

MEMORANDUM

The Tax Court Record: Ferrara, Smiley, and the Airport Corridor Rezoning Chain

Companion Document to “The Quiet Dismantling of Delaware’s Democratic Guardrails”

FROM: Karen Hartley-Nagle, President of New Castle County Council, 2016 to 2024
DATE: March 2026
RE: T.C. Memo. 2024-59, Parkway Gravel Inc. and Subsidiaries v. Commissioner of Internal Revenue
COURT: United States Tax Court, Chief Judge Kerrigan
DOCKET: No. 10819-21
DECIDED: May 21, 2024
STATUS: Public federal court record. Decision entered for petitioner.

I. Purpose of This Memorandum

On May 21, 2024, Chief Judge Kerrigan of the United States Tax Court issued a memorandum decision in the case of Parkway Gravel Inc. and Subsidiaries v. Commissioner of Internal Revenue. The IRS had challenged a \$4.2 million transaction as a sham. In the course of litigating that tax dispute, the court documented under oath the entire political and transactional history of how the Ferrara family, through its network of companies and its relationship with New Castle County Councilman George Smiley, rezoned a 58-acre parcel adjacent to the New Castle County Airport and sold it for \$4.2 million above its appraised value.

This memorandum extracts the findings relevant to the EO 18 report, organizes them by subject, and explains their significance to the report’s argument. Every fact cited below is drawn from the court’s own Findings of Fact, documented under oath and subject to cross-examination.

II. The Parties and Their Relationships

Greggo and Ferrara: the corporate structure

In 1948, Eugene Greggo and Nicholas Ferrara Sr. started a road construction company named Greggo and Ferrara Inc. Six years later they incorporated Parkway Gravel Inc., a Delaware sand-and-gravel mining company, which gave the cousins a means to obtain materials for road construction projects. Their sons, Vincent Greggo and Nicholas Ferrara Jr., joined the business during the 1960s and believed the business should expand into real estate development. In 1972, after Mr. Greggo returned from military service, Messrs. Greggo and Ferrara entered into a general partnership named V&N, which became the “development arm” of their larger group of companies.

The partners developed a division of labor: Mr. Greggo took the lead inside the office, focusing on internal administrative matters; Mr. Ferrara worked outside, focusing on negotiations, daily operations, and business development. Under their leadership, the group grew to 13 entities, informally known as the Greggo and Ferrara Group. During 2013 the center of the operation was Greggo and Ferrara Inc., which was “primarily engaged in the construction of roads, site development, rental of equipment and real estate and the operation of a sand plant.”

Parkway Gravel Inc. was engaged in the sale of gravel and soil and in real estate investments. It wholly owned two subsidiaries, including PG Real Estate Inc., which managed the various real estate holdings of the group. The other companies included Contractors Material LLC, Bear Materials LLC, Contractors Hauling LLC, 4048 LLC, Galleria LLC, and Cherry Island LLC. Both families were involved in the ownership of the companies within the group. The chief financial officer for Greggo and Ferrara audited the intragroup billings every few years to ensure accuracy.

Keith Stoltz: the developer with the “checkered reputation”

The court found that Keith Stoltz was a real estate developer interested in purchasing the Freeway Pit property if it could be rezoned. The court’s exact finding: “Mr. Stoltz had a checkered reputation in the New Castle community because of certain unpopular real estate developments that he had pursued.” Stoltz is based in Bala Cynwyd, Pennsylvania, and operates through Stoltz Real Estate Partners. The entity that ultimately purchased the Freeway Pit was Churchmans 273 LLC, a Delaware LLC owned by Stoltz.

Stoltz is the same developer who later built Blue Diamond Park (anchored by Amazon’s ILG1 fulfillment center), received over \$10.8 million in state grants for that site, and received \$5.4 million in TIF grants for the Churchmans Road warehouse at 550 Churchmans Road through KSIP I Piccard LLC, jointly owned with Prudential Insurance. Stoltz’s attorney, Shawn Tucker of Barnes and Thornburg, told the TIF board that the state subsidy was intended to help Stoltz lower the rent it needed to charge, improving its competitive position in negotiating with Amazon.

George Smiley: the county councilman

George Smiley served as New Castle County Councilman for District 7, which encompasses the area adjacent to the Wilmington Airport and along Churchmans Road. The court found that Mr. Ferrara “began his political work in 2006 when he first broached the topic of rezoning with George Smiley, his county councilman. By March 2007 Mr. Smiley was in favor of changing the Freeway Pit’s zoning to commercial.”

Smiley is the same councilman who later introduced Ordinance 22-143 (Application No. 2022-0335-S/Z), the Walker Farm Industrial Development, rezoning Tax Parcel 10-024.00-219 from Suburban to Industrial for an 837,200-square-foot warehouse on 61.37 acres near the same airport corridor. That rezoning was approved December 18, 2024, and recorded January 17, 2025. Smiley is also the councilman who, when the Centreville rescission vote came before Council in June 2024, did not vote.

III. The Freeway Pit: The Property

Location: 58-acre parcel on the north side of Christiana Road and the east side of Churchmans Road, New Castle, Delaware.

Adjacency: New Castle County Airport (ILG). Near Wilmington University.

Original use: Borrow pit supplying material for road construction. After it outlived its usefulness, materials and waste were removed and the site was filled in and brought to grade for development.

Zoning at time of appraisal: Industrial.

Appraised value (July 2006): \$6.9 million, given then-current industrial zoning.

Sale price (December 2012): \$11.1 million, after rezoning to commercial. \$6.9 million to Parkway Gravel; \$4.2 million to V&N for its option rights and political/development work.

Purchaser: Churchmans 273 LLC, a Delaware LLC owned by Keith Stoltz.

Before exploring the Stoltz sale, Parkway Gravel offered to sell the Freeway Pit to both the airport and Wilmington University. Neither was interested.

IV. The Political Work: How the Rezoning Happened

The arrangement

The court found that as conversations between Stoltz and Messrs. Greggo and Ferrara progressed, “Mr. Stoltz and Messrs. Greggo and Ferrara understood that Messrs. Greggo and Ferrara would lead efforts to rezone the property.” The court further found that “Mr. Ferrara’s labors were necessary because of his connections with county councilmen, Mr. Stoltz’s unfavorable reputation from prior development in New Castle County, and Apex’s lack of expertise in dealing with the political side of a deal.”

In other words: Stoltz could not get the rezoning himself because of his reputation. He needed Ferrara’s political relationships. Ferrara had the connections with county councilmen. The arrangement was explicit: Ferrara would handle the political front, while Apex Engineering, retained by Stoltz, handled the technical requirements.

Ferrara’s political work: 2006 to 2012

The court documented a six-year political campaign:

2006: Ferrara first broached the topic of rezoning with Smiley, his county councilman.

March 2007: Smiley was in favor of changing the Freeway Pit’s zoning to commercial.

2007 to 2012: Ferrara headed up efforts on the political front while Apex handled technical requirements. In addition to talking to members of the New Castle County Council, Ferrara focused on building support with the public at large. He also negotiated with DNREC regarding the status of a creek on the Freeway Pit. He took an active role with respect to road work that proved a sticking point with DLU, DelDOT, DRBA, and the FAA.

August 21, 2012: The New Castle County Council unanimously approved the major development application with commercial zoning. The plan was recorded the next day.

The FAA and flight path issue

The court found that Apex “spent the next two years in technical discussions with DLU, DelDOT, the Delaware River and Bay Authority (DRBA), and the Federal Aviation Administration (FAA) about two principal issues: (1) the construction of roads bordering the airport and on the airport grounds and (2) the height of the proposed development, as some proposed construction would

be in the airport's flight path." The height issue was resolved in June 2011, but the road issue continued into 2012.

This finding is significant because it confirms, through federal court records, that a structure built on the Freeway Pit would affect aircraft approach paths at the New Castle County Airport. This is the same aviation concern that former County Executive Tom Gordon cited when he refused to support an earlier development on this parcel. The Tax Court record documents that the FAA was directly involved in resolving the conflict between the proposed construction height and the airport's flight path.

V. The Transaction Chain: Freeway Pit to Blue Diamond Park to St. Georges

Transaction 1: The Freeway Pit (2006 to 2012)

Appraised at \$6.9 million with industrial zoning. Sold for \$11.1 million after rezoning to commercial. The \$4.2 million difference was the value of the political work. Purchaser: Churchmans 273 LLC (Stoltz). The property became the site for the proposed New Castle Town Center, a shopping center with Walmart as anchor tenant at 485,000 square feet of retail space. Stoltz later built an 890,348-square-foot warehouse at 550 Churchmans Road on a 59-acre parcel adjacent to the airport, held through KSIP I Piccard LLC jointly with Prudential Insurance, receiving \$2.5 million in TIIF grants in 2021 and \$2.9 million in 2024.

Transaction 2: Blue Diamond Park (2021 to 2026)

Stoltz purchased the Blue Diamond Park site from Parkway Gravel (the Greggo and Ferrara subsidiary) on more than 200 acres between Hamburg Road and Federal School Lane off U.S. Route 13. The park is anchored by a 1.3-million-square-foot Amazon fulfillment center, designated ILG1, that opened in late 2021. The site has received more than \$10.8 million in state grants across three years, drawn from multiple public funding channels. In April 2025, Aldi announced a \$560 million investment in a 900,000-square-foot automated distribution center at the park, with CDF approving an additional \$4.8 million in capital expenditure grants.

Transaction 3: St. Georges Business Park (2024 to present)

Parkway Gravel holds approximately 1,500 acres of development land in the Route 13 corridor south of the C&D Canal. The St. Georges Business Park plans include 3.24 million square feet of warehouse and commercial space, 366 residential units, and the demolition of the Frightland amusement park. According to Delaware Business Times reporting from January 2026, council members including Janet Kilpatrick have stated that the St. Georges plans are likely for data centers, though the county planning department had not received clarification on proposed use.

Freeway Pit. Blue Diamond Park. St. Georges. One family. One councilman. Twenty years. The Tax Court proved it.

VI. The Attorney: Shawn Tucker

Shawn Tucker of Barnes and Thornburg represented Stoltz at TIIF board hearings for the Churchmans Road warehouse and at CDF hearings for Blue Diamond Park. Tucker previously managed the New Castle County Department of Land Use. At the TIIF hearing, Tucker told the

board directly that the state subsidy was intended to help Stoltz lower the rent it needed to charge, improving its competitive position in negotiating with Amazon. At the March 2026 data center regulation hearing, Tucker, now representing developers before the county, warned that applying regulations retroactively to projects in the pipeline could end in a lawsuit.

The same attorney who ran the county's land use department now represents the developers whose projects that department reviews. The same attorney who told the state that subsidies help his client lower rent to attract Amazon now warns the county that regulating his clients' data centers could trigger litigation.

VII. The Option Agreement: How the Money Moved

On August 15, 2006, Parkway Gravel granted V&N the option to purchase the Freeway Pit for \$6.9 million. This option shifted any gain from a sale above appraised value from Parkway Gravel to V&N. On May 17, 2007, Parkway Gravel, V&N, and Churchman's Associates LLC (Stoltz) entered into an agreement for the purchase of the Freeway Pit for \$17,895,000, allocating \$6.9 million to Parkway Gravel and the remainder to V&N.

In 2012, after Stoltz walked away and then returned to the bargaining table, the final sale agreement set the total purchase price at \$11.1 million. V&N received \$4.2 million for its option rights and political work. Parkway Gravel received \$6.9 million and entered into a like-kind exchange under Section 1031, deferring tax on its proceeds. The replacement property cost approximately \$14 million, with Parkway Gravel assuming approximately \$7 million in debt.

The IRS argued the option agreement was a sham transaction and that the \$4.2 million paid to V&N was actually petitioner's income. The Tax Court disagreed, finding that V&N "made extensive efforts to rezone the property that ultimately proved essential for its sale" and that V&N "participated in the sale of the Freeway Pit in a significant manner." The court found the transaction had economic substance and was not a factual sham.

VIII. Why This Matters to the EO 18 Report

The Tax Court memorandum is significant to the report's argument for five reasons:

- 1. It documents the Ferrara-Smiley relationship under oath.** The court found that Ferrara began political work with Smiley in 2006 and that by March 2007 Smiley supported the rezoning. This is not allegation. It is a federal court finding based on testimony subject to cross-examination.
- 2. It confirms the arrangement was explicit.** Stoltz could not get the rezoning himself because of his reputation. Ferrara had the political connections. The parties understood that Ferrara would lead the political efforts. The court documented this as the basis for a valid business transaction.
- 3. It confirms the FAA flight path issue.** The court documented that some proposed construction would be in the airport's flight path, and that the FAA was directly involved in resolving the conflict. This confirms the aviation concern that Tom Gordon cited when refusing to support development on this parcel, and it confirms that the warehouse subsequently built on the rezoned property permanently altered the airport's operational capacity.
- 4. It connects the Freeway Pit to the entire Stoltz subsidy chain.** The same developer who purchased the Freeway Pit through Ferrara's political work later built Blue Diamond Park on land purchased from a Ferrara subsidiary, received over \$10.8 million in state grants, and

received \$5.4 million in TIF grants for the adjacent Churchmans Road warehouse. The Tax Court case is the origin point for a subsidy chain that now exceeds \$30 million in public money.

5. It connects directly to EO 18. Every Ferrara-Stoltz property sits in the airport corridor that EO 18's Priority Project designations are designed to accelerate. The TIS exemption eliminates the traffic studies that would have been the last friction point for warehouse projects at this scale. What took Ferrara twenty years of political work, EO 18 delivers by designation.

The relationship between Ferrara and Smiley did not need Executive Order 18. It had county council. What EO 18 does is scale the model. The concierge coordinator, the parallel review, the TIS exemption, the 120-day timeline: these are the services Ferrara had to obtain through personal political relationships. The executive order industrializes that access.

IX. Source Document

Case: Parkway Gravel Inc. and Subsidiaries v. Commissioner of Internal Revenue

Citation: T.C. Memo. 2024-59

Court: United States Tax Court

Judge: Chief Judge Kerrigan

Docket: No. 10819-21

Filed: May 21, 2024

Decision: Entered for petitioner.

PDF (KPMG): <https://kpmg.com/kpmg-us/content/dam/kpmg/taxnewsflash/pdf/2024/05/tc-memo-2024-59-may21-2024.pdf>

Official source: <https://www.ustaxcourt.gov/>

— End of Memorandum —