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Drivers of Demand for Warehousing in New Jersey

- The Port of New York and New Jersey is a major driver of the state's economy. Industries devoted to the movement and storage of goods provide jobs to nearly one out of every eight employed New Jersey residents, the highest proportion among the 50 states and nearly half again as great as the national percentage.
- Traffic at the port is growing, due to increasing US trade with South Asia (the preferred shipping route from South Asia traverses the Atlantic and ends in East Coast ports like Newark and Elizabeth). In fact, the Port of New York and New Jersey is now the second-busiest in the country.
- The Port of New York and New Jersey's major operations in Newark, Elizabeth, and Bayonne generate a need for large sorting, storage, and distribution facilities to handle the volume of goods arriving at the port from other countries. Growth in port traffic results in growing demand for warehouse space near the port, or near the major highways that lead to the port.
- Superimposed on port-related demand for warehouse space is the growth of e-commerce, which is generating a need for a new generation of smaller, more locally-focused warehouses. Amazon, for example, is now New Jersey's largest employer and has opened facilities of various sizes across the state. While larger facilities value proximity to the port, small warehouses are more concerned with proximity to their customers.

Warehouse Redevelopment vs. Warehouse Sprawl

So far, much of New Jersey's new warehouse space has been constructed in redevelopment areas on land in North Jersey's urban core. These sites had previously been used for other purposes, often manufacturing or other industrial uses. But this is changing. Warehouse development along I-78 in Pennsylvania's Lehigh Valley, which has been consuming farmland at an alarming rate, is reflective of emerging trends in New Jersey, as well.

Warehouse sprawl – the construction of warehouses on previously undeveloped land – is beginning to creep back east across the border into western New Jersey as cheaper land in the Lehigh Valley becomes harder to find. It is also extending farther south along the New Jersey Turnpike, from southern Middlesex County into eastern Mercer and now into northern

Burlington. The resulting truck traffic has prompted an expensive widening of the Turnpike southward into Burlington County. Higher land values may be the only thing that has prevented a similar loss of prime farmland along I-78 in Warren and Hunterdon counties. However, recent warehouse development proposals in western and central New Jersey indicate that the protection afforded by land-value differentials may prove short-lived.

Warehouse sprawl is a problem both because it results in the consumption of undeveloped land in outlying areas and because it indicates that shippers are unable to find suitable land closer to the port. Both of these are complicated by the fact that land use is controlled at the local level in New Jersey, but decisions made by myriad local governments do not necessarily add up to a regionally optimal solution. A regional perspective is needed, both to prevent port-oriented storage and distribution functions from consuming outlying lands that are better used for farming, recreation, or other non-industrial uses, and to ensure that redevelopment opportunities near the port that are ideal for warehousing are not instead allocated to other land uses that lack the same location constraints.

Recommendations

We recommend that the bill assign to the State Planning Commission (SPC) and its staff, the Office of Planning Advocacy, the task of developing a statewide warehousing plan. Such a plan would serve the proactive function of steering future warehouse development to the most appropriate locations, with a preference for already-developed lands. The plan should provide background on the importance of the goods movement industry to the state's economy, describe the ways in which the industry's land needs are location-dependent, and describe the need for a regional perspective, to prevent conflicts between local land-use decisions and the health of one of the state's key industries.

The plan would establish criteria for sites that are most suitable for warehouse development, taking into consideration existing land uses, proximity to the port, proximity to major highways and freight rail lines, local road network design and capacity, environmental and open-space concerns, social justice concerns, infrastructure capacity, and the future impacts of climate change. Upon completion of the plan, the criteria would be used by county and local officials to update local plans and ordinances and used as the basis for deciding if warehouses are being sited inappropriately. The SPC and its staff would assist municipalities with planning for future warehouse development, including re-zoning where necessary, consistent with the plan.

The SPC would evaluate any warehouse development proposal in excess of a certain acreage and determine if the proposed site is consistent with the plan. It would also evaluate any development or redevelopment project, regardless of size, proposed for any land parcel that is identified in the warehousing plan as being well suited to warehouse development, to ensure that opportunities to site warehouses near existing port or freight-rail facilities are not preempted by developments that are not related to goods movement and could just as easily

be located somewhere else. In either case, the host municipality for the proposal would be required to seek SPC approval of the development.

The SPC would arbitrate any inconsistencies between the state warehousing plan and any local ordinance, infrastructure improvement, or real estate project of significant scale. Local stakeholders would be permitted to challenge these actions, and the SPC may invalidate an ordinance or approval if it determines it is inconsistent with the plan. The SPC would also resolve any disputes among municipalities about warehouse projects that are not large enough to trigger the SPC's automatic review.