

METUCHEN PARKING AUTHORITY
FEBRUARY 23, 2012 MINUTES

Notice of this meeting of February 23, 2012 was given by posting the location, time and date of the meeting on the bulletin board in Borough Hall, delivering copies to the Home News Tribune and Star Ledger and filing a copy with the Borough Clerk. This has been done to comply with the Open Public Meeting Act known as Chapter 231 of the Public Laws of New Jersey.

PRESENT:

Commissioners: Len Roseman, Sean Massey, John DeFoe and Anthony Campisi
Borough Council Liaison: J.J. Muldoon
Chamber Liaison:
Legal Counsel: James Graziano, Esq.
Executive Director: Thomas Crownover

MINUTES:

The minutes of the January 17, 2012 meeting were moved for approval by Mr. DeFoe, seconded by Mr. Massey and approved unanimously.

BILLS:

Mr. DeFoe moved the bill list for approval, was seconded by Mr. Massey and approved unanimously.

CORRESPONDENCE

Lions Club request for May 19, 2012 was moved for approval by Mr. DeFoe, seconded by Mr. Massey and approved unanimously.

PEARL STREET DEVELOPMENT COMMITTEE

The regular order of business was suspended to accommodate the committee. The members of the committee present were: Will Waldron, J. Muldoon, Dan Topping, Len Roseman, John DeFoe, Pat LaGay in addition to council members Dorothy Rasmussen, James Wallace, Ron Grayzel, and Mayor Vahalla.

Mr. Roseman expressed his appreciation for Mr. Otteau's work and commented that the first word he ever said as a child was demographics. Appraiser, Jeff Otteau then presented a tour de force analyzing development options for the Pearl Street lot.

He performed market analysis to determine if there was sufficient demand for luxury apartment rentals, the size and number of such units, density and parking requirements in the context of present economic and demographic trends. For decades the demographics in New Jersey were evolving rapidly but unrecognized due to an expanding economy. Mr. Otteau focused on retail,

luxury rentals and single family home markets. Office demand, locally and statewide has been dramatically reduced by reduction in jobs. This current recession is past the 48th month mark and is far deeper than the prior 6 recessions. The pace of job recovery in New Jersey lags the nation by 5 years with December 2021 anticipated to be when lost jobs would be recovered. 73 million square feet of office space in New Jersey are looking for tenants. Negative net absorption occurred last year making the problem worse. 3.3 million square feet of vacant space exists within 5 miles of Metuchen. Rental prices of office space are in the \$20 to \$25 per square foot which is below viability of profitable construction of new space. Department of Labor projects job growth for office jobs being only 550 jobs in Middlesex County. There is simply too much vacant space to construct office space on Pearl.

There have been 25 straight months of increasing store sales but rents continue to go down for retail space. Price conscious shoppers are spending more money at big box retailers like Costco, Sams and Walmart. Access to cheap credit, prior to 2008, artificially increased demand. Retail space in New Jersey that is presently vacant stands at 40 million square feet. Metuchen has a 14.9% retail vacancy rate. Rents are extremely low and would not support construction of retail space. Local store sales are dependent on non-residents challenging their viability. Mr. Muldoon questioned this concept to which Mr. Otteau responded that a magnet like a hospital or major employer to generate “stickiness” keeps shoppers in stores.

New Jersey is grossly undersupplied with luxury rental apartments. Present apartments in Middlesex County have an average age dating back to 1964. A European model is the trend locally and nationwide. Increased rentals, declining home ownership, and increased renters by choice mark this trend. These are people who are highly mobile, high earners but not wanting to be tied to ownership in real estate. The book ends are generation Y households and 55 plus households who find lack of equity in funding their retirement. Y is 25 to 35 and larger than baby boomers. In the 1980's baby boomers were turning 35 at the rate of 10,000 per day. Y is turning 35 at 11,000 a day. The difference is that they do not have savings for a house down payment. They tend to be single and if married, childless due to a financial hardship reality. They earn 15% less than their parents did at the same age. They have spendable income but will need to earn over \$60,000 yearly to afford a luxury apartment rental, still not enough for a mortgage. Cranford is the best example of a close parallel to Metuchen. They have a train station and luxury rentals in the \$1,800 per month range. A couple of children per 100 tenants make school demand low. There is a need for 3,000 luxury rentals within 5 miles of Metuchen. Proximity to a train station enhances demand. These units will be built somewhere. The features of these luxury units often include true fitness centers and concierge services handling things like dry cleaning. Morristown has 1 and 2 bedroom rentals, at a 60 – 40 mix and a density of 70 units per acre facilitated by parking decks. Higher density is favored by developers whose profit increases also giving a higher land value to the borough.

The additional residents in this development would benefit the downtown stores and more so if no retail is built in Pearl. Mr. Otteau recommends 1.4 parking spaces per unit. Many 2 bedrooms will be occupied by singles. 250 units would require 350 parking spaces.

Questions were invited. In response to Mayor O'Brien's question, Mr. Otteau explained that many people with unfunded retirement plans are deciding to leave New Jersey or change their

life style and stay in the state but giving up home ownership even though they have good incomes and can afford luxury rentals. Ms. LaGay asked about parking space requirements. Mr. Grayzel questioned the long term maintenance of rental properties. After 30 years major rehab will be needed and the developer will have exhausted their interest in the property. Mr. Otteau said that local information is not available since there is no luxury market of that age. Looking for guidance to Manhattan's Upper East Side and European markets finds such homes have been well maintained over time. It takes 30 years to get their payoff which makes them like a homeowner protecting the long term value of their property. Selling off buildings in a short time can happen but the buyer will pay such a high price that they will have the same incentive to maintain the property over time. Avalon Bay is the type of company that holds its projects for the long term and avoids property deterioration.

Mr. Vahalla asked how much tax revenue the project would give the Borough of Metuchen. Mr. Otteau said that a one bedroom would rent for \$1,831 per month and 2 bedroom \$2,138 inflating to \$2,000 and \$2,300 at time of completion. Tax revenues on 250 units would be \$1.13 million or \$4,500 per unit. Condominiums in a viable market would give greater taxes per unit but larger units would decrease their number. Generally luxury rentals tend to be four stories and could be as many as 300. Density includes the parking structure acreage and the public space which gives a density of 71 per acre. Ms. LaGay asked what causes condo to not sell. Mortgage qualification is more challenging. Mr. Campisi asked if taxes would be greater than the revenue stream from Pearl as a parking lot. Mr. Otteau did not have Pearl information available. (2012 budgeted income for Pearl is \$556,442).

Mr. Docs addressed the authority presenting a Times article and said that parking garages have a bad rap. He mentioned doubling up of parking usage. Mr. Roseman said that 7 developers were interviewed by the committee and their evaluations will recommend the way forward to the authority.

Mr. Roseman brought up Mr. Defoe's draft of a report that the committee should be making, asking Mr. Crownover to work with it to make it publishable. The committee should also be aware of a confidential letter from Avalon Bay with proposal details that will remain confidential. It gives the authority a point of departure. The committee has resolved that Woodmont and Avalon Bay are the two best firms to recommend to the authority. The commissioners and negotiating committee can try to reach agreement with one and failing that to work with the second. Mr. Roseman suggested that working with 2 may be preferable to only 1. Ms. LaGay asked when the details might be determined. Mr. Roseman expects the planner and Jeff Otteau and a land use attorney might be needed in the negotiations before details are determined.

Following an intermission the authority returned to its normal business upon which Mr. Massey moved for a closed session for discussion of Pearl Street Development Committee's recommendations. A Second by Mr. DeFoe and unanimous approval was followed by a closed session. Upon motion to return to regular business Mr. Crownover corrected the earlier request for use of the Pearl lot by the Lions for June 9, 2012 and for the American Legion on May 20th. A motion by Mr. Massey to approve both requests was seconded by Mr. DeFoe and approved unanimously.

March 6, 2012 at 7:00PM was set for the next meeting of the Parking Authority at 25 Pearl Street.

Mr. Crownover brought up Section 125 cafeteria plans and posed the question as to whether one was required for the authority.

Mr. Crownover presented a proposal to change electric supplier for the authority. It anticipates a month to month contract with no cancellation penalty and a savings of a month to 2 months of expense.

The Director also noted the success of the govdeals.com auction that brought in over \$11,000 for surplus property.

FINANCIAL REPORT:

January Income: \$103,500.12; Year to date Income: \$103,500.12

EXECUTIVE DIRECTOR'S REPORT:

The Access program generating the Income Statement has been modified to include income from accounts that have been cancelled during the year. This is expected to correct the total year to date figures in this report.

OLD BUSINESS:

None.

NEW BUSINESS:

None.

REPORT OF COUNCIL LIASION

None.

ADJOURNMENT:

Mr. Campisi moved for adjournment, seconded by Mr. Massey with unanimous approval and the meeting was adjourned at 10:20 P.M. The next meeting of the Authority will be on March 6, 2012.

Respectfully submitted,

