



AREA IN NEED OF REDEVELOPMENT INVESTIGATION
FOR **BLOCK 6101, LOT 5**, OTHERWISE KNOWN AS
340 MT. KEMBLE AVENUE, IN THE TOWNSHIP OF MORRIS, NEW JERSEY

PREPARED FOR THE TOWNSHIP OF MORRIS PLANNING BOARD BY
PHILLIPS PREISS GRYGIEL LEHENY HUGHES LLC
PLANNING & REAL ESTATE CONSULTANTS
APRIL 2019



**Area in Need of Redevelopment Investigation for
Block 6101, Lot 5
in the Township of Morris, New Jersey**

Prepared for:

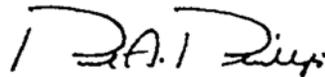
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April 2019

The original copy of this document was signed and sealed
in accordance with N.J.S.A. 45:14 A-1 et seq.



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I. Introduction

The purpose of this study is to determine whether an area located in the southern section of Morris Township meets the requirements for designation as an “area in need of redevelopment” as established under NJSA 40A:12A. The area consists of one lot: 340 Mt. Kemble Avenue, shown as Block 6101, Lot 5 on the Official Tax Maps of Morris Township (the “Study Area”). The Township Committee by Resolution No. 77-19 authorized the Planning Board to conduct such an investigation. In a meeting on April 1, 2019, the Planning Board adopted a resolution authorizing Phillips Preiss Grygiel Leheny Hughes LLC to undertake the study on its behalf.

As part of the investigation, the following records and documents were reviewed:

- Official tax maps of Morris Township;
- Tax records for the study area;
- Aerial photos of the study area;
- A report entitled “340 Mt. Kemble Avenue- Business Plan” prepared by Onyx (see Appendix B);
- A report entitled “340 Mt. Kemble Avenue, Morris Township, Marketing Efforts” prepared by Jones Long LaSalle Brokerage, Inc. (see Appendix C);
- A memo regarding the 340 Mt. Kemble Renovations dated April 17, 2019 and prepared by Kevin Jasey of Norr Design, Inc. (see Appendix D);
- 1994 Master Plan for the Township of Morris and subsequent Master Plan reexamination reports including the 2017 Master Plan Reexamination; and
- Zoning Ordinance and Map of Morris Township.

In addition to the above, we physically inspected the building and grounds with representatives of the owner of 340 Mt. Kemble Avenue, 340 Mt. Kemble Owner, LLC/Onyx, on April 11, 2019. This analysis included both exterior and interior inspections of the building. Further, we had discussions with representatives of the owner and the owner’s architect to obtain information on the property’s historical use, as well as to gain knowledge regarding the potential for reuse of the building from both a physical and market perspective.

The remainder of this report is divided into six chapters. Chapter II provides a description of the study area and its locational context. Chapter III provides an analysis of the applicable zoning and master plan designations within the study area. Chapter IV discusses the criteria specified at NJSA 40A:12A-5 for “area in need of redevelopment” designation. Chapter V applies these criteria to the study area to determine whether or not an area in need of redevelopment determination is warranted. Chapter VI summarizes the overall conclusion of the report. Photos of the study area are provided in Appendix A.

II. Description of the Study Area and Locational Context

2.1 Locational Context

The area that is under consideration for redevelopment area designation (the “Study Area”) consists of Block 6101, Lot 5 which is located at 340 Mt. Kemble Avenue (i.e., U.S. Route 202). The Study Area is located between Mt. Kemble Avenue (US Route 202) and Interstate 287 in the southern portion of the Township adjacent to the municipal border with Harding Township. The site measures approximately 40 acres and is presently developed with a three story, ±387,000 square foot office building and associated parking areas. The location of the Study Area is shown in Figure 1.

The Study Area is roughly bounded by Mt. Kemble Avenue to the north and residences along Frederick Place to the east. Across Mt. Kemble Avenue to the north are the Mountain Shadows townhomes and the Center for Spiritual Living. To the immediate south and west are two office buildings and associated parking areas, 350 Mt. Kemble Avenue (Block 6101, Lot 4) and 412 Mt. Kemble Avenue (Block 6101, Lot 1), respectively. Further to the west are residential uses along Route 202 and Blackwell Avenue and further to the south is Route 287. The Study Area is irregularly shaped with approximately ±535 feet of frontage on Mt. Kemble Avenue. The property is accessed via a driveway from Mt. Kemble Avenue near its northerly property line. There is a second access drive directly south of the property line on adjacent Block 6101, Lot 4 that is shared between the two properties via an access easement. There is also driveway access from Mt. Kemble Avenue via Block 6101, Lot 1. An aerial view of the study area context is shown in Figure 2.

2.2 Site History and Former Use

The office building on Block 6101, Lot 5 was historically known as Kemble Plaza I. According to tax records, the building was constructed in 1986. It was developed by Mack-Cali and leased to AT&T Inc. (“AT&T”) for use as a regional headquarters. Mack-Cali sold the building in 2004 to Falcon Real Estate for \$77 million. Falcon financed the acquisition with a \$58 million mortgage. AT&T was the sole occupant of building until the corporation vacated the building in 2014 when its lease expired. Falcon subsequently defaulted on its loan. The property transferred to commercial mortgage special servicer, LNR Partners, Inc. (“LNR”) and went into foreclosure in December 2015. In 2016, 340 Mt. Kemble Owner LLC/ Onyx Management acquired the building from LNR for \$7.6 million through an auction process via Ten-X.com online platform. The building has been vacant since AT&T left in 2014.

In 2017, the Zoning Board of Adjustment approved an application for the owner to construct a ±23,820 square foot addition to the existing building and create additional parking areas, as well as landscaping and signage improvements. This application is discussed in further detail in Chapter V. As of April 2019, the approval had not been perfected.

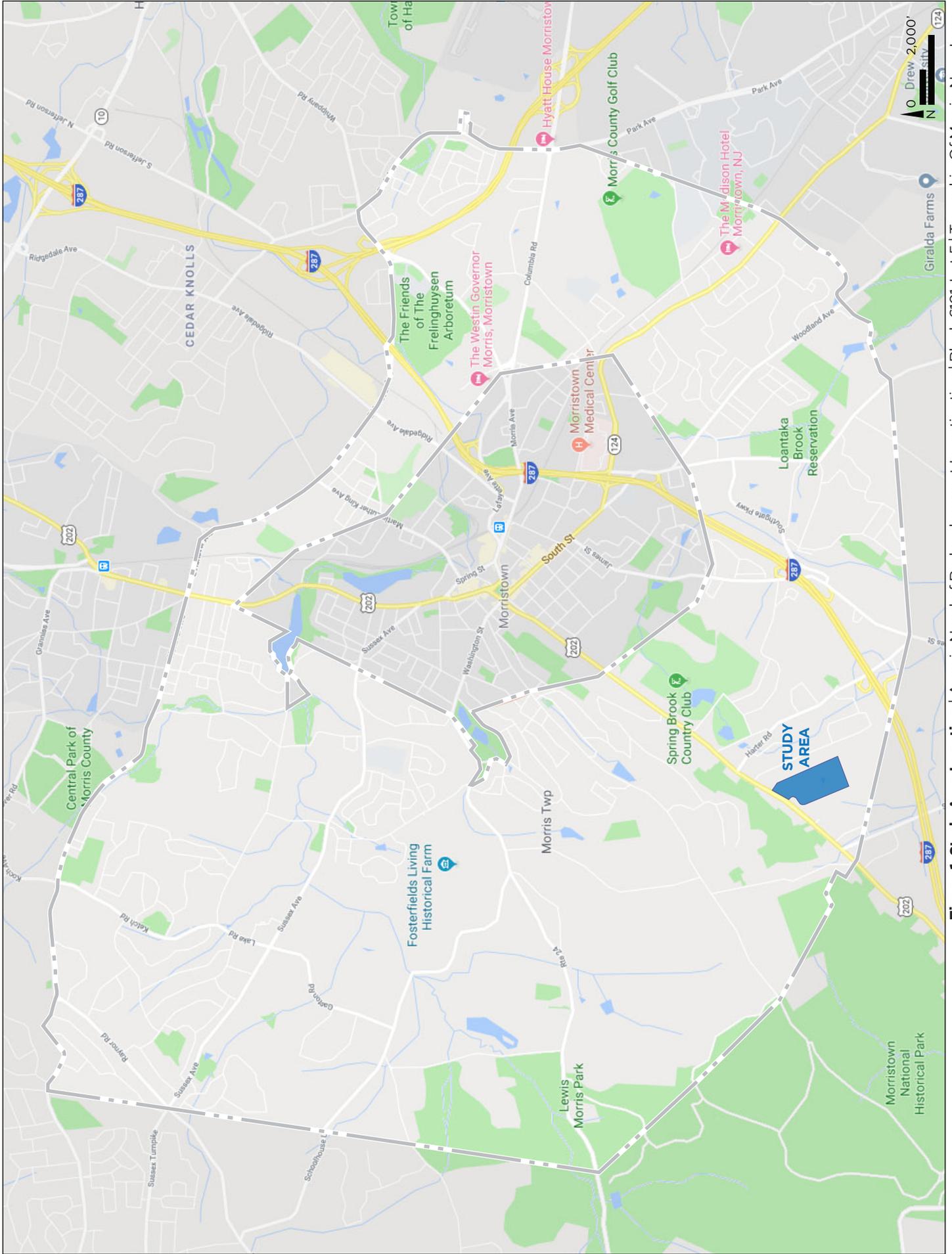


Figure 1: Study Area Location | Area in Need of Redevelopment Investigation | Block 6101, Lot 5 | Township Of Morris, New Jersey
 PHILLIPS PREISS GRYGIEL LEHENY HUGHES LLC 2019

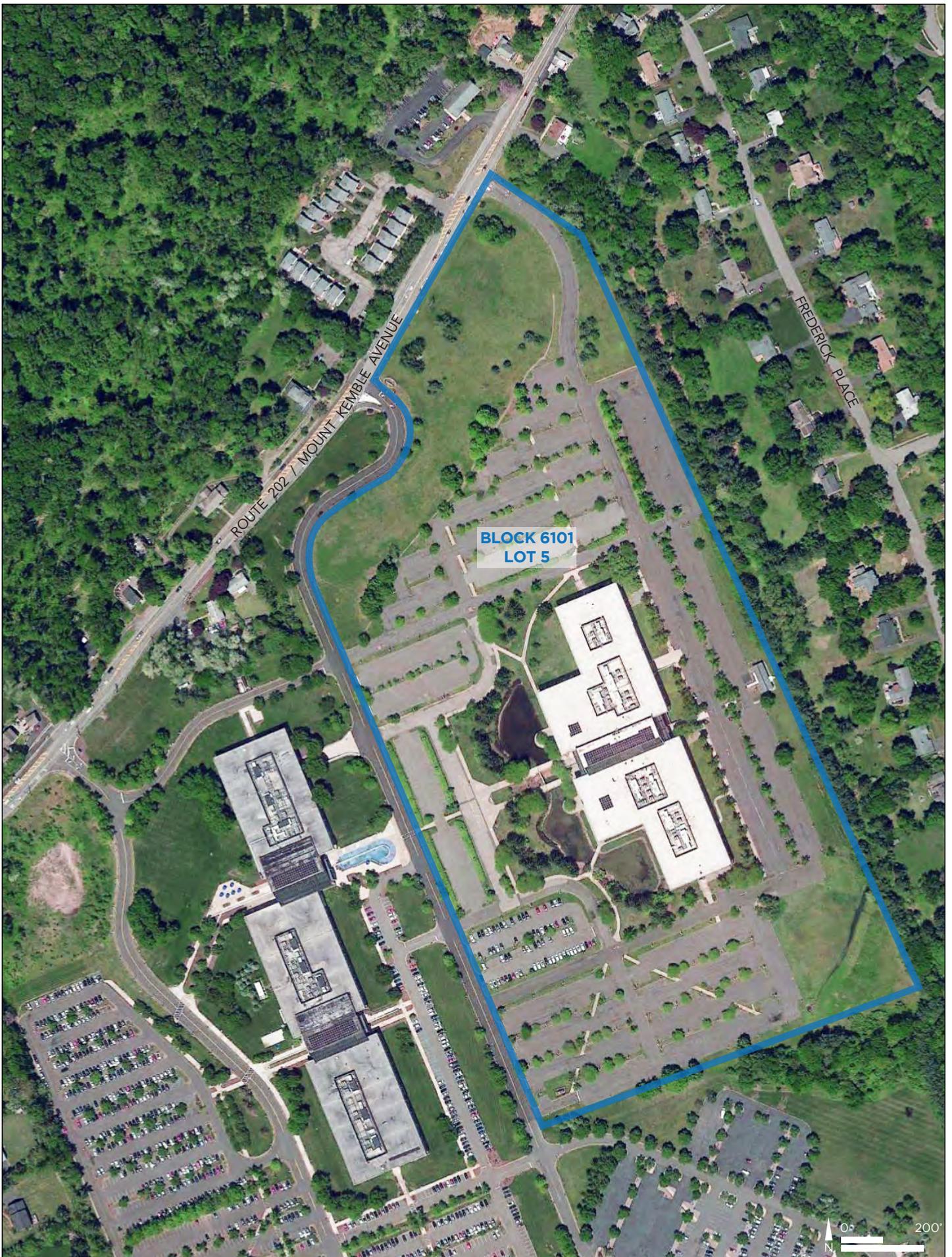


Figure 2: Aerial Context | Area in Need of Redevelopment Investigation | Block 6101, Lot 5 | Township Of Morris, New Jersey
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III. Morris Township Master Plan and Zoning

3.1 Morris Township Master Plan

The Township's most recent Comprehensive Master Plan was prepared in 1994. Reexamination reports were adopted in 2001 and August 2007 (subsequently amended in 2009), and most recently in August 2017 (the "2017 Report"). The 2017 Report noted the following with particular relevance to the Study Area:

"As a result of a variety of economic and market factors, since 2007, several of the Township's commercial and industrial districts have undergone change. In particular, as a number of long-standing corporate users/businesses have relocated to other locations, the Township has had to consider alternative forms of development, including mixed-use options, for those sites/zones. As this trend is expected to continue, and as the sluggish office market is not anticipated to strengthen any time soon, the following specific policy goals are included as part of this Reexamination Report:

- *Analyze the Township's major arterials and commercial corridors to assess current conditions and evaluate whether existing zoning is adequate and determine what improvements are needed*
- *Explore innovative redevelopment schemes/zoning alternatives for underutilized or obsolete commercial office and industrial sites, and especially within the Township's OL zone districts, and consider mixed-use development (to include residential use) as part of any potential re-use/rezoning scheme."*

Additionally, the 2017 Report offered the following specific recommendation for land use and zoning/development regulations: "Consider zoning for potential repurposing/redevelopment of commercial properties." The 2017 Report further recommended that:

"The Township should evaluate the current Master Plan and zoning designations for existing commercial office sites, and especially those located within the Township's OL zones. As existing office parks/campuses continue to face market challenges and seek alternative forms of development to remain productive, there will be a need to consider future Master Plan and zone changes that allow for viable redevelopment scenarios while also affording adequate protections to maintain the quality of life of residents of Morris Township."

3.2 Morris Township Zoning

OL-40 Office and Research Laboratory Zone Permitted Uses

The entirety of the Study Area is located in the OL-40 Office and Research Laboratory Zone.

The OL-40 zone permits the following principal uses:

- Any OL-5 Zone permitted principal use, except restaurants and drive-in restaurants, i.e.:
 - Office buildings and uses, business, professional and executive.

- Business using structures wherein office space is combined with a warehouse and/or the distribution of a product or products wherein such warehouse and/or distribution are necessary and incidental to the main office use. In such case, the warehouse use shall not exceed 10% of the floor area of the building.
- Business using structures wherein office space is combined with a laboratory or the equipment thereof.
- Planned office building development groups as specified in § 95-35B(1).
- Public or private day schools.
- Public park, playground, firehouse, library and municipal buildings.
- Country clubs, swim clubs, golf clubs and golf courses as provided in § 95-35A.
- Financial institutions subject to controls established in the B-11 Zone.

The following are permitted accessory uses in the OL-40 Office and Research Laboratory Zone:

- Any OL-5 Zone permitted accessory use, i.e.:
 - Off-street parking and loading facilities as provided in Chapter 57, Land Development.
 - Signs as provided in Article VI.
 - Accessory storage, within a wholly enclosed permanent structure, of materials, goods and supplies intended for use on the premises.
 - Pilot plants for the testing of manufacturing, processing or fabrication methods or for the testing of products or materials, and in no case shall more than 25% of the total floor area be devoted to such uses. No materials or finished products shall be manufactured, processed or fabricated on said premises for sale, except such as are incidental to said laboratory research, design or experimental work. No manufactured or commercial explosives shall be kept, maintained or stored on said premises, except in small quantities for laboratory research, design or experimental use, and then only in compliance with all applicable federal, state or local safety statutes.
 - Roof- or building-mounted solar energy systems as provided in § 95-34.4.
 - Building-integrated solar energy systems as provided in § 95-34.4.
 - Geothermal energy systems as provided in § 95-34.4.

The following are conditional uses in the OL-40 Office and Research Laboratory Zone:

- Any OL-5 Zone conditional use, other than motels, hotels and motor hotels, i.e.:
 - Essential services as provided in § 95-37H.
 - All wireless telecommunications facilities (WT facilities), except wireless telecommunications towers (WT towers).

OL-40 Office and Research Laboratory Zone Bulk Standards

The OL-40 zone has the following bulk requirements:

- Minimum Lot Area: 1,742,000 square feet
- Minimum Lot Width: 600 feet

- Minimum Lot Depth: 800 feet
- Maximum Building Coverage: 15%
- Maximum Building Height: 45 feet
- Minimum Front Yard: 300 feet
- Minimum Side Yard:
 - *One: 175 feet*
 - *Both: 350 feet*
- Minimum Rear Yard: 200 feet
- Maximum Floor Area Ratio: 0.20
- Maximum Impervious Surface: 50%

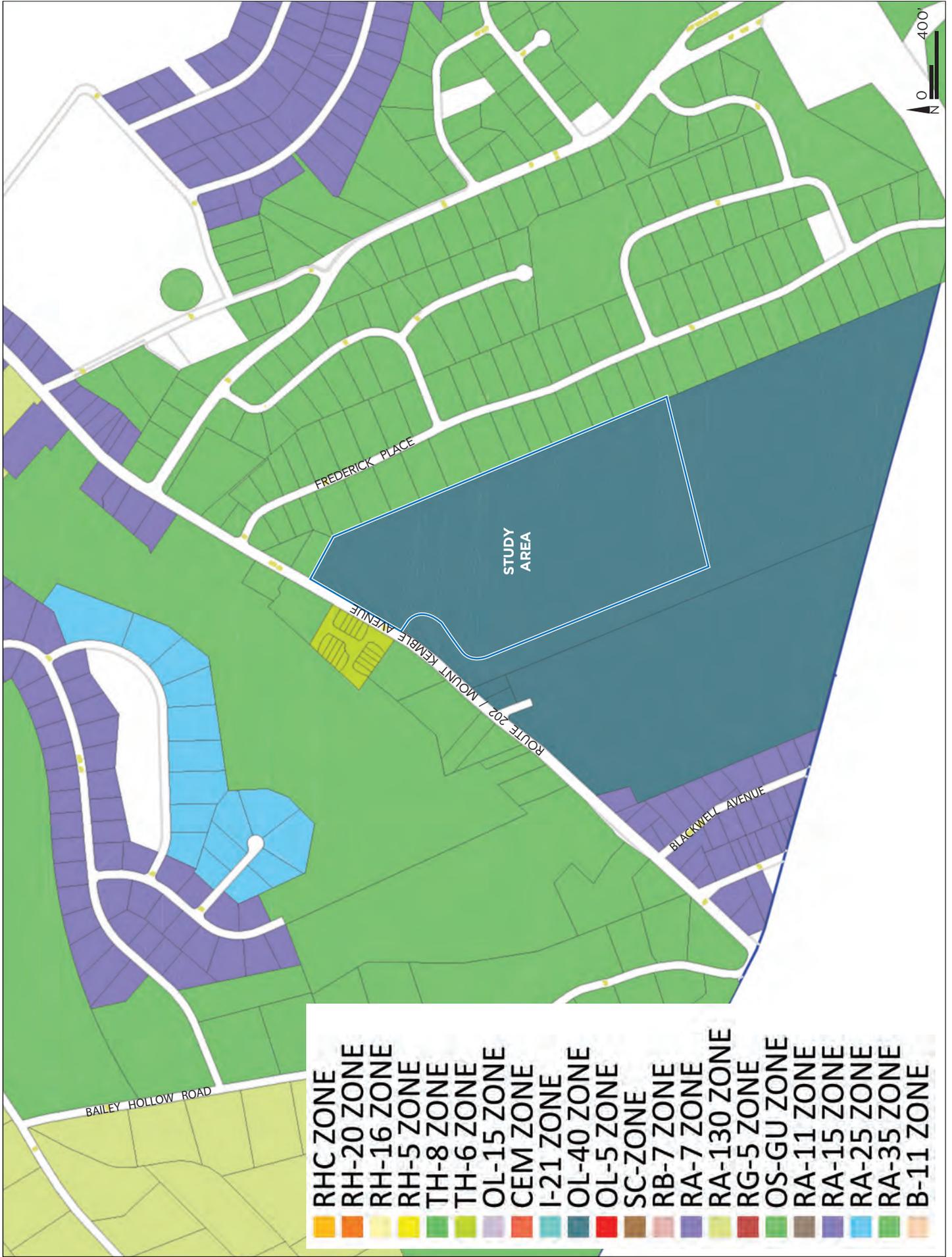


Figure 4: Zoning | Area in Need of Redevelopment Investigation | Block 6101, Lot 5 | Township Of Morris, New Jersey
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IV. Statutory Criteria for an Area In Need of Redevelopment and Application to the Study Area

The laws governing redevelopment by municipalities in New Jersey are set forth in the Local Redevelopment and Housing Law, which is codified at N.J.S.A. 40A:12A et seq. This statute grants the governing body of the municipality the power to authorize the Planning Board to conduct a study to determine whether an area is in need of redevelopment, and following completion of the study, to make such a determination and then to subsequently adopt a redevelopment plan for the designated area. Such area may be determined to be in need of redevelopment only if, after an investigation by the Planning Board and a public hearing for which notice has been given, it is found to meet one or more of the following conditions:

- a. The generality of buildings are substandard, unsafe, unsanitary, dilapidated, or obsolescent, or possess any of such characteristics, or are so lacking in light, air, or space, as to be conducive to unwholesome living or working conditions.
- b. The discontinuance of the use of buildings previously used for commercial, manufacturing, or industrial purposes; the abandonment of such buildings; or the same being allowed to fall into so great a state of disrepair as to be untenable.
- c. Land that is owned by the municipality, the county, a local housing authority, redevelopment agency or redevelopment entity, or unimproved vacant land that has remained so for a period of ten years prior to adoption of the resolution, and that by reason of its location, remoteness, lack of means of access to developed sections or portions of the municipality, or topography, or nature of the soil, is not likely to be developed through the instrumentality of private capital.
- d. Areas with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community.
- e. A growing lack or total lack of proper utilization of areas caused by the condition of the title, diverse ownership of the real properties therein or other similar conditions which impede land assemblage or discourage the undertaking of improvements, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to and serving the public health, safety and welfare, which condition is presumed to be having a negative social or economic impact or otherwise being detrimental to the safety, health, morals, or welfare of the surrounding area or the community in general.
- f. Areas, in excess of five contiguous acres, whereon buildings or improvements have been destroyed, consumed by fire, demolished or altered by the action of storm, fire, cyclone, tornado, earthquake or other casualty in such a way that the aggregate assessed value of the area has been materially depreciated.

g. In any municipality in which an enterprise zone has been designated pursuant to the “New Jersey Urban Enterprise Zones Act,” P.L.1983, c.303 (C.52:27H-60 et seq.) the execution of the actions prescribed in that act for the adoption by the municipality and approval by the New Jersey Urban Enterprise Zone Authority of the zone development plan for the area of the enterprise zone shall be considered sufficient for the determination that the area is in need of redevelopment pursuant to sections 5 and 6 of P.L.1992, c.79 (C.40A:12A-5 and 40A:12A-6) for the purpose of granting tax exemptions within the enterprise zone district pursuant to the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.) or the adoption of a tax abatement and exemption ordinance pursuant to the provisions of P.L.1991, c.441 (C.40A:21-1 et seq.). The municipality shall not utilize any other redevelopment powers within the urban enterprise zone unless the municipal governing body and planning board have also taken the actions and fulfilled the requirements prescribed in P.L.1992, c.79 (C.40A:12A-1 et al.) for determining that the area is in need of redevelopment or an area in need of rehabilitation and the municipal governing body has adopted a redevelopment plan ordinance including the area of the enterprise zone.

h. The designation of the delineated area is consistent with smart growth planning principles adopted pursuant to law or regulation.

It should be stressed that a redevelopment area may include lands, buildings, or improvements which of themselves are not detrimental to the public health, safety, or welfare, but the inclusion of which is found necessary, with or without change in their condition, for the effective redevelopment of the area of which they are a part. This provision is referred to as “Section 3” and is set forth under N.J.S.A. 40A:12A-3. The following chapter analyzes the study area to determine whether one or more of the conditions for "area in need of redevelopment" designation are met.

V. Study Area Evaluation

5.1 Introduction

The following provides an evaluation of the Study Area and considers whether it meets the statutory criteria for an “area in need of redevelopment.” The analysis was based on surveys of current property conditions, including physical inspection of the existing building, and review of architectural, marketing and other reports made available to us by the property owner.

Photographs of the Study Area are provided in Appendix A.

5.2 Study Area Description

Block 6101, Lot 5 (a.k.a. Kemble Plaza I)

| | |
|------------------------|---|
| <i>Location:</i> | 340 Mt. Kemble Avenue |
| <i>Owner:</i> | 340 Mt. Kemble Owner LLC, Onyx Management |
| <i>Size:</i> | ±40.07 acres |
| <i>Assessed Value:</i> | |
| <i>Land:</i> | \$11,610,000 |
| <i>Improvements:</i> | <u>\$7,597,000</u> |
| <i>Total:</i> | \$19,207,000 |
| <i>Zoning:</i> | OL-40 Office and Research Laboratory Zone |
| <i>Current Use:</i> | Vacant office building |

The Study Area consists of one irregularly shaped tax lot, Block 6101, Lot 5, in the southern section of Morris Township. The property has ±535 feet of frontage on Mt. Kemble Avenue. The eastern property line, which shares a common boundary with single-family properties fronting on Frederick Place, is ±2,263 feet in length. The southern boundary line along Block 6101, Lot 4 is ±965 feet in length. The western property line is ±1,940 feet in length. The property is improved with a 3-story, ±387,277 square foot office building. The structure is currently vacant. The building and improvements are described in greater detail below.

According to tax records, the building was constructed in 1986. The building was historically known as Kemble Plaza I but is now referred to as 340 Mt. Kemble Avenue. The building is divided into two sections: a northern section closer to Mt. Kemble Avenue and a southern section closer to Route 287. The two sections meet at a skylighted atrium. Due to grading on the site, the northern portion of the building has a ground floor elevation approximately 15 feet higher than the southern portion. The grade change occurs at the eastern and western entrances near the center of the building, where it drops in elevation from approximately ±343 feet to ±328 feet. The building is constructed such that the third floor extends approximately 12 to 13 feet further over the first and second floors and is supported by columns. The building’s interior has 30- by 30-foot column spacing and ceiling heights ranging from 13.5 feet to 14.5 feet. There are 6 passenger elevators and 2 freight elevators.

There are three stormwater ponds adjacent to the western façade of the building: one to the west of the northern portion of the building and two to the west of the southern portion of the building. There are currently 1,544 parking spaces on the site located in parking areas which surround the building. The parking ratio is approximately 4 spaces per 1,000 square feet of floor area.

In 2017, the Morris Township Zoning Board of Adjustment approved an application (the “2017 application”) by the current owner to construct a ±23,820 square foot addition to the existing three-story office building. The goal was to “fill-in” the first and second floors to be consistent with the façade of the third floor on portions of the north, west and south building facades. The intent of the proposed addition was to create more useable building area and allow more natural light into the building. The applicant requested and the Zoning Board granted a “d(4)” variance to permit a floor area ratio (FAR) of 0.21 where 0.20 is the maximum FAR permitted in the OL-40 zone.

As part of the approved 2017 application, parking areas on the site were reconfigured. The applicant planned to eliminate the stormwater ponds adjacent to the western façade and replace them with additional surface parking areas. The number of parking spaces was increased from 1,544 spaces to 1,805 spaces. Additionally, approximately 35 existing parallel parking spaces on the eastern side of the building were removed and replaced. In total, 277 new parking spaces were proposed on the western side of the building, including 30 ADA parking spaces. Five additional spaces were proposed on the eastern side of the building. A total net gain of 261 new parking spaces was approved. The applicant also proposed new landscaping and signage. The Board also granted “c” bulk variances for parking stall size and impervious coverage. As noted above, the 2017 application, though approved, was never perfected.

5.3 Consideration of a Redevelopment Area Designation for the Study Area Block 6101, Lot 5

BUILDING AND SITE LAYOUT

In August 2014, AT&T vacated 340 Mt. Kemble Avenue when its lease expired. The building has been vacant since AT&T left, i.e., close to five years. All of the previous tenant’s fit-out/build out has been demolished. The building is over 30 years old and, according to its current owner, little or no capital investment has been made in the premises for at least 20 years. Age and lack of renovation factor into the building being untenable in its present condition. There are functional challenges as well, which relate largely to the building’s size and outdated/obsolete layout. For example, the floorplate is very deep at the midpoints of the building making it difficult for natural light to reach the interior office areas. The lack of access to daylight is further exacerbated by the fact that the building’s façade is recessed on the first and second floors, thereby limiting the exposure of natural light to the interior office areas. Additionally, the window heights are three quarters the height of the wall, unlike many of today’s office buildings which have floor-to-ceiling windows. The black tinted glass, common for buildings constructed in the

1980s, further impairs natural light from reaching the interior offices. Finally, because the building is set below the grade of adjacent lands, views from much of the interior spaces are poor.

Since the building has been vacant for five years, portions of the structure and building systems have also fallen into a state of disrepair. Many of the systems have reached or are closely approaching the end of their useful life. According to the building owner, the majority of the windows need to be replaced. They have not been maintained since AT&T vacated the building and almost all are leaking and the majority of them are damaged. Architects retained by the owner report that the existing windows perform poorly by current standards in terms of energy efficiency. The architects also note that the existing building performs poorly by current standards in terms of insulation and energy efficiency. A complete roof replacement is considered necessary due to age and water infiltration. Additionally, the elevators need to be repaired and upgraded. The building's HVAC system has not been used in five years and needs to be replaced. Furthermore, there are a limited number of rooftop units creating issues with providing heating/cooling zones in the building for any multiple tenant design schemes. Also, the existing rooftop mechanical units have reached the end of their useful life and are inefficient by current standards. Finally, the building atrium is "significantly dated." The atrium skylight creates issues with heat gain (i.e., hot in the summer) and glare making it uncomfortable to occupy the space.

The site layout also displays signs of faulty arrangement/ design. The three large stormwater ponds on the west side of the property do not allow for any parking on the west side of the building proximate to the main entrance. There is also no visitor parking or vehicle drop-off at the main entrance. There are presently 1,544 parking spaces for an approximately ±387,000 building which yields a ratio of four parking spaces per 1,000 square feet. In today's market, many office users are now requiring a ratio of four and one-half to five parking spaces per 1,000 square feet. Additionally, the site lighting comprises outdated halogen lamps which are not as energy efficient as other options on the market. According to the building owner, all of the site lighting needs to be replaced and the parking areas need to be resurfaced.

TENANTING AND MARKETABILITY

Morris County is one of the largest office markets in New Jersey, but it has been plagued for years by high vacancy rates and stagnant rents particularly in unrenovated buildings constructed in the 1980s. This is due, in part, to the oversupply of office space in the market; as well as the fact that many firms downsized, relocated, and/or changed their business model based on modern occupancy standards and technological needs. Exacerbating the high vacancy rates for older buildings are recently constructed or renovated buildings which draw tenants away from such older properties. Older properties also lack the amenities and technology required by today's workforce. For example, 340 Mt. Kemble Avenue currently does not have amenities common in today's marketplace such as a café, fitness center, coffee bar, game room/lounge, etc.

Further, at nearly ±400,000 square feet, the building is large for the region. When marketing the property in 2016, then broker Colliers International noted that 340 Mt. Kemble was one of only

six buildings in Morris County with at least 125,000 square feet of contiguous office space. However, demand for larger spaces, especially designed for a single tenant, has not been strong. Jones Lang Lasalle Brokerage, Inc. (“JLL”) reported that in 2017 nearly 30 percent of the office market vacancies in Morris County were for contiguous space larger than 100,000 square feet in size.¹ JLL reported in 2018 that within the New Jersey office market most of the demand during the prior year was fueled by “smaller-sized leases,” less than 100,000 square feet in size.²

The current owner of 340 Mt. Kemble Avenue acquired the property in August 2016. Between October 2014, when AT&T left, and August 2016, Colliers International marketed the property for sale and lease. Colliers had a flyer on the property and an offering memorandum, listed the property on Costar (the industry standard for listing and searching for commercial properties in the United States which gets over 9 million visits a day from real estate professionals) and LoopNet (a searchable listing service for commercial properties with more than 5 million monthly unique visitors), and had a for sale/lease sign at the front of the property. The property went into foreclosure and was sold to the current owner at auction. Despite the significant investment of time and effort on the part of JLL beginning in late 2016, which included 3D virtual reality tours, video productions and broker events, recent marketing strategies have yet to yield any tenant(s) for the current building owner.

The inability to re-tenant the building has also impacted the assessed value of the building. According to tax records, when AT&T occupied the structure in 2014, the assessed value was \$41 million, however, by 2019 the assessed value had dropped over 50 percent to \$19 million.

CONCLUSION

The building at 340 Mt. Kemble Avenue has not been used/occupied for five years. The prospects for re-tenanting 340 Mt. Kemble Avenue are poor due to its age, size and condition. The building is outdated and does not adequately meet the needs/demands of the marketplace. The premises suffer from faulty arrangement/design/layout and overall functional obsolescence. Much of the mechanical infrastructure is old and energy inefficient and nearing the end of its useful life. In its current condition, the building and related site improvements are detrimental to the public health, safety and general welfare of the community.

As a result of the conditions and circumstances described above, and as depicted in Figure 6, there is a legitimate basis to declare the study area in its entirety as an “area in need of redevelopment” in accordance with the “b” and “d” criteria as set forth in the Local Redevelopment and Housing Law, i.e., N.J.S.A. 40A:12A-5(b) and 5(d).

¹ “Morris County Office and Industrial Market Update,” Jones Lang LaSalle Brokerage, Inc., February 2017.

² “N.J. Office Market Shows Upside, Reports Say, Despite Tepid Leasing,” written by Joshua Burd, April 12, 2018.

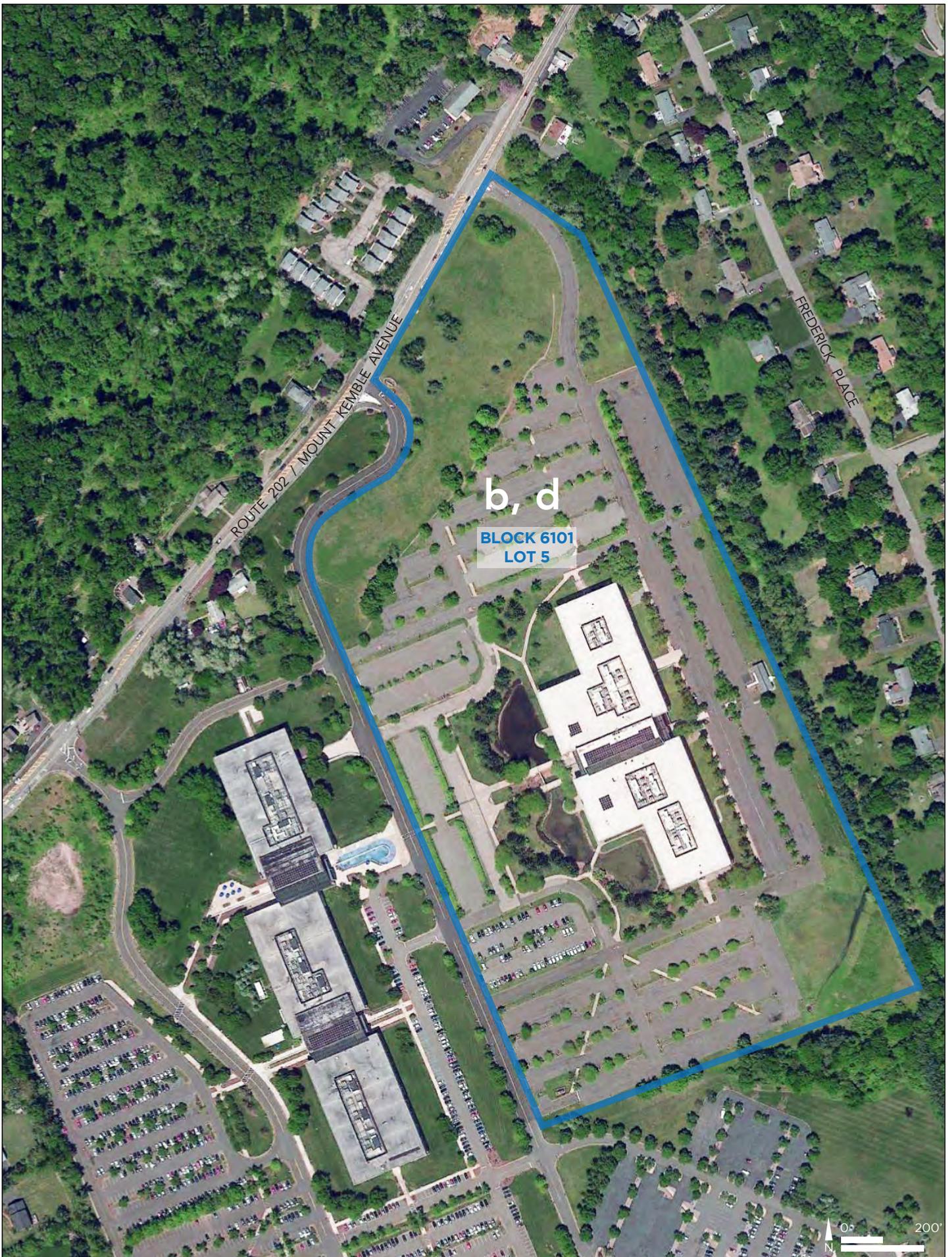


Figure 5: Application of Area in Need of Redevelopment | Area in Need of Redevelopment Investigation
Block 6101, Lot 5 | Township Of Morris, New Jersey
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VI. Conclusion

The foregoing study, which was prepared for submission to the Morris Township Planning Board, sought to determine whether an area within the municipality that includes the 340 Mt. Kemble Avenue property (i.e., Block 6101, Lot 5) qualifies as “an area in need of redevelopment” in accordance with NJSA 40:12A-5. Based on the analysis provided herein, the Study Area meets the statutory criteria for designation as “an area in need of redevelopment” in accordance with NJSA 40:12A-5(b) and (d).

VII. Appendix A: Study Area Images



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

Eastern façade of 340 Mt. Kemble Avenue (Block 6101, Lot 5). The building is ±387,000 square feet



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

A portion of the eastern façade showing the two building wings and the central atrium.



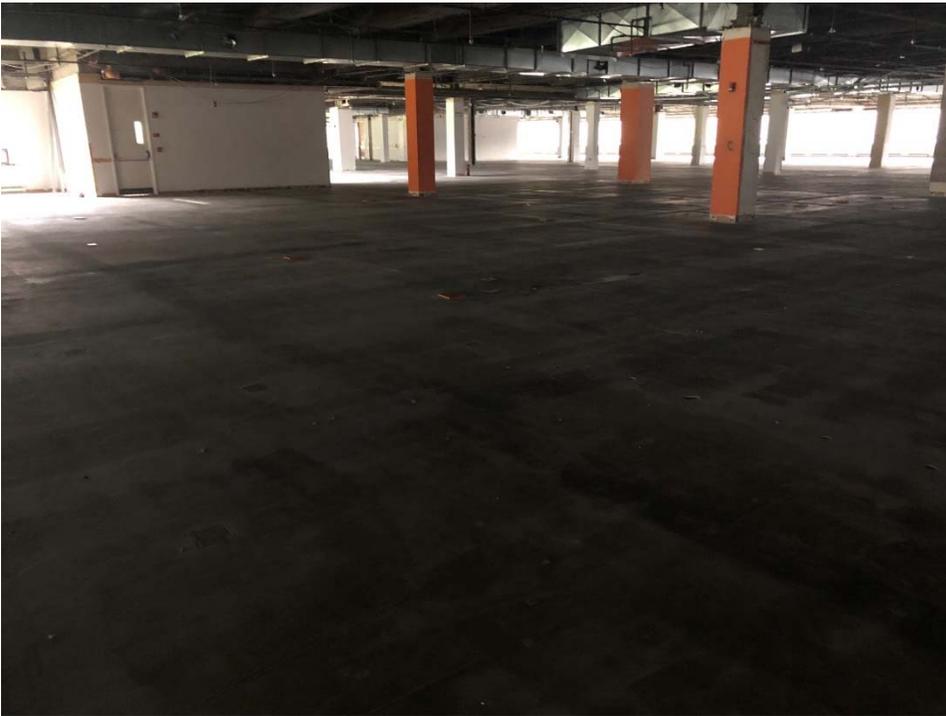
Source: Phillips Preiss Grygiel Leheny and Hughes LLC.



The building's façade is recessed on the first and second floors limiting the natural sunlight exposure to the offices on these floors.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

The floorplate is very deep at mid points of the building making it difficult to get daylight to interior spaces.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

The window glass is tinted black which creates darker interior spaces.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

The windows are not full-length windows further hindering daylight from entering the interior office spaces. The existing glazing performs poorly by current standards in terms of energy efficiency/heat gain, etc.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.



Source: Norr Design Inc.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.



Source: Norr Design Inc.



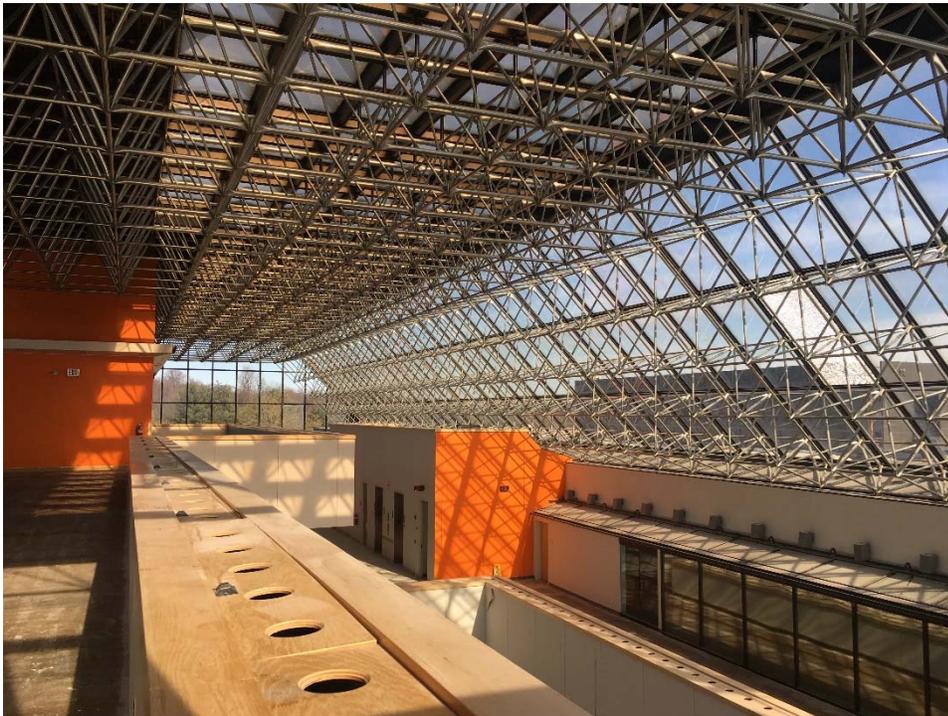
Source: Google Maps

Three large water features adjacent to the western facade inhibit parking from being located proximate to the western entrance to the building and result in a poor distribution of parking spaces on the site.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

The central atrium creates issues with heat gain (i.e., hot in the summer) and glare (i.e., uncomfortable to occupy the space).



Source: Norr Design Inc.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.



Source: Norr Design Inc.

Service elevators are small by today's standards (see photo left). Per the property owner, the passenger elevator (see photo right) system need to be repaired and upgraded and the interiors redone.



Source: Norr Design Inc.



Source: Norr Design Inc.

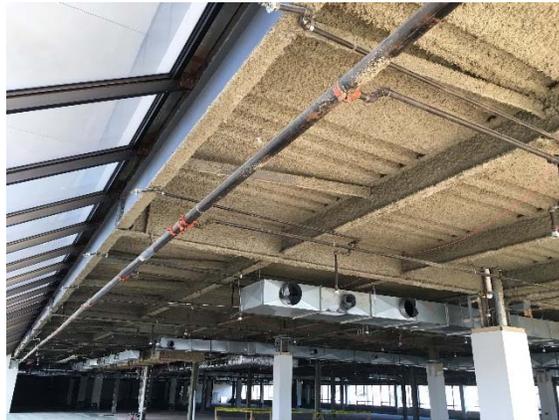


Source: Norr Design Inc.

Existing rooftop mechanical units have reached the end of their service life and are inefficient by current standards. The limited number of rooftop units creates issues with trying to create heating/cooling zones in the building for multi-tenants.



Source: Norr Design Inc.



Source: Norr Design Inc.



Source: Norr Design Inc.



Source: Norr Design Inc.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.



Source: Phillips Preiss Grygiel Leheny and Hughes LLC.

According to the building owner, the majority of the windows are leaking, damaged and need to be replaced.

VIII. Appendix B: 340 Mt. Kemble Business Plan



340 MT. KEMBLE AVE – BUSINESS PLAN

The Property is a 400,000 square foot office building located on 40 acres of land, two miles from downtown Morristown, NJ.

The Property was initially developed by Mack Cali for AT&T in 1984 and sold to Falcon Real Estate in October 2004 for \$77 million. Falcon financed the acquisition with a \$58 million mortgage originated by Column, at which point the property was 100% occupied by AT&T with 10 years of term remaining. AT&T vacated the Property in August 2014 and Falcon defaulted on the loan. The Property transferred to special servicing (LNR) and went REO in December 2015. LNR did not invest any capital in the building in order to spark leasing. Upon acquisition, the building was still fully built out with antiquated finishes.

The business plan for 340 included the following:

- Design and market (while demolishing interior space to assist in marketing) the current +/- 400,000 office building to full and partial tenant users. In addition to marketing the renovated office building, pursue alternative site plan uses.

RENOVATION

The building is currently unusable, with no substantial capital invested in 20+ years. The business plan includes investing \$35-\$40M in base building (exclusive of TI) work to upgrade the building's façade, roof, mechanicals, elevators, amenities, and site improvements. A summary of each building component is below.

Facade

The building's west and east façade is recessed on the 1st and 2nd floor, impairing the natural sunlight exposure and creating "challenged space" for leasing purposes. This design is not unusual for 1980's suburban office product. However, in order to make 340 more competitive with true Class A product, this feature will need to be addressed.

The majority of the windows need to be replaced. They have not been maintained for close to five years, almost all are leaking and the majority of them are damaged.

Overall, façade/window improvements will cost between \$10-\$12 million.

Interior Demolition

The building includes all of the previous tenant's fit out (AT&T). The dense cube farm buildout will be unusable for any future user. All interior buildout needs to be demolished.

Demolition budget is approximately \$1 million

Roof

The building's roof age is undetermined, but based on visual inspection and water infiltration, a complete roof replacement is necessary.

Roof replacement budget is approximately \$1.5 million

HVAC/Mechanicals

The building's HVAC system has not been used for approximately 5 years. Based on our 3rd party consultant reports, the entire HVAC system needs to be replaced.

HVAC budget is approximately \$6 million.



Elevators

The buildings elevators have also been unused for approximately 5 years. Based on our consultant's review, the system does not need to be replaced, only repaired and upgraded. However, the interiors of the elevators will need to be completely redone.

Elevators will be approximately \$2 million.

Amenities/Atrium

The amenities and atrium are significantly dated and will need to be completely redone, and in some cases relocated. The building doesn't currently have a conference center, which will need to be added.

Budget is \$12 million

Site Improvements

The building's parking is impaired due to location and current count. There are three large ponds on the west side of the property. These ponds don't allow for any proximate building parking on the west and south side of the building. These ponds need to be removed and replaced with additional parking to make the building more competitive (5/1,000 parking ratio is ideal) and to make the exterior more aesthetically pleasing. In addition to the removal of the ponds, all existing site lighting needs to be replaced, and all asphalt needs to be removed and replaced.

Budget is approximately \$8 million.

IX.Appendix C: 340 Mt. Kemble Avenue Marketing Efforts



340 Mt. Kemble Avenue, Morris Township

Marketing Efforts

Prior to the Onyx acquisition of 340 Mount Kemble, the marketing efforts were solely to sell a large antiquated building in its “as is” condition. There was no ability to lease the building in its current state. The building was vacant for several years once AT&T vacated and the condition of the premises, site, and building systems would require significant capital outlay that the lender and owner were not willing to spend. Understanding the potential of the asset, Onyx acquired the building and site for two core reasons, the building’s proximity to downtown Morristown (under 2.5 miles) and the value of the underlying structure of the building. There are two things you cannot change about a building: ceiling heights and column spacing. Both are tremendous at 340 Mount Kemble and are similar to what a developer would construct if building a new building. 340 MK has 30x30 column spacing and ceiling heights ranging from 13’5”-14’5” throughout.

Upon Onyx’s acquisition, they immediately put a plan in place to demo the interior of the building and start working on a redevelopment strategy. The final outcome of this strategy is to remove the façade off of 3 sides of the building and replace it with floor to ceiling glass on all floors, replace the glass in the back of the building that is ¾ height and add a series of amenities that prospective tenants seek in today’s marketplace. The amenities will include a world class conferencing center with flexible walls allowing for several rooms or a combined area for 628 people in a town hall setting, gourmet style kitchen and server area, a state of the art fitness center with lockers, showers and private rooms with virtual training instructors, a lifestyle center, collaborate break out areas throughout the common areas and a barista coffee bar on the 1st floor lobby. There will also be a shuttle that runs on a constant loop from the building to downtown Morristown, the train station and back to the building all day long.

Onyx’s marketing approach is also very progressive, which suites the modern vibe of the building with a trailer on site that serves as the buildings marketing center during construction. The suite not only has boards showcasing all of the different attributes of the building, location, demographics etc. but there is a touch screen that allows for an interactive presentation and discussion with prospective tenants. Onyx has also invested in 3-D virtual reality that is used on tours via an I-pad that allows prospective tenants to experience and visualize the final building product while looking at the existing conditions of the building. There are links to these 3-D models on the website www.340mk.com. There are also large banners and boards throughout the building showcasing the final building renderings and key element locations to add to the tour experience for prospects. Onyx also made additional investments in video production and broker events in order to deliver the message to the market.

With corporations so focused on employment retention and attraction, Onyx has designed an excellent solution for the large firms in the region looking for access to labor through key elements, such as proximity to a train, walkable down town, full height glass and state of the art amenities. Additionally, the building will house brand new mechanical systems, HVAC and elevators etc. All are attributes corporations are looking for today to attract and retain the millennial and Gen X talent of tomorrow.

X. Appendix D: 340 Mt. Kemble Renovations

NORR

MEMO:

Attention: DJ Venn

Date: 04/17/2019

Company: Onyx Equities

Project Name: 340 Mt Kemble Renovations

Address: 340 Mt Kemble Ave.

Project Number: 17-0021-02

Project Location: Morristown, NJ

Below are some of the items from a building/design standpoint that could be seen as "liabilities":

1. Site:
 - a. Remote parking fields not close to main entry
 - b. No visitor parking or vehicle drop off at main entrance
 - c. Existing landscaped ponds are a maintenance issue and liability
 - d. Outdated halogen site lighting, poor energy efficiency
2. Building:
 - a. Short window lines produce bad daylight.
 - b. Black tinted glass from the 80s which produces bad daylight.
 - c. 1st floor is shaded by overhang which produces bad daylight.
 - d. Existing envelope performs poorly by current standards in terms of insulation/energy efficiency.
 - e. Existing glazing performs poorly by current standards in terms of energy efficiency/heat gain etc.
 - f. Floor plate is very deep at mid points of the building. Difficult to get daylight to interior spaces.
 - g. Atrium skylight creates issues with heat gain (hot in summer) and glare (uncomfortable to occupy the space).
 - h. Existing rooftop mechanical units have reached end of service life and are inefficient by current standards.
 - i. Limited number of rooftop units creates issues with trying to create heating/cooling zones in the building for multi-tenant (why we are adding more units).
 - j. Building is sitting in a "valley" with poor views for $\frac{3}{4}$ of the interior spaces further exacerbating the daylight issue.

Please contact me with any additional questions.

Thank you,



Kevin Jasey
Project Management

Prepared By: KJ

Distribution: DJ Venn, Kyle Fauth,

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