

**JOINT MEETING OF THE METUCHEN PARKING AUTHORITY
AND THE PEARL STREET DEVELOPMENT COMMITTEE
MINUTES OF SEPTEMBER 6, 2012**

Notice of this special meeting of September 6, 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 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:

Mayor Thomas Vahalla; Borough Administrator William Boerth

PARKING AUTHORITY:

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

PEARL STREET DEVELOPMENT COMMITTEE:

Zoning: Pat LaGay
Development: Dan Topping
Planning: Eric Erickson
William Waldron
David Frizell

Mr. Roseman, chairman of the Authority, opened the meeting, saying that public notice of the meeting had been provided as required by law. He noted the purpose of the meeting was to hear Jeffrey Otteau and Jim Constantine speak about development proposals made by Woodmont Properties and Avalon Bay Communities.

Mr. Dyas moved approval of a written resolution to enter executive (closed) session with Mr. Campisi seconding followed by unanimous approval of the Authority commissioners.

CLOSED SESSION MINUTES

Mr. Roseman said that real estate appraiser, Jeffrey Otteau would help us understand the potential value of the Pearl lot. The end game was for the committee to recommend a developer with whom to negotiate an agreement for the development of Pearl.

Mr. Otteau referred to his packet of reference materials in which includes an annual prediction of revenue. He noted that Avalon Bay Option 2 had higher density resulting in greater revenue.

Going to land acquisition, he found Woodmont providing \$6,720,000 for 224 units plus 25 COAH units plus \$340,000 for retail generating up front cash of \$7 million plus.

Avalon Bay Option 1 by comparison includes only 9,000 ft of retail; 225 market rate homes for \$1,950,000. Avalon Bay Option 2 with 253 units provides zero for retail and \$2,850,000 up front to the Authority before construction.

Adjustments calculated by Avalon Bay include the waiver of \$600,000 in sewer fee; plaza construction subsidy; and the American Legion relocation. Net cash to the Authority works out in Avalon Bay Option 1 to \$1,000,000; Avalon Bay Option 2 to \$750,000; while Woodmont provides \$6,480,000.

The ground lease issue revolves around prevailing wage. Authority ownership requires prevailing wage which Avalon Bay wishes to avoid while Woodmont anticipates paying prevailing wage. Avalon values prevailing wage at \$1.7 and \$2 million for Options 1 and 2 respectively. Public entities must use prevailing wage labor. Avalon assumes it will not use prevailing wage.

PARKING STRUCTURE

Mr. Otteau asserted that the cost of constructing the deck is not material to Authority financial analysis. The value is in the up front cash and future income stream.

Woodmont proposes 753 spaces (compare with 670 surface spaces presently at Pearl) at a cost of about \$14,000 per space or a total of \$10 million plus. Avalon Bay puts the deck cost in the offer.

Woodmont plans that 30% of net operating income would go to the Authority. That would increase to 50% at 30 years and 100% at 40 years when ownership reverts to the Parking Authority.

Avalon proposes all net revenue from commuter and shopper parking to the Parking Authority, no property tax and the structure will be built and owned by Avalon.

Avalon Bay Option 1 plans a 650 space deck with 355 of them under Authority control without debt service deduction. Although Woodmont pays more up front, the Authority would receive less income in the early years.

Avalon Bay Option 2 includes 720 spaces with 400 for the Authority. The reference materials show revenue projections. Woodmont's projections are given two ways: conservative and aggressive with first year income either \$61,514 or \$96,509. Mr. Otteau sees first year at \$79,000 with subsequent annual increases.

Avalon Bay uses more conservative figures with pro forma Option 1 generating \$71,638 and Option 2, \$220,000. Woodmont uses \$110 per month income per space while Avalon anticipates \$60 to \$80.

Mr. Otteau observed that Woodmont provides \$6,000,000 more than Avalon up front, but less in deck revenues. Avalon Bay plans superior architecture adding \$16,000 in extra cost per apartment.

STREET LIGHTS

Woodmont would use Metuchen's existing street lamps while Avalon would use something that looked the same.

REAL ESTATE TAXES

Real estate taxes should be the same with either developer. With Woodmont's proposal, taxes are calculated (fully built and stabilized) at \$1,454,000 while Option 1 is \$1,417,000.

Apartment size will not be determined until the zoning process. Mr. Otteau expects the same size for both developers.

DISCUSSION

Woodmont's deck reverts to the Borough while Avalon's residential parking gives nothing to the Borough. Avalon intends to own the garage and assumes zero tax on it. Mr. DeFoe and Mr. Frizell commented on tax applying to private use of the deck while noting that the tax on the apartments includes the value of parking in the deck.

Mr. Roseman felt that Nexus, with a person physically present in the deck was superior to Avalon's remote supervision.

Mr. Otteau noted that Woodmont would maintain the entire plaza space while Avalon proposes to maintain only a portion of it.

Pages 2 through 7 lay out the annual benefits to the Borough. Woodmont carried the projections out to 29 and 41 years. A summary of financial terms includes 10 and 40 years cash flows. Under prevailing wage, the Borough pays Avalon; while Woodmont holds at \$6.4 million.

Using a 7% discount factor and 10 year hold to estimate present value, Woodmont's \$86,000 annual payment to the Borough represents \$592,000 additional present value over Avalon. With a 10% factor and 40 years, Woodmont generates \$10 million and Avalon Option 2, \$4.3 million.

Reversion of 753 spaces to the Borough with Woodmont was noted again. Prevailing wage was further discussed without much expectation of change by Mr. Graziano.

Mr. Frizell commented that the Affordable Housing Council prefers 15% COAH and recommended that Mr. Graziano meet with them. Metuchen's history on COAH may result in favorable treatment. COAH could change the numbers and reduce income for the Borough.

PRESENTATION OF METUCHEN BOROUGH PLANNER, JAMES CONSTANTINE

Mr. Constantine made his presentation referring to items in his written confidential report. His report was a review of the developers' proposals using design and planning criteria.

He commented that Woodmont planned deck access from the plaza while Avalon did not. All exposed areas of the parking structure would have architectural treatment with Woodmont.

He directed attention to item 2.5 in his report which noted that Avalon planned only one entrance from the end of Pearl Street and that Woodmont's two entrances for all users was more desirable.

Both developers propose a ½ acre plaza at the corner of New and Pearl Streets. Woodmont wraps the plaza in retail while Avalon does not. Retail at the plaza will help create a public space. Woodmont will turn the plaza over to the Borough. Avalon looks to the Borough to maintain the plaza.

Avalon uses EFUS, stucco/Styrofoam closer to ground level than Woodmont. He noted that this was discouraged due to vulnerability to vandalism.

Mr. Constantine noted the disruption of the American Legion would be 6 to 12 months under the Avalon Option 2 plan.

ADJOURNMENT

Mr. Dyas moved to enter open session, was seconded by Mr. Campisi and the motion carried unanimously. Mr. Dyas then moved to adjourn the meeting, was seconded by Mr. Campisi and the meeting was adjourned upon unanimous approval of the commissioners.

Respectfully submitted,

Thomas Crownover