

## **Landfill and Station Area Redevelopment Update July 2008**

This update is to detail the events leading to the council decision on Monday July 7, to solicit further Qualifications from developers for the Somerville landfill redevelopment project.

The decision was not an easy one and was made only after significant evaluation of the proposal, redevelopment plan, and other documentation and input from many sources.

The following is the chronology of recent events:

On October 29, 2007, the Borough of Somerville in conjunction with NJ Transit issued a Request for Qualifications & Proposals for the redevelopment of the Landfill and Station Area, the final submission date was March 14, 2008. From the issue date through December of 2007 over 60 copies of the request were distributed to interested companies.

On March 14, 2008, the Borough received only one proposal from a team of development partners consisting of Pulte Homes, Inc., AvalonBay Communities, Inc., and Rockefeller Group Development Corporation.

On April 21, 2008, this group made a public presentation of their proposal at the Borough Council and answered questions from the council and public in attendance.

Following this presentation the Borough's proposal review committee conducted a detailed review of the proposal and prepared a report for the council to consider. This committee consists of representatives of the Borough, NJ Transit, Regional Plan Association, County of Somerset, and NJ Department of Transportation

The consensus of the proposal review committee was that the proposal submitted did not adequately address some of the goals and objectives of the RFQ/P, Vision Plan, and Redevelopment Plan.

Based on the committee's preliminary findings report and the lack of response to the RFQ/P, the Council asked an independent organization to conduct interviews of redevelopers who received the RFQ/P, but did not submit a proposal. Specifically to determine the strength and weaknesses of the project in general and the RFQ/P in particular, and to determine if there were other reasons proposals were not submitted. In addition, they were asked to talk to developers who had not received a copy of the RFQ/P to verify the results. These interviews were anonymous with the Borough not knowing who the respondents were or what they had stated.

These interviews as could be expected revealed both positive and negative aspects to the project. More importantly, they revealed there are no major flaws in the project or its supporting plans, the Redevelopment Plan and the Vision Plan.

The collapse of the financial and housing markets was seen as the major contributor to the lack of response, with a number of others compounding the issue, the following are highlights of the study.

### Positive aspects of the project and process:

- Site location, proximity to train station, demographics, Transit-Oriented Development opportunities.
- Well-balanced development program – mixed-use, attractive densities.
- Attractive overall urban design plan and redevelopment concept.
- Minor technical issues (where to cross the wetlands; details of design guidelines), but no major issues.
- Town has its act together and did its homework.
- Town's professionals and consultants are credible and well-respected.

### Negative aspects, which ultimately determined non-submission of Proposals:

- Poor timing for RFP submission – too close to real estate market meltdown.

- Current down market and severe restrictions in the capital markets for real estate financing create additional and considerable short-term difficulties.
- Project size and complexity more than most small to medium size NJ developers can handle
- For small/medium size NJ developers, the responsibility for assembling and subsequently managing a team of partner organizations poses serious management challenges.
- Developer responsibility for environmental clean-up/remediation poses high levels of uncertainty and financial risk. Borough needs to clarify and detail funding and requirements
- Upfront costs are too high. Developer profits would only be realized too far into the future.
- Inability to take on smaller components/phases as a freestanding project.

The review committee incorporated this information into their preliminary findings report and created a final report for presentation to the council. This report included a series of alternative actions and the advantage or disadvantage of each as seen by the committee.

The alternatives for consideration were:

Alternative	Advantage	Disadvantage
<b>Accept proposal as is</b>	Developer claims they can start once RD agreement is signed	Will take time to create a workable RD agreement with three entities Borough and NJT
	It is a proposal	taking the only proposal in a "down market" would be unwise  No other concepts to compare the proposal to other than Vision and RD Plans
	Roughly follows the land use Plan ) though it significantly differs in many areas )	Would have to negotiate significant changes to proposal to better reflect RD Plan Time consuming, costly and doesn't guarantee a better result
<b>Negotiate Modification</b>	Reflect project closer to what is specified in RD Plan	Adds cost, could take up to 12 months  No guarantee agreement could be reached  Could be persuaded to make concessions contradictory to RD Plan to move project forward

Alternative	Advantage	Disadvantage
<b>Do not accept Proposal</b>	<p>Allows market to calm down</p> <p>Reduces exposure to accepting a proposal that differs widely from RD Plan</p> <p>Allows time to re-evaluate project elements and modify if needed can re-issue request at any time</p>	Adds time to project
<b>Do not accept Proposal Re-issue within one month</b>	<p>Do not reject current proposal outright proposers decision to use as a qualification package for further consideration</p> <p>Allows us to target specific developers From outside the region</p> <p>Already have inquiries from interested parties</p> <p>Allows pre-qualifying of prospects</p> <p>Selection can occur within same time frame as a re-negotiation of current proposal would take</p>	<p>Proposer may change mind and withdraw</p> <p>Limited or no response</p>

Resulting from the final report and recommendation of the review committee and the developer interviews, the Borough Council determined that in the best interests of the Borough, that the fourth alternative was the best solution given the current market conditions. The decision was that the Borough would not accept the submitted proposal but not reject it either; instead, with the proposer's permission, it would be kept for consideration once the following actions are complete.

Starting immediately, the Borough will prepare a Request for Qualifications for issuance early August 2008. Upon receipt of qualifications from interested developers, the redevelopment committee will interview developers to discuss the project and then invite them to submit detailed proposals. The Borough has extended to the current proposer the opportunity to resubmit its qualifications or have the Borough consider its existing proposal and the qualifications contained within as its response to the new RFQ.

This decision is not a reflection on the current proposers ability to undertake the project but a reflection of the concern the Borough as a whole has for the redevelopment of this site and memories of a prior one-proposer project that failed. Additionally, the review committee had no comparative references to compare the project to, making the recommendation to accept or decline the proposal all the harder. The evaluation process was very detailed and took many weeks to complete; all members were in agreement with the results.