

United Water Case Study

In October, 2008, Andrew Somple, SIOR, Senior Vice President of NAI James E. Hanson completed a 62,000 square foot long term lease expansion with United Water for the multi-tenanted freestanding industrial property 55 to 65 DeVoe Place, Hackensack.



United Water

The Original Deal

The process started in 1996 when the east end of the building, 55 DeVoe Place was available. This section of 22,000 square feet and had a combination of tailgate and drive-in loading. What made it more challenging, a fire in this section of the building severely damaged the structure and had to be rebuilt. The space was being marketed as a “build to suit” opportunity. Somple through his marketing efforts began canvassing larger industrial users in Hackensack. One of his calls was to United Water, the adjacent property owner on Temple Avenue. Fortunately, they had a need to expand their construction shop and repair yard. The 22,000 square foot section had immediate appeal because of its layout, but it had to be built to the specifications of United Water. Specifically, United Water needed a new area for their truck repair and water meter testing operations. Somple then negotiated a 20 lease year deal in which United Water would assume the responsibility and obligation to rebuild the building. Before the deal could be completed, another hurdle had to be resolved. A long narrow stretch of property owned by the City of Hackensack separated United Water’s property from the DeVoe Place property. Somple then worked with Hackensack officials to get access rights to allow for continual transverse rights over their property.

The First Expansion

In 1999, the tenant in the center section of the building, which is 18,000 square feet decided not to renew their lease. Somple with his ongoing relationship with United Water knew they had some expansion needs and presented the opportunity to them. Unlike the deal at 55 DeVoe Place, which was industrial in scope, United Water now needed office space for their field operations and engineers. Again Somple was able to negotiate a deal in which United Water assumed the responsibility and obligation of the build-out. It was decided that United Water would lease this section for 20 years and extend their lease at 55 DeVoe for three (3) years so as to make their tenancy co-terminus. United Water then converted the 18,000 square warehouse section into 16,000 square feet of office space that included breakrooms, meeting rooms and locker rooms with weight training equipment. The remaining 2,000 square foot section was retrofitted with a mezzanine for added storage capacity and used for equipment storage.



The Second Expansion

The last expansion started in June, 2006. United Water approached Somple about the remaining 22,000 square feet of space on DeVoe Place. United Water wanted to relocate their Customer Service division with their other operations. Part of this move was at the directive of the Board of Public Utilities (BPU). At the time, United Water’s Customer Service Division was in an office building in Hackensack and the BPU felt they would gain some efficiencies if their operations were consolidated. United Water agreed with the concept and asked Somple to prepare a Strategic Plan that evaluated the various real estate holdings and different offices of United Water. This plan was to determine the best way for United Water to accommodate their growth and gain the needed efficiencies with the objective of saving money. After analyzing their offices in Harrington Park, Haworth, Oradell and Hackensack, it was clearly evident United Water best course of action would be to combining the Hackensack operation and Customer Service operation on DeVoe Place.

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The Challenge

At that time, the end unit of 22,000 square feet was leased to a warehouse tenant that had been on site for nine (9) years and had one year left of their lease. Somple approached the existing tenant about their intentions and they informed Somple they needed to downsize and would not be staying past their lease expiration. That put into



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motion the design phase of United Water's expansion into the remaining space. The entire area was to be converted to office space, and it proceeded with United Water once again funding the expense of the renovation costs. In addition, United Water wanted to combine both parcels and secure them with fencing because of the required mandates of utility providers from the federal government's Department of Homeland Security. This then prompted site plan approval from the City of Hackensack. Although the property was zoned to permit "offices", parking and traffic flow patterns were an initial issue. As part of the solution, Somple negotiated with the City of Hackensack to use "public" property to satisfy the need for additional parking. The property's owners were able to lease the end of DeVoe Place, a dead end road, from the City of Hackensack and use it for parking. This also allowed the entire site to be secured as required. After revising the plans several times and attending five (5) Planning Board meeting, the City of Hackensack approved United Water's expansion in March, 2008.

The Second Challenge

With all the plans ready to go and approvals in place, United Water's parent, Suez Environnement, felt the build-out of \$3,850,000 was too much and decided against going forward. Somple, with the owner's authority then arranged a meeting with United Water management and offered them the solution of a higher rent, but no build-out costs. Somple's concept was to have the property's owner finance the building, using the proceeds to pay for the construction and build-out expense for United Water while amortizing the amount back into the rent. After several internal analysis's, United Water agreed to the concept. Then Somple had to find a lender willing to finance such a project. While speaking to several possible sources, Lakeland Bank offered the best terms and most flexibility. Lakeland Bank was chosen and the project was able to move forward.

End Result

With the loan finalized in October, 2008 and the contingencies of the lease satisfied, United Water was then committed to the entire building for a new 20 year lease period. Construction began in November and by May, 2009, United Water relocated their Customer Service Division to the property on budget while satisfying both the Board of Public Utilities and Homeland Security.

That initial call to United Water provided a lasting ripple effect between Somple and United Water.