

**Heritage Minerals Working Group**  
**MEETING SUMMARY**  
**February 4, 2016**  
**Manchester Civic Center**  
**3:00 PM**

**Call to Order**

1. Roll Call of Working Group Members:

- ✓ Mayor Ken Palmer
- ✓ Donna Markulic, Business Administrator
- ✓ Sam Fusaro, Councilman\*
- ✓ Jim Vaccaro, Councilman\*
- Lisa Parker, Chief of Police (Lt. Dolan)
- ✓ Al Yodakis, Director of Public Works
- Don Somerset, Director of Utilities
- ✓ Felicia Finn, Zoning Board
- ✓ Michele Zolezi, Planning Board
- ✓ Dave Trethaway, School Superintendent (rep. by Craig Lowentzen)
- ✓ Blanche Doran, Senior Advisory Committee
- ✓ Marge Camposano, Secretary to Mayor Palmer

\*Council members Wallis, Vaccaro and Fusaro will alternate

2. Redeveloper Representatives Attending:

- ✓ John Pagenkopf, Vice President of Development, H. Hovnanian Industries
- Susan Kyrillos, Consultant to H. Hovnanian Industries
- ✓ Robert Powell, Nassau Capital Partners
- ✓ Mike Bruno, Esq., Redevelopment Counsel for Hovsons

3. Staff Attending

- ✓ David Roberts, Township Planner, Maser Consulting
- ✓ Zachary Zeilman, Planner, Maser Consulting
- ✓ Richard Reading, Fiscal Expert, Richard B. Reading Associates

**Approval of Minutes:**

1. Approval of Meeting Summaries

- a. December 3, 2015
  - i. Distributed meeting summary from Dec 3<sup>rd</sup> internal meeting – tabled approval last time (concerns about initial feedback we got about fiscal)
  - ii. Mayor Palmer made motion to table
- b. January 21, 2016
  - i. January meeting summary tabled – John wants to clean up some of the notes

**Presentations:**

1. Introductions:

- a. Bob Powell – Nassau Capital – Hovsons Fiscal Expert
  - i. Looking at the big picture fiscal impacts for both the Township and Hovsons and making sure there is a balance going forward
- b. Mike Bruno – Hovsons Redevelopment Expert
  - i. He has been helping Hovsons with the Redevelopment Plan and we wanted to have him here in case there are questions
- c. Richard Reading – Hired as the Township Fiscal Expert

- i. **DR:** Last meeting discussed the fiscal and Richard's role. He wanted to meet with the group as soon as possible to hear any concerns from the Working Group and address any preliminary comments on the Redevelopment Plan
- ii. **RR:** Economic analyst and consultant over 35 years
- iii. **RR:** We met last Tuesday for the first time; Township retained me to assist in reviewing the economic, demographic, and fiscal implications of the Plan that has been provided; double-checking what is provided and shedding some light on the project in aggregate and development-by-development basis.
- iv. **RR:** I will also be undertaking any independent research that the Working Group may wish to see and will address any questions the WG may have.
- v. **DR:** We sent a proposal to Richard after the internal December WG meeting – Asked him to analyze the potential spillover impact on existing neighborhoods & businesses; how a long-term exemption might work based on full taxes as opposed to PILOT; also want to look at how the phasing would work & how the cost would be absorbed
  1. One of the reasons he wanted to have this meeting as soon as possible
  2. Last meeting included Bob Powell, as well
  3. Open it up to have Bob describe some of the things they are doing to have Richard analyze

#### Discussion:

1. Preliminary comments and follow-up on Working Draft Redevelopment Plan
  - a. **SF:** Pg. 2 Verbiage on the left does not agree with the table on the right
    - i. Total acreage does not match
    - ii. Dave: We took out one lot
  - b. **SF:** Pg. 10, 1<sup>st</sup> paragraph, Line 4 – line that reads: "between the Manchester High School and Municipal Building-Library Complex" needs to be corrected to reference that it is on the east side of town rather than the west side.
  - c. **SF:** Pg. 12 – "Mitigation of existing tailings and oil contamination"
    - i. There is nothing in the Plan about it, but would like to know about it
  - d. **SF:** Mention of "Heritage Highway Commercial Area"
    - i. Is that the parcel on Rt. 37? Cannot see on the map
    - ii. **JP:** Yes, that's it. The parcel is owned by Hovsons (Walenta Tract)
    - iii. Clarify on the map
  - e. **SF:** Pg. 18 – "Cell Towers"
    - i. Listed as the only Conditional Use – Should mention what the conditions are
    - ii. **DR:** That's a good catch – In that situation we would normally just reference that section of the zoning ordinance that deals with wireless communications facilities.
    - iii. **DR:** It is important to make the redevelopment plan clear on when the zoning ordinance is to be used to cover issues that are not specifically addressed in the redevelopment plan. Sometimes the zoning officer runs into problems on what standards to apply after the Plan has been adopted.
  - f. **SF:** Pg. 32 – "Ground signs"
    - i. The permitted sign sizes seem to be awfully big (800 sf)
    - ii. Understandable to want one on Rt. 37 and Rt. 70 but the one on Colonial Drive should not be that large
    - iii. **JP:** Details on signage are one of the items that are still not finalized, as Maser raised the same questions on the proposed sizes.

- g. **MZ**: There are a few discrepancies in the Table of Contents
    - i. **DR**: I haven't updated it in a while, but as we finalize the content the TOC will be updated.
    - ii. **MZ**: Section 7.5 wasn't included in the draft document TOC
  - h. **MZ**: Same comment as Sam – seems that some standards are missing
    - i. If we're going to include density and yield in the Fiscal Study, it should be added into the redevelopment plan for clarity.
  - i. **MZ**: Pg. 4, Section 2 – "In the case of the Heritage Minerals Site, the cessation of the mineral extraction left the site depleted and contaminated with concentrations of naturally occurring substances that needed to be capped and stabilized on the site."
    - i. Make more definitive and mention the substances
  - j. **MZ**: Pg. 8 – Spacing on Section 5.1 "Definitions" – fix for visual readability
  - k. **MZ**: Section 5.2 is listed as "Waivers" in the TOC and "Deviations from Plan" in the body of the document.
  - l. **MZ**: Pg. 16 – Going back to Planning Board under "Miscellaneous and Non-Residential Uses"
    - i. "Schools shall include all Academic Facilities, including Continuing Education." – Make reference to "NJ Certified School".
    - ii. **DR**: Planning Board subcommittee has been talking about more specific conditions for these uses, such as primary and secondary school – One of the recommendations in updated Master Plan is to provide those conditions in the regulations (one of the conditional use standards would be the requirement for NJ certification).
  - m. **MZ**: "Religious/Fraternal/Civic/Recreation – Item 1"
    - i. Identify as "religious establishments", which would flash back to pg. 15, Item 2 "religious organizations" to keep consistent
  - n. **MZ**: Pg. 38 – Section 6.7.4 is misplaced between 5.7.7 and 5.7.8
  - o. **AY**: Ultimately need to have the number [of units] in the Plan; Will need access point options besides the Walenta tract; and we should limit cell towers to nonresidential land bays.
    - i. **AY**: Don't want cell towers to end up in the downtown if it doesn't end up getting fully built out
    - ii. **DR**: We're talking about a combination of an overall maximum density and an overall cap in terms of yield
    - iii. **DR**: Wireless facilities could be restricted as a conditional use in the industrial zone
    - iv. **AY**: Don't really have any dead zones, more fitting to move any wireless facilities away from the residential or core area
    - v. **SF**: When we go to the NAICS, we can identify locations – Not currently prohibited in residential areas. Required distance from schools, churches, etc., but not necessarily by zone
      - 1. **DR**: You can regulate them by use category; want to keep them out of the more sensitive areas
  - p. **JV**: Did not see any parcels set aside for alternative energy zones – Might want to do so
    - i. **DR**: Want to make sure it is a permitted use in non-residential zones (passive renewable energy sources – solar, wind, etc.)
  - q. **DR**: Comments are welcome and encouraged. We'll incorporate them to create a second draft
2. **JP**: As to spillover impacts on other parts of the Township, this dialogue should be focused on the timeline or scope of how we're looking at that – We want to look at it in comparison to what the built-

out scenario of the active adult housing would be for the Township. We want to make sure it's clear what the WG is focused on.

- a. **DR:** The Working Group is focused on the scope and size of this project and how it would change the Township
- b. **DR:** At the Tuesday meeting there was some talk about the Township having an either/or fiscal analysis to compare the fiscal impact under the current settlement agreement to the Town Center fiscal impact.
- c. **DR:** The WG has expressed concern about how much development is necessary to make the Town Center feasible and the balance between residential and non-residential. Why is 6,543 units the magic number?
  - i. The WG can explore more in-depth when we have our individual discussion with Richard Reading
  - ii. **JP:** Both 2,450 and 2,205 numbers are good numbers for a feasible age-restricted development under the current settlement agreement.
    1. 2,450 final number with on-site affordable senior housing
    2. 2,205 off-site affordable housing
- d. **JP:** On the fiscal plan, we made assumptions on sales prices – trying to tie down some of the assumptions made in the fiscal – number of school age children assumed for different home types, etc. are variables that play into the fiscal
  - i. Have Richard confirm for us that those numbers work
  - ii. Bigger picture of evaluations
- e. Bob Powell –
  - i. What's going on in a project of this size that needs to be analyzed –
    1. How does a project of this scale impact the community?
    2. A parallel analysis, for which John has asked, is how the development plays out in a business perspective for the company
      - a. Two things have to be done simultaneously – we will be able to analyze the results that all of that has on the public
    3. Look at the Master Plan for the community and variables about the market – cost, real estate products (types of housing, non-residential components, etc.)
      - a. Great deal of experience we can bring on how to make that mix right for the investors
    4. Over the past 6 months, we have constantly gone back to the phasing scheme and each phase to look at how a particular mix of products play out and whether they will be absorbed
      - a. What's going on with underlying impacts of the project?
      - b. Has a bearing on timeline of public improvements
    5. At what stage of each phase single family, multifamily gets built, etc. affects school aged children; affordable housing – gets built solely as a result of the money that is made due to density, profit, etc.
  - ii. We create a series of models – worksheets about each phase with cost, revenue, timing – that helps us keep track of what is likely to happen and informs the inevitable fiscal impact analysis – will tell us when things come on the market and the cost and revenue for the municipality
    1. The size makes it one of the more complicated projects
    2. Can pretty well predict the state of the economy in 3 years, less in 20 years
    3. Our view is that results of this work will be shared with John & his team, but he is trying to be pretty transparent with the WG – we want to achieve

- discipline for the project – back and forth conversation will allow tinkering with the model and we can fix things that are problematic
4. Hope to help John with revenue side – taxes, PILOTS – and hoping to equip everyone to be able to talk about that
- iii. **JP:** The fiscal plan done before today shows that the project is fiscally positive for the Township in all four phases; the Township designates Hovsons as the redeveloper
1. **JP:** Can't get into those points until the zoning is in place
  2. **JP:** Variables come into play during developers agreement process
  3. **DR:** We talked about some of the assumptions in terms of non-residential development – there's a relationship between res. & retail, but there's also a relationship that's not necessarily talked about with residential & non-retail (industrial, etc.). Their models deal with those aspects as well
  4. **DR:** WG has been struggling with the total number of residential units – some of this may be explained by what we are being told is the need for 6000 units to support 100,000 sf retail for a town center
  5. **JP:** We started with 6,000 new rooftops – when we sat with traffic experts, including John Jahr of Maser, and they suggested to bump the number up to test the traffic impact as a conservative analysis. We (Hovsons) thought 6,800 homes could be supported by the infrastructure (with certain improvements), but looking at the preliminary fiscal numbers, we needed to bring it down. 6,543 provides for a good mix of homes and is supportable.
  6. **DR:** There is certainly enough land to reach those numbers.
- iv. **Mayor:** There is a trend of people leaving NJ and Ocean County – when asking for 6,543 units, what is going to pull people to Manchester? You touched on it in the kickoff meeting about making a draw with medical center, etc. Is there a trend saying it would work?
1. **JP:** Medical center was a job creating component that could draw people here
  2. **Mayor:** Is it the *Route 37 Vision* that the county put together? What was the basis to conclude that people will buy these units?
  3. **JP:** National builders want to build walkable communities; the Surgeon General came out saying we should be less-auto-dependent.
  4. **JP:** The community will have a core for the village/Town Center, plus 5,000 acres of open space and eco-tourism; There's not much available land north of here; The idea that we have a master planned community, but that the village and surrounding homes are connected is attractive to major builders who do the major demographic work – it's a unique community that you can't find in Toms River, Brick, etc. You're south of I-195, but it's a different demographic and these amenities will draw people and offer a less expensive alternative to Monmouth and Mercer County.
- v. **FF:** But where do these people work? It's not a commutable community. It makes me nervous that we build it and they won't come
1. **JP:** Ocean County today has highest number of commuters in the State, we don't see that trend changing in the future. We have enough land in our Town Center that maybe we can attract retail and business;
  2. **JP:** We will also include park & ride and we're talking to Academy Bus
  3. **BP:** Mayor's and Felicia's concerns are right on target –
    - a. **BP:** The positive is that we have the ability to create a distinctive residential place way more cost-effective than similar developments in

other parts of NJ today – Mixing residential, retail, and recreation is expensive, making housing prices high and inaccessible to certain demographic strata in NJ. We have the ability to deliver that here in a more cost-effective way.

- b. **BP:** I don't want to underestimate the challenge that this region has in job creation. Any economy starts with employment. This suggests that the team needs to continue the conversation as to how this project can accelerate job growth. You're not going to attract a lot of manufacturing, but growth in NJ has primarily been in medical/healthcare and education since the recession – Don't know what that means particularly, but there is land and well-educated people here
  - c. **BP:** The first reality check is not to go to experts, but to go to the people who risk their money building these communities – We have talked to our friends in the building community and they don't share the pessimism. There's a lot of interest by regional and national homebuilders, which makes us feel at ease. Here you can sell/rent really nice houses with amenities and walkability for much less
  - vi. **DR:** Interest by homebuilders applies to the residential component, but the unique part is the mix of retail and residential.
  - vii. **DR:** In order to attract any industrial uses, the idea of freight rail would provide an asset to the site – don't know how feasible that is
  - viii. **JP:** We need to consider two questions to make changes to fiscal analysis for comparison
    1. Municipal impacts, particularly on roads, where across the Township the majority are private
      - a. **AY:** Our two main residential communities are grid – very straight-forward – snowplowing, garbage collection in this kind of community with alleys is not something the Township is equipped to handle currently.
      - b. **DR:** Should function like a normal project anywhere else with regard to townhouse and apartment development providing for their own solid waste collection, plowing of parking lots and private drives, etc.
    2. **JP:** They are now looking at removing the revenue assumptions from the industrial components in the fiscal based on WG comments – the residential and retail work together, but the industrial market is independent of the residential "critical mass".
  - ix. **DR:** John's team has begun to develop concept layouts with selected land bays to see how many units they would yield – Al, Don and Dave met with John on Monday and gave concerns about costs for public works and utilities.
3. Fiscal Impact Analysis – Discussion with Richard Reading (Closed session: *John, Bob, Mike leave the room*)
- a. **Mayor:** We covered the main issues, but let's go around the room for additional comments
  - b. **AY:** John touched on the two numbers of 2250, 2405 – which are both correct – he's talking about including affordable units within this project, but we're already maxed out with senior housing in this project – not sure how that would play out

- i. **DR:** Court master has advised the Court that Manchester has demonstrated a good faith effort to provide affordable housing, but that the settlement agreements need to be renegotiated. Some of the affordable housing will need to be onsite. The settlement agreement was partially based on Regional Contribution Agreements that are no longer allowed in the COAH Rules, so we will be talking to them about it being onsite in a way that allows affordable to be all non-age restricted.
- ii. **DR:** The goal is to avoid segregation of affordable housing in separate buildings.
  1. In Hoboken, when you need a Use Variance of any kind, it triggers a 10% affordable housing requirement
  2. It's difficult to mix condos and rentals in the same property. The Hoboken ordinance requires that affordable units be comparable in size and quality to market rate units. How do we design an affordable project and make it similar to a market rate project?
- c. **FF:** Afraid we'll build this and no one will come – we need an attraction. A lot of towns are looking into a Town Center concept now. I sell real estate and it's hard for me to get people to want to come to Manchester
  - i. **DR:** One thing we've heard in PB meetings is Rt 70 being substandard
  - ii. **AY:** Keep hearing if they can't do this, they will go back to the active adult
  - iii. **Mayor:** How many people do we have in NJ that want to stay here?
  - iv. **RR:** Town Center concept in Jackson is right off I-195; Manalapan, Glassboro have town center type proposals. The trend is towards this type of development – you need to be ahead of the curve.
- d. **FF:** Who's paying for the services?
  - i. **RR:** You need more of everything in terms of municipal service capacity. Can't use standard incremental formula in Manchester because of the predominance of adult communities that provide many of the services that the Township would otherwise have to provide.
    1. **DR:** In prior meetings Hovsons has committed to providing Rich anything he needs to make this determination
- e. **RR:** All of their estimates are based on 80% of the demand for the new residential in the Town Center would come from outside of Manchester and 20% of the Town Center demand would come internally from Manchester – meaning 1,300 units would be vacated in Manchester by existing residents moving to the Town Center.
  - i. Assuming everyone wants to live in this place, what happens to the existing housing?
  - ii. What are the revenues and costs as is under the current settlement agreement?
  - iii. What is the alternative Plan impact?
- f. **MZ:** The Town Center is the way that they're moving in the Northeast region – I think it's a good plan and sustainable development is on the rise. However, I think 6,543 is a lot for Manchester to absorb. When looking at financial analysis, at what point or mixture of uses is it sufficient to support a reasonably sized amount of development? What is the point of saturation and can we make sure that the fiscal makes sense and we will have enough that we can improve roads, etc.
  - i. **MZ:** Think concept is good – size of the project is so huge, it makes it intangible – 20 years is a long time – what if we have another market crash? At what point can we say we've built enough?
  - ii. **MZ:** I think people will commute – people are migrating – but don't want to just build and assume that they will come.

- iii. **DR:** If we only get through Phase 1, we want to make sure that Phase 1 can stand on its own.
- iv. **RR:** The most fiscally positive projects should be put in the initial phases
  - 1. As your base grows each year, your revenue grows and you can do more with the infrastructure – less viable phases go to the end of the buildout.
- v. **DR:** We identified the boulevard linking Route 70 and Route 37 in the Plan as being a benefit to the Township no matter what the ultimate buildout becomes.
- vi. Insular development – rooftops needed to support the amount of retail do not all need to be in the Town Center. There is a good chance that this will draw from the rest of Manchester because of the waterfront “sense of place”.
- g. **CL:** With the exception of the high school, we’re pretty maxed out everywhere else – how soon are we looking at a new school? That comes with additional costs for staffing and it takes time to build a brand new school.
- h. **CL:** A lot of amenities are far away from Manchester – how will this impact us in the first phase and how will it grow in the following phases? What are we building around the Town Center?
  - i. **DR:** Their FIS provided a rationale for how they will deal with the schools –both capital cost & operating costs.
  - ii. **RR:** Even on a phased development, there’s no way to double the school enrollment without initial capital costs
  - iii. **CL:** Taxpayers support 88% of our budget – in reality we should be getting 40-50% state aid when we only get 10% because of the formula that is used
- i. **SF:** The Council’s challenge has been in attracting and keeping commercial entities – They don’t like our demographics – mostly senior citizens with limited disposable income – hard to live on \$34,000 a year even in Ocean County.
  - i. **SF:** Looking at a population increase of 40-50%, does that make us better in the commercial view? If it doesn’t they’re not going to get their 3 million SF of nonresidential space that is suggested in the FIS.
- j. **SF:** I agree with their number of 20% [of internal relocation within Manchester] – I think it might even be higher because our two main developments are old.
  - i. **SF:** Once you’re here, you love it here, so people will migrate to a new community in droves – you already see it. That’s going to impact existing housing stock
- k. **SF:** I think homes will sell – people I know are commuting on a daily basis to places like New York City
- l. **SF:** Getting a “game changer”, such as a satellite campus of a university, is key
  - i. **SF:** The Town Center needs to be unique to attract people and get the demographics to support the retail
  - ii. **MZ/SF:** Don’t think a 2,000 unit adult community will sell – already oversaturated here
  - iii. **SF:** Rail into the site is a game changer, especially if we can link it to Red Bank – don’t want to get excitement up until there is something plausible – looking into passenger & freight service would differentiate us from Jackson, Lacey, etc.
  - iv. **SF:** School formula – supposed to be based on ratables rather than school children, so Manchester loses aid because of the way the formula applies to the Township because of the disproportionate population of seniors
    - 1. **SF:** An increase in school children might mean more than the current 10% state aid – have to look at the formula for that
    - 2. **DR:** WG talked about the PILOT from a long term tax exemption – Effects the schools because the schools would not automatically receive money from the PILOT payment unless the Township allocates it to the schools, but the County



would only receive 5% of the PILOT as compared to the usual 10 to 15% of the tax revenue.

- m. **DR:** Anticipates to run the fiscal impact based on full taxes and then compare with a PILOT
  - i. **RR:** Have to cover all of revenues and costs before we start thinking about a PILOT
- n. **JV:** Would like to know the developer's commitment to building schools, park & ride centers, ambulance, fire service, etc.
  - i. **JV:** I'm not against the project at all, but I hope the outcome does not produce foreclosure centers in Manchester. It would affect all of the senior communities because we won't be able to compete and sell our homes – could be detrimental – have almost 400 foreclosures now.
  - ii. **DR:** We need to determine the potential resale value of the older markets.
  - iii. At other meetings, we talked about wanting a police substation
    - 1. **DR:** That's a Plan item that should be included
    - 2. **JV:** That's just brick and mortar – still need the equipment and staff
- o. **RR:** The Township in the past has accommodated growth of this magnitude – it's not out of the question. But, since 2006, the Township hasn't built more than 4 units a year.
- p. **SF:** Not much developable land left outside of Heritage that does have major restrictions from Pinelands or CAFRA

**Next meeting:**

February 18, 2016

**Adjournment:**

Meeting adjourned at 4:45pm