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IN THE PIPELINE (Feb. 15-21): \$135 Billion For Construction Signed Into Law

Weekly CoStar Column Spotlights Trends, New Projects and Construction Entering (Or Leaving) the Commercial Real Estate Development Pipeline

By [Randy Drummer](#)
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In this week's edition, the historic \$787 billion economic stimulus bill signed by President Obama will include \$135 billion in construction and infrastructure spending; Baltimore, MD, chooses Carmel Realty to develop mixed-use project on city's Westside; Russo Development acquires industrial parcel for construction of residential/retail project; and "racino" project in Central New York faces delay.



In The Pipeline is a column by Senior News Editor Randy Drummer on significant land sales, transactions and trends affecting office, industrial, flex, multifamily, mixed-use, hotel and public works developers. Send us news leads about your new project -- [and sign up to be added to our distribution list](#) to receive future In the Pipeline columns for free by e-mail. [Read previous columns.](#)

Builders to Get a Big Slice of Stimulus Pie



Construction of public infrastructure and buildings will get a significant boost under the \$787 billion stimulus bill passed by Congress last week and signed into law by President Obama on Tuesday. The 1,071-page American Recovery and Reinvestment Act, signed by the president in Denver, includes more than \$135 billion for public projects ranging from highways, housing and high-speed rail to facilities for federal agencies, the military and government research.

Industry trade groups, including the Associated General Contractors of America, claim the government infusion will preserve nearly 2 million jobs

in construction and related fields over the next two years. An analysis by AGC Chief Economist Ken Simonson concluded the funding would create or save 650,000 construction jobs and 300,000 positions in related fields such as equipment and material supply, with additional 970,000 jobs in the broader economy created or supported by the investments.

Included in the package is \$27.5 billion for highway and bridge construction, nearly \$18 billion for transit and rail, including \$8 billion for high-speed rail projects, nearly \$30 billion in building infrastructure, including major investment in federal GSA building, military construction and Veteran's Administration facilities; public housing, and health, science and research facilities.

Energy and technology initiatives will get another \$30 billion, including \$11 billion for the nation's electrical grids, \$7.2 billion for wireless and broadband expansion, \$5 billion for weatherizing and retrofitting homes and public buildings and \$6.3 billion in state and local energy grants. Most energy efficiency measures are aimed at residential and public buildings, although commercial landlords can apply for the state and local grants. *(Editor's Note: [Download a summary of infrastructure and public building investment](#). For a state-by-state allocation of funding, [click here](#).)*

More evidence came Wednesday that a rebound in the larger construction industry isn't yet on the horizon. The Architecture Billings Index (ABI) dropped to an all-time low in January of 33.3, down from December's modest uptick of 34.1. The index is a leading economic indicator of construction activity, reflecting a nine- to 12-month lag time between architecture billings and construction spending. A score above 50 is required to show growth in billings -- a benchmark not reached in more than a year.

"Now that the stimulus bill has passed and includes funding for construction projects, as well as for municipalities to raise bonds, business conditions could improve," said Kermit Baker, chief economist for the American Institute of Architects, which publishes the index. "That said, until we can get a clearer sense of credit lines being made available by banks, it will be hard to gauge when a lot of projects that have been put on hold can get back online."

The stimulus will have a positive impact for construction businesses and their workers across the country, insists Stephen Sandherr, chief executive officer of the Associated General Contractors of America. "When you get beyond the politics and the policy, the fact remains these investments will put people to work, save businesses, and help rebuild aging infrastructure."

Simonson noted that the \$135 billion for construction would increase personal earnings nationwide by \$75 billion and add \$230 billion to GDP.

"Beyond the immediate benefits, the new infrastructure projects will make businesses more efficient, commuting more reliable and our economy more prosperous for years to come," Simonson said.

Carmel Realty Picked for Westside Baltimore Project

The Baltimore Development Corp. (BDC) has chosen Carmel Realty Associates to redevelop two properties for an \$8 million mixed-use apartment and retail project on the city's Westside.

Carmel Realty will combine 109 West Lexington St. and 119 Park Ave. with an adjacent property they own, the three-story former Kresge building at Lexington and Park Avenue, for the 64,000-square-foot development. The plan calls for 30 one- and two-bedroom apartments and 16,500 square feet of lower-level retail. Carmel will relocate its Valu Plus store from the 200 block of West Lexington Street into the project.

The development corporation released a request for proposals for various Westside sites last August and received two proposals each for the Lexington and Park sites. Carmel Realty will enter into exclusive negotiations with the city to hammer out a sale price for the land and other development terms.

Central NY 'Racino' Project Faces Delay



Empire Resorts, Inc. apparently won't start building its planned \$1 billion "racino" - a combined hotel, casino and horse racing track -- in east-central New York this spring.

The project, like most other big development efforts, has had a tough time securing the full financing necessary for build out. The gaming resort operator and its developer, Cappelli Enterprises, announced this week that its joint venture partner, Concord Associates LP, received approval from the Thompson (NY) Planning Board to build its Concord-Empire

Hotel and Casino project in phases rather than all at once.

Under the amended site plan, Empire would build a 500-room resort hotel, casino, spa and racetrack during the first phase, now expected to occur "within the next 18 to 24 months," the company said in a release. The original proposal called for a 750-room hotel, with the project to be started this spring.

Future phases would include construction of ballrooms, a 1,000-seat theater, a 7,500-seat multi-purpose entertainment center and up to 4,000 spaces in two parking garages.

New School Addition Finished in Santee, CA

Barnhart, Inc. has finished construction of a \$10 million, 18-classroom addition to Cajon Park School in Santee, CA, in eastern San Diego County.

The 32,823-square-foot project will house 450 students in grades 5 through 8 adjacent to the existing 42,000-square-foot Cajon Park School campus, currently undergoing a \$6.7 upgrade covering K-4 classrooms, offices, library/technology center, kitchen and bathrooms.

The new Cajon Park junior high addition is the first new classroom building for the Santee School District since 1960, part of a \$165-million school modernization program approved by voters in November 2006. Barnhart, Inc. is overseeing construction and construction management for the modernization of nine elementary schools in the Santee School District.

The new school building features energy-conserving design that controls the amount of sunlight entering the rooms and electricity needed to power light fixtures. Drought-resistant plants cut down water use while recycled ceramic tile and carpeting reduce waste. The project broke ground in April. Modernization work to the rest of the campus is scheduled for completion this spring.

NJ Developer Acquires Industrial Site for Redevelopment

Russo Development LLC has acquired a vacant 190,000-square-foot warehouse site in Kearny, NJ, which is planned for a planned mixed-use redevelopment. The project is Russo's second redevelopment in the city.

The existing warehouse at the 7.5-acre site at Schuyler and Bergen avenues was demolished last month to make way for the new Schuyler Crossing, a planned development of 232 apartments and 20,000 square feet of retail. Site improvements are under way, with vertical construction scheduled to begin in mid-2009.

Omer Ahmed, vice president of acquisitions for Russo Development, said the company is "aggressively acquiring redevelopment opportunities" throughout northern New Jersey for a variety of uses. Russo recently completed Saw Mill Park, a 400,000-square-foot industrial redevelopment project fully leased to the Pepsi Bottling Group and HD Smith Wholesale Drug Co.

Russo Development, based in Hackensack, NJ, has designed, built and operated more than 60 Class A industrial, data center and residential projects in the state since 1969.

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More Land Sales and New Development

Crescent Resources Multifamily Development Group is opening its Circle at Bartram Park apartment community in Jacksonville, FL. Circle at Bartram Park will be a smoke-free community located in south Jacksonville near Old St. Augustine Road and Interstate 95. The project will include 336 one-, two- and three-bedroom units at build out. Crescent will open Circle at Crosstown in Tampa next month. Other Circle communities are under development in Charlotte and Concord, NC.

Greenstone Farm Credit Services acquired more than 15 acres in East Lansing, MI, where it plans to build a new headquarters. A private trust sold the land, located at 3515 West Road, for \$1.92 million, or about \$126,100 per acre. A timeline for construction was not disclosed. John Munn of Tomie Raines Inc. represented the seller, while the buyer used in-house representation. (By Virgil Watson, CoStar COMPS #1644337)

San Joaquin Regional Rail Commission purchased 62 acres of industrial land in Stockton, CA, from Davis Lazares of Lazares Builders Inc. for \$9.47 million, or about \$153,000 per acre. The Rail Commission plans to use the site, located at 2801 West Lane, as a service and painting station for ACE trains. The seller purchased the land in 2006 and had planned to re-zone the land for residential use, however the re-zoning never occurred. Greg O'Leary of Colliers International represented the seller. (By Jennifer Oliver, CoStar COMPS #1629857)

Thackeray Partners, heading a Dallas-based investment group, has completed construction on two Class A industrial buildings at 13323 S. Gessner Road in Missouri City, TX. Stream Realty, the developer, completed construction on the structures on 16 acres at Beltway Crossing Building Park last month. Building 1 has 116,480 square feet, while Building 2 has 166,400 square feet. Both properties feature 32 loading docks and have a 28-foot ceiling height. The tilt wall industrial buildings are both vacant, in shell condition and available for lease. TPRF II/SR Missouri City LP is the recorded owner. Justin Robinson, Kyle Valentine and Christopher Money of Stream Realty Partners handle the leasing. (By Ndicu Lucy)

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