trails to integrate the site with the greater community.

With proactive planning, New Jersey can once again lead the nation in creating the next generation of communities. PlanSmart NJ is committed to working with all stakeholders on critical planning issues and stranded assets in particular.

For more information about the project, contact plansmartnj.org.

---

**Relationships are our strength.**

**Government banking is our specialty.**

Banking with Valley’s Government Services Group means working with dedicated professionals, who will work with you to build a trusted relationship.

**Government Accounts**

**Public Debt Issues**

**Cash Management Services**

**Developer Escrow Accounts**

**ARTI BUDHU**

(973) 686-5037

**JIM FITZGERALD**

(973) 686-5025

**RON FRASER**

(973) 686-5034

valleynationalbank.com

© 2015 Valley National Bank®. Member FDIC. Equal Opportunity Lender. All Rights Reserved. VCS-4910