

# New Developments Seen as Boosting Future of Newark Building Boom at Former Industrial Hub

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*A rendering of the Teachers Village development project in Newark*

For years, this city has watched nearby Hoboken and Jersey City be transformed by luxury apartments, restaurants and an influx of young professionals while it struggled to overcome a legacy of poverty, violence and corruption.

Now developers say the future of what was once an industrial hub is finally under way, with half-a-dozen downtown residential developments having received financing, broken ground or been completed within the past year. The hope is that the projects will bring thousands of residents, a more vibrant street life that will help drive down crime and lift rents enough to tempt other developers to take the plunge.

“I think this moment is really a new beginning,” said Newark’s economic and housing development director, Baye Adofo-Wilson.

Among the projects moving forward is the Four Corners Millennium Project, which is expected to have 705 residential units, a hotel, retail and office space. It has received state tax credits and begun design work.

Elsewhere, Dranoff Properties plans to break ground this winter on a 22-story building with 245 apartments in a city that has seen little new high-rise construction in the past 50 years.



*A new mixed-used and mixed-income development is underway in what was once the Hahne & Co. department store on Broad Street in Newark.*

Also under way is the 500,000-square-foot redevelopment of the former Hahne & Co. department-store site. The developers have signed a lease for a Whole Foods Market, which is expected to open in 2016.

Politicians and developers have long promised that Newark, with a population of about 280,000, was on the verge of a building boom. When the real-estate recession hit, many projects stalled and have been slower to restart than development in other cities in the region.

The number of new residential units receiving permits in Newark this year through October was 473, more than double what it has averaged over the previous four full calendar years. Nearly all of the permits issued this year were for projects with five units or more.

When it opened in 1901 the Hahne's store was considered one of the largest in the U.S., featuring a marble and onyx soda fountain. The store closed in 1985, and several attempts to redevelop it sputtered.



Now work has begun on a project set to include 160 apartments with two-bedrooms on the top end that the developers expect will rent for around \$2,500 to \$2,700 a month but could potentially climb to \$3,000 or more a month.

Forty percent of the apartments will charge rents that are below market rates. The developers have begun work by reopening a 200-foot-long skylight that tops an atrium. “We’re not trying to say that we can do this because we’re good. We’re just trying to say that we can do this because it’s what everybody wants, that people have waited for this and want to see it happen,” said Jon Cortell, vice president of development at L+M Development Partners Inc., one of the developers of the project.



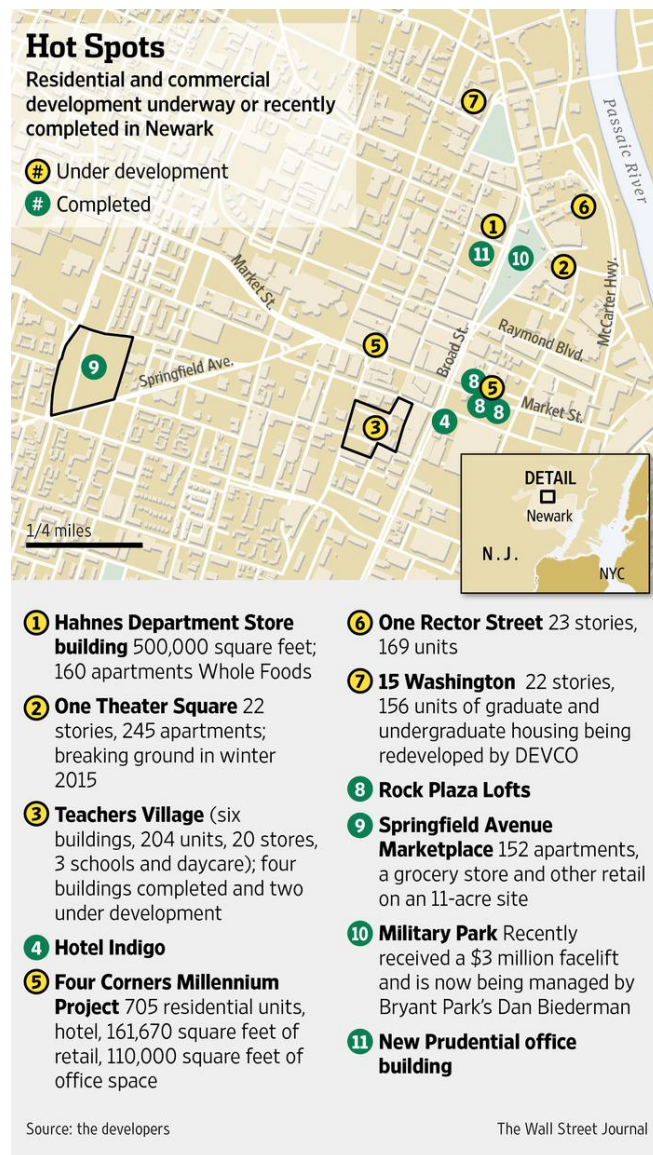
*What was once the Hahne & Co. department store on Broad Street*

Some of that support is coming in the form of public subsidies, including up to \$40 million of tax credits from the New Jersey Economic Development Authority, as well as \$27.5 million from Newark-based Prudential Financial Inc., which said it was approaching the investment primarily for its social—not financial—returns.

“This is something we’re all going to be proud to tell our grandchildren we worked on,” said Ommeed Sathe, vice president of impact investing for Prudential.

Since 2010, the New Jersey Economic Development Authority has approved more than \$717.5 million worth of tax credits for Newark projects valued at nearly \$1.6 billion. Developers anticipate that within five years the city will start to see development without reliance on public subsidy.

“I think you need to start bringing new product on the market that’s successful,” said Tim Lizura, president and chief operating officer of the development authority. That will create “the evidence that projects can be financed without additional support,” he said.



Market rents in the area typically are in the \$2,000s a month for a two-bedroom, generally not high enough to justify the construction costs without public subsidy. “We’re competing with the returns of Brooklyn and Williamsburg. It’s almost the same construction costs but the returns are much higher [there],” said Samer Hanini, a principal at Hanini Group, a local development firm that recently opened the boutique Hotel Indigo in Newark.

For some in the community, development has brought fears of gentrification in a city that is more than 50% African-American and about 35% Hispanic. The median

household income is just under \$34,000 a year, less than half that of the statewide figure.

But for others, Newark's cheap rents are a welcome respite from the seemingly inexorable rise of rents in New York City, Hoboken and Jersey City.

Courtney Alonzo, a 30-year-old student at Seton Hall University School of Law in Newark, pays less than \$1,500 a month to live in an 850-square-foot one-bedroom with 14-foot ceilings, exposed brick and seven windows across the front.

Her boyfriend moved from the east side of Manhattan to live with her and commutes to work at a law firm in lower Manhattan. Ms. Alonzo, who graduates in the spring, just signed another two-year lease.

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