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## Despite Sandy, people will still want to live by the water, developers say



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Construction costs for waterfront properties along Hudson County's "Gold Coast" are likely to rise as commercial and residential developers rethink how they protect developments against future flooding.

That was the consensus among developers and other real estate experts at the recent New Jersey Gold Coast Investment Summit held at Maritime Parc restaurant in Jersey City's Liberty State Park.

But despite the costs and risk of future flooding, the waterfront real estate market will not be negatively affected by Hurricane Sandy, Arthur DellaSalla, managing director of Meritage Properties of Scarsdale, said. People will still want to be near the water.

"While some buildings are severely affected and some people won't be going back to those areas, people have short memories," DellaSalla said. "The product that is well-located will continue to do well in local markets, and parts of Jersey City and Hoboken will be part of that."

Construction costs are likely to rise, though, as developers adapt to new weather patterns.

The ground floor of new developments in flood zones will have to be raised a couple of feet above new flood zones shown on new FEMA maps. Mechanical systems, including elevator machinery, boilers and HVAC systems, will also have to be elevated above first floors.

Backup generators are “a must,” said Greg Dell’Aquila, president of the Hoboken Chamber of Commerce and owner of 50 Mission, a shared office space in the Hoboken Business Center on Harrison Street that provided a refuge for companies in Hoboken and Manhattan whose offices were flooded and left without power in the aftermath of Hurricane Sandy.

Kurt Eichler executive vice president of LCOR, the developer of the proposed 3 million-square-foot mixed-use Hoboken Terminal & Rail Yard Redevelopment estimates the cost of protecting his development against flooding will be roughly \$15 million.

The development will be built on a continuous half-mile-long elevated plinth, which will form a barrier at the south end of Hoboken, Eichler said. New anti-flooding measures will include storm water pumps, drainage systems and rain water tanks.

Edwin Cohen, a principal with Prism Capital Partners in Bloomfield, warned that insurance rates are likely to go up for any development where there is a “hint of a flood zone.” New developments, he said, will have to provide additional space for backup systems for disaster recovery.

“Every major company has to be provided with backup,” he said. “It is going to be part of buildings anywhere if (developers) want to compete.”

One development that provides just such a backup system is the 15-story office and data center at 111 Town Square Place in Newport, which includes a 24/7 control room, backup generators and underground fuel storage.

Brian DeCillis, regional leasing director with the LeFrak Organization, said the building never lost power in the aftermath of Sandy and this has helped the company sign on new tenants.

“We have signed a lot of new leases,” DeCillis said. “If there was true concern in the market place then we would feel it, but our leasing activities are good.”

David Barry, president of Ironstate Development of Hoboken, said that developers will have solve problems that go beyond costs.

To meet new post-Sandy design requirements, new properties’ flood areas may have to be raised onto 8-foot plinths to protect the buildings from flooding.

Integrating those buildings with existing buildings in Hoboken street-level sidewalks while also meeting federal wheelchair standards will pose a “a very tricky puzzle,” Barry said.

“Yes, there is some additional cost, but the bigger question is upper-level sidewalk transition zone,” he said. “Those are real issues that everyone is going to have to deal with.”