

Building a Better New Jersey: From Infrastructure to Housing to Commercial Real Estate Properties

"The opening of our new production facility in Secaucus, along with our current headquarters in Jersey City, enables us to operate more efficiently and cost-effectively," says Goya Foods President Bob Unanue.

COMPILED BY MILES Z. EPSTEIN
EDITOR, COMMERCE

GOYA FOODS, THE LARGEST Hispanic-owned food company in the United States, is a New Jersey success story. It celebrated its 80th anniversary by opening a 240,000-square-foot, state-of-the-art and sustainable production facility in Secaucus, New Jersey, as part of a \$250 million investment. The facility, equipped to manufacture and distribute more than 4 million cases of Goya products annually, features new production machinery with cutting-edge technology, including a continuous motion line that produces 600 boxes of Goya's rice mixes per minute, six times faster than the company's past production capability.

Committed to the construction of environmentally sustainable and eco-friendly facilities, Goya's new facility is also equipped with 6,552 solar panels on 3.7 acres of rooftop to generate more than 70 percent of the building's energy supply and provide a net zero carbon footprint. Goya is currently working on the installation of rail service, located alongside the facility, which will significantly reduce transportation costs, traffic congestion and fuel consumption.

CONSTRUCTION & REAL ESTATE

Key National Trends. Associated General Contractors of America Chief Economist Ken Simonson's 2017 forecast highlights four key trends: the economy will keep growing; there will be volatility in the energy sector; finding qualified workers will be a challenge for contractors; and the global economy could squeeze the profitability of exports.

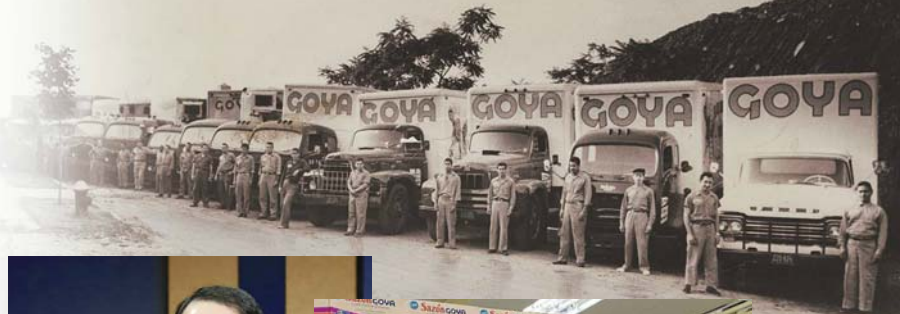
A 2017 Forecast. The "2017 Construction Outlook" from Dodge Data & Analytics reports that "total U.S. construction starts for 2017 will advance 5 percent, following gains of 11 percent in 2015 and an estimated 1 percent in 2016; multifamily housing will be flat in dollars and down 2 percent in units [and] appears to have peaked in 2015; commercial building will increase 6 percent on top of the 12 percent gain estimated for 2016; institutional building will advance 10 percent after pausing in 2015 and 2016, spurred by K-12 construction."

In addition, "more growth is expected for the amusement category (convention centers, sports arenas, casinos) and transportation terminals; manufacturing plant construction will increase 6 per-

cent after steep declines in 2015 and 2016 that reflected the pullback for large petrochemical plant starts; and public works construction will improve 6 percent, after slipping 3 percent in 2016.

Infrastructure Spending. "Highways and bridges will derive support from the new federal transportation bill, while environmental works should benefit from the expected passage of the Water Resources Development Act," according to Dodge Data & Analytics. President-Elect Donald Trump has also raised the possibility of a large federal infrastructure investment, which could kick this category into high-growth mode. In New Jersey, the recent increase of the gas tax—which was raised by 23 cents per gallon on Nov. 1, 2016—and the dedication of all collected dollars to road and bridge maintenance and construction via a ballot question will mean a steady surge in infrastructure spending in the Garden State.

Ask the Experts. *COMMERCE* asked New Jersey's industry experts to offer their observations, market insights and project updates to provide a first-hand look at the year ahead for construction and real estate.



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Alfred Sanzari Enterprises
By David Sanzari, President and CEO

Alfred Sanzari Enterprises' most significant project in 2017 will be the development a new 350-room, dual-branded hotel, currently under construction at our mixed-use Glenpointe complex in Teaneck, New Jersey. The 13-story hotel will feature the Hampton Inn & Suites by Hilton and Homewood Suites by Hilton brands, Hilton Worldwide's select-service and upscale extended stay hospitality products. This project is particularly exciting because it is such a tremendous asset to the local community. The hotel will generate dozens of permanent hospitality-related jobs, bring additional lodging options to the region and produce long-term sustainable benefits for the Township of Teaneck.



Case Real Estate Capital, LLC
By Sanford Herrick, Founder and Managing Principal

At Case Real Estate Capital, we continue to broaden our lending and purchasing platform and have the ability to commit funds across a range of asset types and situations, including first mortgages, mezzanine, transitional, land and construction, among others. We are highly responsive to the needs of our clients and expect that will serve us well as the regulatory landscape continues to shift for conventional financing sources.



Denholtz Associates
By Stephen Cassidy, CEO

We strongly believe that the trend towards value-add investments in commercial real estate will continue into 2017, especially in the New Jersey and Florida markets. Repositioning of existing assets provides firms, like Denholtz Associates, with opportunities to create exciting, new office, industrial and flex spaces in crowded markets to attract a wide range of tenants. We will

continue to seek out properties that offer potential for renovation or redevelopment, especially ones in emerging urban areas or near major urban centers as e-commerce distribution networks continue to grow in complexity and proximity to cities.



Diversified Realty Advisors
By Jonathan Stein, Co-Founding Partner

As the lending environment continues to tighten for multi-family development, new construction opportunities will slow in 2017 as banks focus more on top-tier locations. For example, DRA has approximately 1,000 residential units currently under construction in this region—primarily luxury, multifamily homes that are top-tier, transit-oriented communities. This includes 270 units under construction in Union, New Jersey, with a municipal jitney pickup onsite offering service to Manhattan via Union Station. Similarly, in downtown Morristown, New Jersey, our 58-unit, for-sale condominium building is under construction, one block off the historic Morristown Green, about a mile from the train station. We expect select opportunities like these to continue at a healthy pace.



Kimmerle Group
By George J. Kimmerle, AIA, P.P., NCARB, President and Partner

Among Kimmerle Group's most significant projects is the 250,000-square-foot redevelopment of Crum & Forster's corporate headquarters in Morristown, New Jersey. This redevelopment involves stripping the existing building down to steel, and upgrading all systems, finishes and equipment. Our firm also completed a 275,000-square-foot headquarters redevelopment for Realogy in Madison, New Jersey. These projects represent two of the largest corporate headquarters assignments in the region in the past three years. This kind of work—the reinvention of dormant and undervalued assets for investment and reuse—is



endemic in New Jersey and the tri-state area right now, and an area of special expertise for our firm.



NAI James E. Hanson
By William C. Hanson, President and CEO

We are looking forward to a very exciting year for commercial real estate. I see the industrial sector picking up right where it left off in 2016 and continuing as a strong growth area. Businesses will continue to look for industrial and office space in the very attractive Northern New Jersey commercial real estate market. With that in mind, redevelopment and repositioning of existing, functionally obsolete industrial and office spaces in this market will continue to be a strong trend in 2017, in addition to a continued emphasis on new industrial and transit-oriented, multi-family construction.



Poskanzer Skott Architects
By Barry Poskanzer, AIA, President and CEO

Across New Jersey, multi-family housing projects continue to take shape. Walkable urban developments near public transportation cater to Millennial renters. In suburban bedroom communities, we're seeing a growing number of apartment options for empty-nesters and older adults. The year ahead will bring increased collaboration between architects, developers and municipalities to design projects that are buildable and livable. A fundamental understanding of how the development process differs in small cities and suburbs versus larger cities will be essential to ensuring that multifamily projects meet zoning and planning board requirements and serve the needs of the people who will live in them.

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Prism Capital Partners

By Edwin Cohen,
Co-Principal Partner

Among our most exciting plans is completion of construction and the leasing of apartments at the historic Edison Battery Factory in West Orange, New Jersey, and working with the municipalities of Nutley and Clifton to reimagine and reposition the landmark 116-acre former Hoffman LaRoche campus now anchored by the groundbreaking new Seton Hall University Medical School and Hackensack Meridian Health Clinical Research Center. Prism's vision is to convert this property into an exciting new 24/7 live/work/play environment that will attract many new and dynamic commercial and research businesses. We expect a slowdown in new, multifamily construction driven by tougher lending underwriting standards. We also expect to see an increase in large commercial construction activities as firms look to take advantage of the GrowNJ Program ahead of the 2017 state elections, and the possibility of the end to the program in June of 2019.



Walters Group

By Ed Walters, Jr.,
President, Founder

We have been experiencing tremendous growth and expansion within our affordable housing division. We've completed one income-restricted community this year, and in 2017 we expect eight more projects to be in various phases of development in Ocean, Monmouth and Burlington counties. All our projects are designed to achieve LEED® and ENERGY STAR® certification. Demand for high-quality, affordable housing is expected to be as strong as ever in the coming year. We certainly are concerned how the new president will approach tax codes, which may negatively effect affordable housing. With such high demand and need for affordable housing across the country, we hope that there will be increased support and not cuts to the program.



Concrete Washout Systems NJ/NY/PA

By Roger Haftek, President

Concrete Washout Systems (CWS) worked alongside a New Jersey construction firm on a Jersey City, New Jersey, condominium project where 3,000 yards of concrete washout from 300 mixer trucks was pumped out and recycled. CWS helped the contractor reduce operation costs by eliminating the waste water and washout material from the job site and reducing the contractor exposure to very costly USEPA penalties and associated civil fines. The bonus for New Jersey citizens is a significant reduction in urban runoff pollution, very common on construction sites, that would otherwise go directly into the storm drain and have a direct impact on local waterways and habitat living in that environment.

ACCOUNTING



Citrin Cooperman

By Scott Derco, CPA, CCIFP,
Construction Industry Co-Practice Leader

One of the greatest risks to a prime subcontractor is having one of its subcontractors fail because they could not handle the project. Many of our successful prime contractors have developed a system of prequalifying their subcontractors to minimize the risk of financial loss, as well as gain a competitive advantage. Here are some of the key criteria used in selecting a subcontractor for a project. Is the project in a geographic area where the subcontractor has no experience? Is the subcontractor's bid significantly lower than the next lowest bidder? Does the sub-

contractor have a line of credit? Also consider the financial strength of the subcontractor using the same ratios and metrics as the surety; cash flow and liquidity; project size in relation to past projects completed by the subcontractor; years in business; reputation in the industry; management and ownership; project length; and quality of the CPA firm issuing the financial statements.



Goldstein Lieberman & Company LLC

By Phillip E. Goldstein, CPA,
Co-Founder, Managing Partner

While securing financing for a Class "A" Mall isn't a challenge today, refinancing a Class "B" Mall can be practically impossible. Our client had approached more than 100 different financial institutions and had no success. The challenge for our team was to find the necessary financing quickly—as their loan was about to come due. Creative financing was needed and our innovative thinking paid off. We recommended using our client's other valuable properties to entice financing of a Class "B" Mall. The refinance was put in place and the mall financially flourishes today.

BANKING



Bank of New Jersey

By Mike Trepicchio,
Executive Vice President,
Chief Lending Officer

The Bank of New Jersey had an opportunity to finance a commercial mortgage on a light industrial property in northern New Jersey. The borrower was making the purchase through a 1031 exchange and had a short window of time to complete the transaction. The principal had recently sold a manufacturing business, as well as a similar light industrial warehouse where he operated, and was looking to make this purchase as an investment. There was also a tenant looking to move into the space that needed to have a commitment on

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a lease before they agreed to relocate from Brooklyn, New York. This move would save them significant money annually in rental expense. We were able to act quickly to provide a commitment on the loan, while expediting all the third-party reports, and working with bank counsel to get everything ready for closing to meet the time constraints of the 1031 exchange.



Valley National Bank

*By Thomas Iadanza,
Executive Vice President,
Chief Lending Officer*

Valley National Bank continues to meet the needs of the area's commercial real estate community. For more than 90 years, Valley has consistently lent on commercial real estate in New York and New Jersey, and in more recent times, Eastern Pennsylvania and Florida. With a \$5.7 billion portfolio, Valley provides the commitment and reliability that has brought a diverse mix of investors and developers to its door. Notable transactions have included construction financing for a large, mixed-use project being developed by two customers in Morris County. The loan request was a challenge that required knowledge of what both customers needed in an independent fashion for what is actually two exceptional projects in a spectacular location. Other success stories over the past year include several syndicated per-

manent loans on large multi-family projects and revolving construction debt for sale housing. Valley's long-term commitment and ability to consistently deliver has made it possible for us to fuel our growth in New Jersey and beyond.

LAW



Connell Foley LLP

*By Michael X. McBride,
Esq., Chair, Construction
Law Group*

Connell Foley recently represented a foundation contractor on a very large and complex project where the contractor encountered unforeseen hazardous wastes, not previously disclosed in the geotechnical reports. The owner, however, had a more favorable differing site condition clause placing the risk of the unforeseen conditions on the contractor. The owner declined the contractor's request for an equitable adjustment for the impact of the differing site condition. Instead of embarking on a long and protracted litigation, Connell Foley recommended that the parties meet with their respective geotechnical experts to negotiate a cost-effective resolution. The plan was successful. Costly litigation was avoided, and more importantly, the amenable resolution ensured that the parties were able to continue forward with their business relationship.



Gibbons P.C.

*By Peter J. Torricollo, Esq.,
Director, Business &
Commercial Litigation
Dept.*

Gibbons represented Alpha Painting & Construction Co., Inc. in an action seeking injunctive relief before the U.S. District Court for the District of New Jersey. Alpha, a bridge painting contractor, was the apparent low bidder on a public contract with the Delaware River Port Authority (DRPA) for the painting of a portion of the Commodore Barry Bridge. The DRPA, however, claimed Alpha was "not responsible" due to failure to submit certain forms, and rejected its bid. Alpha maintained that its bid contained all such documentation and filed suit alleging that the DRPA's actions were arbitrary, capricious and unreasonable. Alpha successfully moved to combine the preliminary injunction hearing with a trial on the merits, and, following a three-day trial, the U.S. District Court in New Jersey granted Alpha's application in its entirety, finding Alpha to be a responsible bidder and ordering the DRPA to award the contract to Alpha.



Greenbaum, Rowe, Smith & Davis LLP

*By Dennis A. Estis, Esq.,
Chair, Construction
Practice Group*

We recently settled a case on behalf of a condominium association client in connection with the defective construction of an adult community. The litigation was prolonged and complicated by the fact that several of the defendants in the dispute were no longer in business. The association could therefore only realize a realistic recovery by convincing the insurance carriers of their insured's exposure. Settlement with those defendants involved in certain portions of the building came early; however, questions regarding the facades of the building, especially the windows, lingered because of the need to prove consequential damages and coverage. A recent New Jersey Supreme



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Court decision (*Cypress Point Condominium Association v. Adria Towers, LLC*), in which the Court ruled that there was coverage for the property damage in question, laid the groundwork for settling our case with the remaining parties shortly after the Cypress Point decision.



**Riker Danzig Scherer
Hyland & Perretti LLP**

*By Nicholas Racioppi, Jr.,
Esq., Head, Real Estate
Practice*

Riker Danzig's client had purchased a 50-acre site with a +/-430,000 square foot office building. The site was part of a larger development designed to be extremely low impact/density and was subject to restrictive parking regulations, making it difficult for our client to find a tenant. Each prospective tenant found the site lacked sufficient parking, and building more subsurface parking was economically infeasible. We

worked closely with municipal officials to show the tremendous fiscal impacts of the prospective tenant and to amend the zoning regulations to allow for the construction of a parking garage with low impact design standards that would preserve the integrity and unique history of the complex while permitting the prospective tenancy. As a result, the site will soon be headquarters of a leading pharmaceutical company, benefitting not only the local communities, but also the county and state by retaining this great company in New Jersey.



Scarinci Hollenbeck

*By Donald M. Pepe, Esq.,
Partner*

While negotiating a long-term redeveloper agreement for a project consisting of 2,500 apartments, a 200-room hotel and 70,000 square feet of retail, the client expressed concern with the potential obligation to close in a down mar-



ket. To address this concern, I structured the deal in phases with closing on subsequent phases contingent on the prior phase achieving an 80 percent lease rate. This structure provided relief from market fluctuations, but it raised a new concern. Each phase had to be approved by the municipality separately. Since the project will span a decade, the risk of a changing politics became a potential problem. To address this new concern, I employed an escrow agreement that provides the municipality will pass a single ordinance authorizing the transfer of all phases at once, with the deed for each phase executed, held in escrow and released for recording upon specified future triggers.

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Are You "Building Green?"

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ENVIRONMENTAL BUSINESS

Efficiency in Commercial Heating and Air Conditioning Systems

“While reduced energy consumption and marginally lower electric bills can be realized through simple solutions like installing energy-efficient light bulbs,



“While reduced energy consumption can be realized through installing energy-efficient light bulbs, the greatest cost reduction opportunity lies with heating and air conditioning systems,” explains Advanced Telemetry CEO Gus Ezcurra.

the greatest cost reduction opportunity lies with the heating and air conditioning (HVAC) system—a company’s largest discretionary source of energy demand and, thus, its highest controllable expense,” explains Advanced Telemetry CEO Gus Ezcurra. Here are his five top reasons for investing in a more energy-efficient HVAC system.

Monetary Savings. Today’s energy efficiency systems can lower a small to mid-sized company’s energy costs by 10 percent to 20 percent, and provide a return on investment in just six to 12 months.

Lower Environmental Impact. The lower energy bill companies realize after installing an energy efficiency system is directly correlated to reduced energy consumption. Reduced energy usage means fewer carbon emissions and a smaller environmental footprint from business operations.

Mechanical Equipment Longevity. Energy efficiency systems can quickly identify anomalies in consumption that

may be attributable to malfunctioning HVAC equipment. Rapid response to equipment breakdowns not only increases the longevity of the malfunctioning equipment, but also other installed HVAC units that are forced to work harder to pick up the slack. This can make all the difference between an economical repair and an extremely expensive replacement.

Round-the-Clock Monitoring and Control. Many energy efficiency systems provide a variety of energy usage settings and control capabilities, enabling users to set usage parameters that cannot be overridden by on-site employees, and can be managed remotely by authorized personnel through the Web. Best-of-breed manufacturers also offer outsourced monitoring services through which specially trained account managers monitor and control a company’s energy usage in each facility 24/7/365, minimizing consumption, maximizing savings, making seasonal adjustments and immediately reacting to irregularities

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ties—all without increasing the owner or operator’s personal energy management burden.

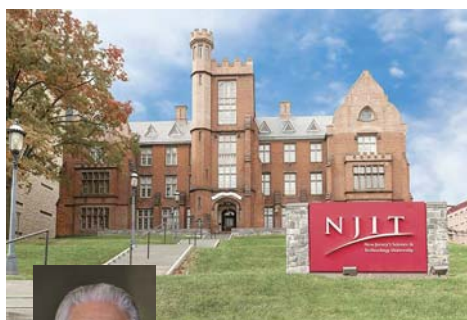
Customer and Community

Outreach. Consumers appreciate companies that are environmentally responsible. The installation of an energy efficiency system can and should be communicated to current and prospective customers as an example of a company’s green business practices far beyond typical light bulb and recycling initiatives.

BROWNFIELD REDEVELOPMENT

Sustainability Experts Meet at NJIT to Discuss Smart Growth in the Northeast

There is no more potent symbol of go-go urban renewal than a refurbished waterfront dotted with parks, bicycle paths and sleek new condo buildings. But when redevelopment begins to encroach on a working port, conflicts arise.



NJIT President Dr. Joel Bloom, who recently opened the Brownfield Coalition of the Northeast (BCONE) conference

on “sustainability and smart growth in the Northeast,” spoke of the “major assets” awaiting remediation and redevelopment in the city of Newark.

“Over the past 30 to 40 years, urban waterfronts that once held port facilities, industrial buildings, railroad yards, and factories have been cleaned up and redeveloped,” said Colette Santasieri, the director of policy and planning innovation for civil infrastructure and environment at NJIT’s New Jersey Innovation Institute (NJII).



“Urban waterfronts that once held port facilities, industrial buildings, railroad yards and factories have been cleaned up and redeveloped,” explains Colette Santasieri (podium, inset), NJII’s director of policy and planning innovation for civil infrastructure and environment.

“Municipal governments are using their once industrial waterfronts to redefine their cities,” noted Santasieri, speaking on a panel at the seventh annual Northeast Sustainable Communities Workshop, held on the NJIT campus by the Brownfield Coalition of the Northeast (BCONE). “But housing, commercial and retail space and recre-

ation are key components of the new urban landscape.”

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[PEOPLE]

FOCUS ON WHAT COUNTS

The true strength of Citrin Cooperman begins and ends with listening to our clients’ needs and allowing them to *focus on what really counts*.

Focus on what counts means not only providing deeper insight and delivering services that address our clients’ short-term needs and long-term business objectives, but also helping clients thrive when they are able to concentrate on what is most important to them.

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ational uses are encroaching upon the Port of San Diego, the Port of Seattle, the Port of Providence and the Port of Vancouver, to name a few.”

Santasieri focused on the potential for land-use conflicts between port operations on Newark Bay, which is part of the Port of New York and New Jersey, and the redevelopment of former industrial properties for recreational, commercial and residential uses, among others. A new, wider channel at the Panama Canal will bring even more global trade to the bay via ships that can hold as many as 13,000 containers. To accommodate these colossal vessels, the roadway deck of the Bayonne Bridge is currently being raised 65 feet above the existing lanes.

Air pollution from ships and trucking, noise, roadway congestion, collisions between cargo ships and marina-based pleasure boats, and the loss of property for commercial maritime uses are just some of the potential conflicts on the



horizon. Among other recommendations for resolving these issues, Santasieri proposed a comprehensive waterfront development program that would bring together the many agencies, advocacy groups and companies with a stake in the waterfront to come up with an actionable development plan and “a forum for resolving conflicts in a less than confrontational fashion.”

Michel Boufadel, director of NJIT’s Center for Natural Resources Develop-

ment and Protection, spoke on a morning panel about new methods for managing storm water runoff from highways that prevents sediments from reaching sensitive areas and filter contaminants.

NJIT President Dr. Joel Bloom, who opened the conference, spoke of the “major assets” awaiting remediation and redevelopment in the city of Newark, with its growing population of university students, staff and faculty.

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HISPANIC BUSINESS COUNCIL SCHOLARSHIP
FOUNDATION OF NJ, INC. (HBCSF)



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In his keynote speech, Michael Riccio, chief financial officer and treasurer for Panasonic Corp. of North America, touched on the sustainability goals that drove the design and construction of the company's new headquarters in Newark, elements of which have platinum and gold LEED certification. The new building's many efficiencies include a savings of 30 percent in energy consumption and 70 percent in water use. Riccio also noted that nearly 60 percent of employees take public transportation to work. Panasonic's growing Eco Solutions group is providing lithium-ion battery cells to Tesla Motors, and its Panasonic Enterprise Solutions Company is working with cities such as Denver on a host of "smart city" initiatives in sectors ranging from energy efficiency to water conservation to public safety and healthcare.

The BCONE hired NJII to coordinate the conference. In addition, NJIT's Technical Assistance to Brownfield (TAB)



Communities program provided planning and logistical services.

With \$3 million in grants from the U.S. Environmental Protection Agency since 2008, NJIT's TAB program provides free technical guidance on brownfields redevelopment to state, regional, municipal and tribal governments and nonprofit organizations throughout the 12 New England and Mid-Atlantic states. The TAB team, comprised of planners, environmental scientists and engineers, helps communities develop grant proposals, understand clean-up technologies, navigate regulatory programs, layer funding and financing options,

prioritize clean-up sites and position them to become catalysts for community revitalization. —By Tracey Regan, NJIT

NEW JERSEY LSRPs

Environmental Real Estate Due Diligence



By Chemmie Sokolic,
Whitman

Many articles have illustrated the differences between an ASTM Phase I Environmental Site Assessment (Phase I ESA) and a New Jersey Preliminary Assessment (PA) Report. Some companies even offer a combined or hybrid PA/Phase I report that's designed to provide adequate innocent purchaser protection under both federal and state law—specifically, the federal Comprehensive Environmental

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and every family can keep their pet.***

Companion Animal Advocates (CAA) is a 501(c)(3) non-profit organization based in Bergen County, NJ. CAA is dedicated to the welfare of companion animals within our community through programs designed to keep pets in their homes and reduce pet overpopulation.

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on Companion Animal Advocates or how you can help,
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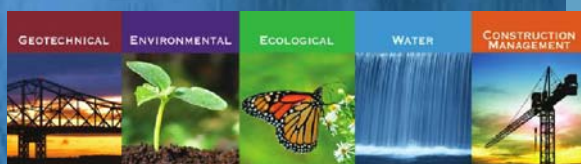


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for the
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For more information about GZA GeoEnvironmental, Inc.

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Response, Compensation and Liability Act (CERCLA) and the New Jersey Spill Act, respectively. However, while a Phase I ESA or PA report helps provide protections against certain environmental liabilities, risks and concerns, it doesn't protect against all liabilities, risks and concerns.

For example, these assessments typically don't include an evaluation for the presence of wetlands, asbestos, lead-based paint or radon. Nor do they include an evaluation of the building's structural or mechanical condition. Nor do they include an evaluation of the building's energy use or waste management efficiency or whether the facility operations are in current compliance with applicable state or federal regulations and requirements.

The question is, "What are the appropriate due diligence concerns?"

If you're only planning on leasing a facility, you may not be interested in determining the structural or mechanical integrity of the building envelope, since that would likely be the responsibility of the landlord. Or, if you're involved in litigation regarding the site, you may require a review of the historical conditions and regulatory status of the facility, but not necessarily need a comprehensive review of the current condition of the property. Perhaps you only need a limited scope of work now, such as a simple Phase I ESA for innocent purchaser protection or for refinancing purposes, but do you also plan on expanding the facility in the future?

In this case, you may need to know if there are any restrictions to that building construction, such as the presence of wetlands or engineering limitations at the site. It all depends on what you plan on doing at the site, both now and in the future. Think carefully before paying too much for a due diligence assessment you don't necessarily need, or not performing enough due diligence to give you the protection you need and the comfort and peace of mind you expect. ■

Chemmie Sokolic is director of Due Diligence Services for Whitman, and an LSRPA Continuing Education Course Instructor.

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