

The Observer

December 30th, 2014

[Tax break for S. Kearny industrial park](#)



By Ron Leir

Observer Correspondent

KEARNY –

Still operating in Sandyrecovery mode, South Kearny’s Industrial Park is looking to take a giant step forward, now that the town is poised to grant what’s likely to be the first of several tax abatements to develop the 120-acre property.

At a special session held Dec. 16, the mayor and Town Council voted to introduce an ordinance to enter into a financial agreement with KPIP Urban Renewal 1 LLC, a subsidiary of RTL Services, for 78 John Miller Way on the east side of Central Ave. off the Hackensack River. The ordinance was expected to be adopted Dec. 29.

Although RTL plans to construct seven or eight new buildings on its site, the proposed abatement would, at present, be limited to its 4-story, 207,764 square foot Heller Way headquarters which will be partitioned into eight “commercial condominium units” targeted for lease to small businesses.

One of those units, for which 72,326 square feet of space is allocated, “will be immediately renovated” for use by Hugo Neu Recycling Co. which will be relocating from Mt. Vernon, N.Y.

Although the owner currently has no other signed leases, KPIP CFO/Principal Steve Nislick told the town governing body earlier this month that he was confident that the owners will have no trouble finding tenants for the other condo units.

Reportedly, KPIP is very close to locking in two prospective tenants: a gourmet bakery and a storefront window glass manufacturer. Other possible occupants include technology companies, post-secondary schools, food companies and a roof-top restaurant.

As many as 300 new jobs could be generated from this flex-space accommodation in what has been designated as “Building 78,” KPIP has predicted.

Kearny currently collects nearly \$67,000 a year in nonabated taxes for the property.

But, under an abatement formula keyed to \$1.50 per square foot (escalating 2% each year) or 14% of gross revenue, whichever is greater, the town would receive close to \$300,000 as its first annual PILOT (payment in lieu of taxes) when the building is fully renovated.

The PILOT agreement would continue for 30 years, at which point, the property would revert to full taxation.

As the rest of the industrial park is developed, if KPIP wanted to extend that PILOT arrangement, the owner would have to reapply for a new abatement agreement, Mayor Alberto Santos said. “Each application would be considered on its merits.”

Why a PILOT to begin with? A narrative attached to the financial agreement explains that, “In the current real estate marketplace, the rents likely to be achieved by this project are not sufficient to pay for the costs of construction and the payment of full taxes.”

But granting an abatement will allow the owner “to make a return on his investment that is sufficient to both warrant the risk and to convince the lending markets to provide the construction and permanent financing required by the project.”

And because Kearny believes it can absorb the cost of municipal services associated with the project even under an abated tax arrangement, “the town believes that it is in its interest to provide the necessary incentive that will cause the project to be constructed. Since the formulas used in the financial agreement provide for growth in the amounts to be paid over time, the town expects the project will continue to make payments that are greater than the costs [for municipal services] to be incurred.”

A full build-out of the entire 120-acre property is projected to take five to seven years, according to one person familiar with the project.

In the meantime, since the industrial park site is not linked to a mass transit connection, Santos said that KPIP is working with NJ Transit to try and arrange a shuttle bus service that would connect to Transit’s Light Rail station at West Side and Claremont Aves., Jersey City.

Additionally, KPIP is hoping that NJ Transit will consider a possible extension of the Light Rail to a station stop near the Hackensack River terminus. NJ Transit has looked at the possibility of extending the Light Rail from the West Side terminus to a Rt. 440 location, also on Jersey City’s West Side, which could provide a jumping off point for a spur line a bit further west.