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COMMERCIAL REAL ESTATE

A Project Reclaims an Abandoned Stretch of New Jersey Coast

Square Feet

By JON HURDLE MARCH 8, 2016

SAYREVILLE, N.J. — A bleak expanse of coastal New Jersey, polluted by paint pigments and abandoned for decades, is undergoing a makeover that will bring a major development of housing, retail space and office space a half-hour's drive from Lower Manhattan.

In coming weeks, the O'Neill Properties Group will officially break ground on the 5.8 million-square-foot project, The Pointe. The 418-acre site, south of Staten Island, is at the heart of a highway network that already carries some 400,000 vehicles a day directly past the site, and on summer weekends, hundreds of thousands more.

The groundbreaking will make way for the anchor retail tenant, Bass Pro Shops, to build a 200,000-square-foot store. The store is expected to open in June 2017 as the first stage of a planned 2.4 million square feet of retail space.

The developer has also agreed with Regal Cinemas to build a 55,000-

square-foot movie theater complex, and is in talks with about 20 other potential retail tenants.

Over the next seven to 10 years, the development is to add 750,000 square feet of office space, up to 1,000 hotel rooms, and 2,000 apartments overlooking the Raritan River.

By mid-2017, the complex is to have its own highway interchange, which will provide 12 on- and off-ramps for the adjacent Garden State Parkway and U.S. 9 and Route 35 nearby. Together, these highways carry some 600,000 people a day to and from jobs in New York City or to Jersey Shore towns to the south, according to data from the New Jersey Turnpike Authority, the state's Department of Transportation and Maser Consulting, an engineering firm working on the project.

The high volume of traffic, and the accessibility of the new development to the major Northeast market, represent an unusual opportunity for potential tenants, said the developer's chief executive, Brian O'Neill Sr.

"One hundred percent of New Jersey shore visitors pass through this intersection if they are coming from the five boroughs of New York City, northern New Jersey and southern Connecticut," Mr. O'Neill said, in an interview in a trailer on the edge of the site.

"In summertime, there are days when there are a million cars, or two or three million people, coming through this intersection," he said, "which makes for one of the most spectacular opportunities for retailers to expose themselves to their clientele."

The project is a joint venture of O'Neill Properties and Prudential Financial, and is expected to cost at least \$2.2 billion by the time it is finished, Mr. O'Neill said. The interchange is being constructed at a cost of \$85 million, \$15 million of which is being paid by the developer and the remainder by the state.

New Jersey, America's most densely populated state, has long sought to redevelop its so-called brownfield sites, abandoned and often contaminated tracts formerly used for commercial or industrial purposes. O'Neill Properties, based in King of Prussia, Pa., specializes in brownfield redevelopment.

O'Neill bought the Sayreville site for \$80 million in 2008, some two decades after it was abandoned by NL Industries, formerly National Lead, which had manufactured paint pigment there since 1934. In early 2014, the Environmental Protection Agency directed the company to pay \$79 million to clean up a 40-acre lagoon on the east side of the site, where Bass Pro Shops will build its new store.

NL Industries was found to be at least partly responsible for contamination there, which included PCBs, titanium dioxide and technologically enhanced naturally occurring radioactive material. This required a multiyear environmental remediation project costing \$45 million, and involving the removal or treatment of 360,000 cubic yards of soil.

Cleaning up the lagoon turned out to be far more challenging than the company expected when it bought the property, said Brian O'Neill Jr., Mr. O'Neill's son, who manages the Sayreville project.

"We were unaware of the depth and consistency of the material that was in the lagoon," Mr. O'Neill Jr., 29, said. "In some places it turned out to be 10 feet thick of this acidic paintlike substance, like quicksand."

The solution was to inject 38,000 tons of portland cement into hundreds of cells in the lagoon, an operation that took a year and a half and has now created a stable site where Bass Pro Shops can build. Remediation on other parts of the site is continuing, and some environmental permits are still pending, Mr. O'Neill Jr. said.

Before O'Neill Properties purchased the site, it was the subject of a number of lawsuits between NL Industries, Sayreville's economic development

agency and the state Department of Environmental Protection, all of which were resolved by the purchase, Mr. O'Neill Jr. said. NL Industries did not respond to requests for comment.

The company says that the costly and time-consuming process of reclaiming the site from its toxic history is justified by the unique opportunity to own such a large parcel of developable land in the midst of one of the country's biggest markets.

"The real estate fundamentals of this site are unparalleled," Mr. O'Neill Jr. said, noting that the waterfront property promised to be an additional attraction for future residents.

Matt S. Krauser, senior managing director in northern New Jersey for Integra Realty Resources, a national valuation company, agreed that the availability and development of a big parcel in a prime location were rare and promising.

"To be able to acquire 400 acres right off the parkway with ease of accessibility both north and south, it's really an unusual project in an unusual location," he said. "It's more or less a once-in-a-lifetime opportunity to be able to construct something like this."

He said that the project was a departure from the town center type of development that had dominated in recent years. With its office and residential components, the Sayreville project could be seen as a hybrid, he said.

"It's building its own downtown in the suburbs," Mr. Krauser said.

When the project is complete, Mr. O'Neill Sr. said, 221 million people annually will drive by four digital billboards measuring up to 44,000 square feet. Each will dwarf the one on the side of the Marriott Marquis hotel in Times Square, which was one of the largest in the world when it was installed

in 2014.

Combined with seven digital media towers, also alongside the Garden State Parkway, the development will create 226,000 square feet of digital signage, all of which has been approved by state and local authorities, the developer said.

The signs represent a major opportunity for advertisers to reach millions of people at a lower cost than other forms of mass advertising, Mr. O'Neill Sr. said. And millions of customers riding along the parkway, he added, "can't block it out."

The new development was welcomed by Kennedy O'Brien, Sayreville's mayor, who said the borough's officials approved it because it was a mixed-use project with a residential element. That offers Sayreville the prospect of reviving its depressed center, he said, which was built more than 100 years ago and has scarce parking and very little economic opportunity.

"It's not a gathering place for the people of Sayreville anymore," Mr. O'Brien said, in contrast to the new development, which he called "a natural evolution for a town like ours."

Sayreville, which formerly made bricks for the construction of Manhattan and munitions for World War I, is a middle-income community of some 43,000 people where homeownership is high, foreclosures are low and church attendance is widespread, Mr. O'Brien said. "It's a Norman Rockwell American town," he said.

Mr. O'Brien added that the development would be a good source of new tax revenue to bolster the local economy.

"This will provide a great injection of extra money into our tax base," Mr. O'Brien said. "It will provide employment opportunities, and Bass Pro Shops will provide a great place for husbands to go when their wives go shopping."

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