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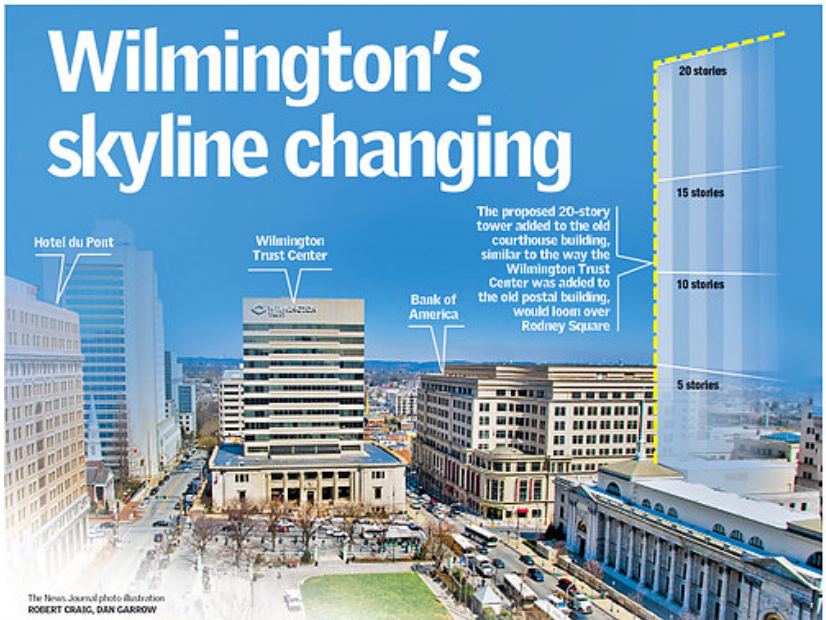
Wilmington's skyline changing



The News Journal photo illustration
ROBERT CRAIG, DAN GARROW

Developer makes bet in face of recession that office market will recover in good time

By ERIC RUTH
The News Journal

In what would be a historic redefinition of downtown Wilmington's character – and a potentially risky defiance of today's sagging market trends – local real estate developer Pettinaro Construction is moving forward with a 15- to 20-story office tower that will rise from the former Daniel L. Herrmann Courthouse on Rodney Square.

It's a roll of the dice that observers say is typical of the firm's front-running strategy, with the Newport-based developer betting that today's excess of office space and reluctant demand will turn around in time to benefit the project, one of two city office buildings under development by the firm.

The other, the seven-story Star Building, is already rising near the crescent-shaped Barclays bank building on the Christina Riverfront, and would eventually be followed by the courthouse project, together adding 614,000 square feet of prime Class A office space to the city.

Neither building has tenants signed, but both are in sections of the city that are considered key commerce centers. Company CEO Gregory Pettinaro said the firm would continue to own and operate each – neither will be "flipped" onto the market.

The Star Building is set to open for occupancy early next year. Construction is scheduled to start on the courthouse building in late spring 2010, with occupancy beginning in fall 2011.

See TOWER — A2

ONLINE
See the site slated for the future high rise and hear from the developer at **delawareonline.com**

PFOA levels in DuPont's Del. workers are elevated

Those at 2 sites in state test higher than public

By ANDREW EDER
The News Journal

DuPont Co. workers at two Delaware locations have the chemical PFOA in their blood at levels far higher than the general public, according to documents submitted to the Environmental Protection Agency.

The results, from workers at the company's Experimental Station near Wilmington and a DuPont Performance Elastomers plant in Newark, suggest blood levels of perfluorooctanoic acid that could cause health problems, according to a scientist with an environmental group that has sought to raise the alarm on PFOA and related chemicals.

A DuPont spokesman said the samples were "on the lower end" of workers exposed to PFOA, and industry studies have shown no health effects from exposure to the chemical.

PFOA, also known as C8, has been the subject of scientific and regulatory scrutiny in the last decade. DuPont, which makes PFOA at a facility in North Carolina, uses the chemical as a manufacturing aid in Teflon and other products, and it appears in trace amounts in products like fire-fighting foams and grease-resistant food packaging.

The chemical is long-lived in the environment and has been found in the blood of people across the world at low levels. DuPont and other companies have committed to phasing out PFOA no later than 2015, under a voluntary EPA program.

In November, DuPont tested nine workers at a plant in Tralee Industrial Park in Newark that makes Kalrez rubber parts, used for sealing applications. The testing was part of a voluntary program to evaluate DuPont industrial hygiene controls, and it was the first time workers at the facility had been tested, said DuPont spokesman Dan Turner.

See DUPONT — A2

PFOA

Also known as C8, the chemical is used as a manufacturing aid in Teflon and is found in trace amounts in products such as fire-fighting foams.

House approves a big boost for national service

By ANN SANNER
Associated Press

President Barack Obama credits his own community work for getting him started in public service.

WASHINGTON — Tens of thousands of Americans, from teenagers to baby boomers, soon will get a fresh chance to lend a helping hand in a time of need.

The House voted 275-149 Tuesday for a $5.7 billion bill that triples positions in the Clinton-era AmeriCorps program, its largest expansion since the agency's creation in 1993, and establishes a fund to help nonprofit organizations recruit and manage more volunteers.

Congress was sending the bill to President Barack Obama, who often cites his years as a Chicago community organizer for giving him his political start. Obama has made national service programs a high priority. His budget proposal calls for more than $1.1 billion for the programs, an increase of more than $210 million.

See SERVICE — A5

INSIDE
Find tips on how you can get involved in national service. A5

Recession reaches private schools as more families struggle to pay pricey tuitions

Private educators hatching plans to hang on to students

By JENNIFER PRICE
The News Journal

Donation drives, fundraisers, tuition cuts.

Private school leaders, worried about declining enrollment, are making new efforts to help students whose families otherwise might not be able to afford tuition because of the recession.

Some efforts are expansions of existing programs. Others are never-before-taken steps. All have the same aim: to help students and protect the viability of the school.

Ursuline Academy is asking alumnae for special donations to boost financial aid. Wilmington Friends School will hold an auction later this month, with the proceeds going toward student aid. And Albert Einstein Academy is cutting tuition by 15 percent.

See SCHOOLS — A2

The News Journal/ROBERT CRAIG

Ursuline students (from left) Caley Curtis, Christina Purcell and Stephanie D'Eramo work on their computers in British Literature class.

TODAY'S WEATHER
Details on A4

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Wilmington: 85 percent chance of rain. Cloudy.

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inside

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April 1, 2009

Wilmington's skyline changing

Developer makes bet in face of recession that office market will recover in good time

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The Star Building is set to open for occupancy early next year. Construction is scheduled to start on the courthouse building in late spring 2010, with occupancy beginning in fall 2011.

The landmark granite courthouse building -- considered by some to be the city center's defining architectural element -- has sat empty for most of the decade.

"The existing courthouse building itself is an icon of Wilmington. It's such a part of the culture and history here," Pettinaro said. "To be honest with you, in my opinion it's the premier property in the city. ... It doesn't deserve to sit there vacant."

The courthouse plan will require approval by the city, but there are no regulatory concerns over the building's historic nature, Pettinaro said.

Both projects are moving ahead at a time of historic uncertainty for commercial real estate and the economy.

Pete Davisson, a partner in the Wilmington office of real estate services company Jackson Cross Partners, put his assessment of Wilmington's 2008 office market this way: "Just about Oct. 1, we all looked at each other and said, 'Where is everybody?' "

Looking ahead, several real estate research firms see that situation continuing.

• CB Richard Ellis expects the entire Philadelphia region to see vacancies rise over the next three years. "Tenants are exhibiting a 'wait-and-see' approach and are taking more time to make decisions," the firm said in a report late last year. At the time, the "availability rate" for Wilmington's central business district was 19 percent.

• Grubb & Ellis reported city office vacancies at 19 percent at the end of 2008, the highest year-end vacancy rate of the decade.

• The Class A vacancy rate in the central business district stands at about 18 percent; and New Castle County overall is 14 percent, Davisson said.

Law firms doing well

Segments of the economy with a significant physical presence in the city have been contracting in the face of the recession, while others are thriving. Layoffs have been under way through the year at Bank of America. At the same time, business is booming for law firms that handle the many high-profile corporate bankruptcies that end up in Wilmington.

In January, major leases were signed by Jackson Cross Partners for a law firm (8,275 square feet) and Amtrak (23,716 square feet) at the Renaissance Center, a seven-story Class A building near the new New Castle County Courthouse at Fourth and King streets.

Yet reports of sizable vacancies persist. A 54,000-square-foot former MBNA building on King Street -- bought by the state for $13.4 million -- remains vacant.

"They [Pettinaro] have a great instinct for buying right," said Mike Purzycki, executive director of the Riverfront Development Corp., the state-supported company charged with redeveloping Wilmington's waterfront. "They have a great instinct for controlling expenses."

In the case of the former courthouse building, Pettinaro's plans would also change the character of a public square that has served as the city center since the early decades of the 20th century.

Once dominated by low-rise buildings and relatively open sight lines, the square would move further toward a high-rise, big-city feel if the project goes forward.

The firm bought the courthouse from MBNA after the credit card bank abandoned plans to make it the centerpiece in its downtown complex of buildings. The courthouse, dedicated as the Public Building in 1916, once served as City Hall, and the vision for it has been credited to John J. Raskob, the man behind the construction of the Empire State Building.

Will save exterior elements

The courthouse design is in the preliminary stages, but Pettinaro said he is committed to preserving the historic exterior architectural elements, much in the way the former post office building on the square was incorporated into the Wilmington Trust Center. As with that building, the high-rise portion would be set back from the old courthouse facade.

Current plans envision a 450,000-square-foot building that would appeal to businesses that favor Class A space near the city's important courts and corporate centers.

The Pettinaro firm, which was a prime lead developer of the Christina Riverfront area, is taking advantage of a market that is both risky and potentially lucrative for developers. Those with independent financial resources are able to take advantage of construction costs that have been driven down by the economy's decline. At the same time, tight credit markets have blunted progress

on other public and private building projects.

"They've got resources. They're not fancy," Purzycki said. "Verino [Pettinaro, the firm's founder] has always had this sense that if you build a good product, you're in a good position when the market returns."

Motivation to move up

Part of the market potential in the projects lies in the demand for Class A space from firms in accommodations with fewer amenities. "When a new building comes on line, a good portion of the market likes to move up to the Class A building, the newer, nicer building," Davisson said. "That will inspire some people when their lease is expiring."

That sense of hope contrasts with a commercial real estate market that's feeling pain from coast to coast.

With U.S. unemployment at 8.1 percent, the highest in a quarter-century, and more than 100,000 people and companies filing for bankruptcy in February, commercial property defaults are poised to rise.

"In the office market, you're starting to see signs of mammoth job losses," said Mark Scott, senior vice president of NorthMarq Capital LLC, a commercial real estate brokerage and property management company in Parsippany, N.J. "And, as people aren't buying as many goods, they're not shipping as many goods, so we have stress in the industrial market."

Commercial property prices are down almost 20 percent in the past year, and with the global recession worsening, there's "significant stress" in the market, said William Schwartz, a credit analyst at DBRS Inc. in New York.

"But it wouldn't surprise me one bit to see the Pettinaros fill this building and move on to other projects," Purzycki said.