



## BOROUGH OF MILFORD

P.O. Box 507, Milford, New Jersey, 08848-0507

Phone: 908-995-4323

Fax: 908-995-2343

Email: [info@milfordnj.org](mailto:info@milfordnj.org)

[www.milfordnj.org](http://www.milfordnj.org)

---

### INTRODUCTORY STATEMENT

The market analysis, as prepared by Jeffrey Donohoe Associates, L.L.C., entitled the Highest and Best Use Evaluation of the Curtis Paper Property (the "Analysis"), was commissioned by the Milford Borough Redevelopment Authority.

The Milford Borough Redevelopment Authority deemed it essential that said Analysis be commissioned, as part of the Authority's due diligence, prior to engaging in any substantive negotiation with prospective developers.

Readers should be cautioned that the projections and conclusions contained in this Analysis are based upon various assumptions which may or may not be applicable and which, if applicable, are subject to change.

### THE MILFORD BOROUGH REDEVELOPMENT AUTHORITY

January 22, 2007

**HIGHEST & BEST USE  
EVALUATION OF  
THE CURTIS PAPER PROPERTY**

**MILFORD, NEW JERSEY**

**SEPTEMBER 2006**



Prepared for

**THE BOROUGH OF MILFORD, NEW JERSEY**

**JAMES GALLOS, MAYOR**

**P.O. BOX 507**

**MILFORD, NEW JERSEY 08848**

Prepared by

**JEFFREY DONOHOE ASSOCIATES LLC**

**1000 ELM STREET, 19<sup>TH</sup> FLOOR**

**P.O. BOX 417**

**MANCHESTER, NEW HAMPSHIRE 03105**

**(603) 568-5912**

**(603) 746-6526 FAX**

**JEFF@TEAMDONOHOE.COM**

## **Introduction**

Jeffrey Donohoe Associates (JDA) was retained to provide a highest and best use evaluation of the Curtis Specialty Paper site, located in the Borough of Milford, New Jersey. The completion of a highest and best use analysis is a multi-step process, which evaluates:

- Uses which are physically possible on the site;
- Uses which are legally permissible on the site; and
- Uses which are maximally productive, from a financial perspective.

A highest and best use analysis can be an iterative process, particularly for a larger site which can accommodate more than one use, or on a site which is located in more than one zoning district.

This analysis includes a description of the subject property, including site-specific features, such as site access and visibility, topography and significant development constraints. In addition, this analysis reviews trends in specific sectors of the real estate market, including office uses, retail uses and housing. Drivers of demand in these areas, such as consumer spending, employment/unemployment and job creation, are evaluated to provide a context for activity in the real estate market.

In addition, this analysis also considers the potential impact of environmental remediation costs on the potential marketability and developability of the Curtis Paper property. Specifically, the estimated costs for remediation are evaluated in the context of the density that would be required in order for the project to make financial sense to a developer – in other words, how much development would be required on the site in order for a developer to be able to recover the environmental clean-up costs.

## **Data Sources**

This analysis considers a variety of published and private data sources. In particular, data from the 2000 U.S. Census, updated by Claritas, a national demographic service, to provide current estimates of population, housing units and income, was central to the analysis. In addition, other data sources include:

- Redevelopment Plan for the Curtis Paper Mill Site, prepared by T&M Associates, November 15, 2004;
- Preliminary Remediation/Demolition Cost Estimates, prepared by Langan Engineering & Environmental Services, September 30, 2005;
- Borough of Milford Zoning Code;
- Borough of Milford Tax Maps;
- Borough of Milford Master Plan Element and Fair Share Plan, prepared by Mary M. Moody, AICP, September 28, 2005;

- Borough of Milford Master Plan Reexamination Report & Updates of the Circulation Plan, Community Facilities Plan, Recreation Plan & Utilities Plan, prepared by John Madden and Associates and Mary M. Moody, AICP, July 24, 2002;
- Marshall Valuation Service, and the Marshall & Swift Commercial Cost Estimator;
- CB Richard Ellis Industrial and Office Market Statistics;
- Garden State Multiple Listing Service data;
- U.S. Census data; and
- Customized demographic and market information from Claritas, Inc.

### **Site Description**

The Curtis Specialty Paper Mill site in Milford includes approximately 70 acres of land in two parcels. The two parcels generally run north-south, and are separated by a Conrail rail line.<sup>1</sup>

The first parcel includes the main manufacturing facilities and the majority of improvements to the site. This property, identified as Map 12, Block 19, Lot 51, includes a reported 56.54 acres of land. The northern portion of this parcel is predominantly wetlands and undeveloped property, generally running between existing residential units along Frenchtown Road and Carpenter Street. Milford Creek meanders south along the easternmost portion of the property towards Ravine Road, where it turns and crosses the rail line and second parcel, and meets up with the Delaware River. The southern section of this parcel includes the primary mill building, loading docks/shipping areas and several outbuildings.

The second parcel is identified as Map 12, Block 13, Lot 5.01, which includes 12.84 acres of land. This parcel is narrow, being bordered to the east by the Conrail line and to the west by the Delaware River. The parcel appears to have no road frontage, due to the presence of the rail line. This parcel has several structures associated with a water treatment plant which formerly operated on the site.

In general, the property slopes down from Frenchtown Road towards the Delaware River, in an east-to-west manner. In general, the portions of the site nearest to Frenchtown Road are somewhat level, though there is a slight sloping from the front of the mill to the rear.

Access to the property is primarily from Frenchtown Road, where the property enjoys 2,000 feet of road frontage. The property also includes 205 feet of frontage on Ravine Road (off Frenchtown Road) and 340 feet of frontage on Delaware Avenue (off Ravine Road). In addition, Carpenter Street dead-ends at the subject property.

---

<sup>1</sup> It should be noted that the Curtis Paper property abuts the municipal boundary with Alexandria Township, and that the portion of the Curtis Paper property located within Alexandria Township has reportedly been listed by the U.S. Environmental Protection Agency as a Super Fund site. This analysis assumes that the abutting property in Alexandria Township will not negatively affect the marketing and redevelopment of the Milford portion of the Curtis Specialty Paper property.

Access and visibility of the site are both considered to be good to excellent. However, any redevelopment of the site should consider the addition of turning lanes to reduce traffic issues due to the volume and speed of traffic along Frenchtown Road.

The site has significant development constraints. First and foremost, the existing structures must be demolished. In addition, the site has significant environmental contamination issues which must be addressed before any redevelopment of the site can occur. According to the Langan report, the site requires environmental remediation of an estimated \$2.3 million. In addition, before the estimated \$3.7 million in on-site demolition can be completed, asbestos removal will have to be completed for between \$4.0 and \$5.1 million.

This brings the potential investment in the property for environmental issues and demolition to between \$10.0 and \$11.1 million. This equates to an investment of between \$143,000 and \$158,000 per acre for the 70 acre site. When those portions of the site that have environmental constraints are eliminated, the net developable acreage is approximately 39.5 acres, indicating an average cost for demolition and environmental remediation of \$253,000 to \$281,000 per acre.

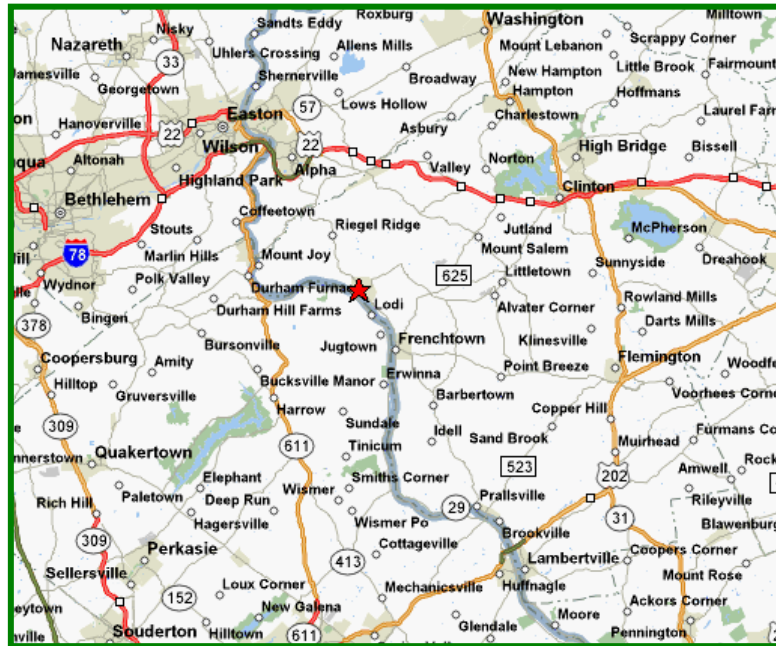
In addition to the cost issues associated with the property, there are other issues, not directly related to the site, which must also be considered. In particular, the community's school system has limited capacity to support additional students, and therefore development of traditional family housing on the Curtis Paper site could have a significant negative fiscal impact on the community. Traffic has also been identified as a potential issue associated with the redevelopment of the Curtis Paper property.

Water and sewer capacity must also be considered before any redevelopment of the Curtis Paper site can be undertaken. The community has its own water system, and a shared sewer system with Holland Township. The community is in the process of obtaining permits for drilling two new wells, which is being undertaken to resolve arsenic issues in the existing supply, and to ensure sufficient capacity to meet the needs of the community. However, redevelopment of the Curtis Paper site may require an expansion of the sewer plant, or possibly the creation of a second sewer plant. This issue requires further study by an experienced engineering firm, as it could have a significant impact on the ability to redevelop the Curtis Paper site.

## Locational Context

The Borough of Milford is a small community, located in the western portion of the State of New Jersey, along the Delaware River. The community enjoys excellent east-west access via Interstate 78 and Route 22. Interstate 78 provides access to Easton and Allentown, Pennsylvania to the west, and across New Jersey to New York City to the east. However, travel times from the center of Milford to Interstate 78 are 10 to 15 minutes.

North-south access is more problematic from Milford, especially for industrial and assembly-type uses. The primary north-south route is Route 611 in Pennsylvania, which provides access to Philadelphia to the south, and north to Eaton and Stroudsburg (via Pennsylvania Route 33). North-south access within New Jersey is principally via New Jersey Route 29, which proceeds south towards Trenton, and County road 519 and 619, which proceed north.



The Borough of Milford is located approximately 80 minutes drive from both Manhattan and Philadelphia. New Jersey Transit's Raritan Valley Line provides public transportation access to New York City via Newark, though residents must travel to High Bridge or Annandale to catch the train. Public transportation to Philadelphia is available from the Southeastern Pennsylvania Transportation Authority in Doylestown, approximately half way between Milford and Philadelphia. Given the rural nature of Milford's location, and the limited access to public transportation, it is not surprising that the 2000 U.S. Census indicated that just 18 of 595 workers relied upon public transportation to get to and from work. In fact, more residents (22) walked to work than took public transportation at the time of the 2000 Census.

Despite the community's location within a commuting distance of less than 90 minutes to either New York City or Philadelphia, very few residents commute to either city, according to data from the 2000 U.S. Census. A review of journey-to-work data indicates that almost 57% of Milford residents commute to a job within Hunterdon County.

<b>Table 1 Journey-to-Work Data Milford Borough</b>		
<b>Location</b>	<b>#</b>	<b>Percent</b>
Milford Borough	74	12.4%
Rest of Hunterdon County	264	44.4%
Mercer County	25	4.2%
Middlesex County	22	3.7%
Monmouth County	9	1.5%
Morris County	12	2.0%
Somerset County	89	15.0%
Union County	17	2.9%
Warren County	29	4.9%
Rest of NJ	10	1.7%
Bucks County, PA	27	4.5%
Rest of PA	11	1.8%
Other	6	1.0%
<b>Total</b>	<b>595</b>	<b>100.0%</b>

Source: Census 2000

Somerset County is the only other location that accounts for more than 5% of the 595 workers included in the 2000 Census data. Almost 90 workers, or 15%, commute to Somerset County. Between 3% and 5% of workers commuted to Mercer, Middlesex and Warren counties in New Jersey and Bucks County, Pennsylvania at the time of the 2000 Census. It is interesting to note that the 2000 Census indicates that more than 93% of Hunterdon County residents worked within the State at the time of the Census. This is similar to data for Milford Borough. Despite the proximity of the County to Pennsylvania and the good access to Interstate 78, just 3.2% of residents worked in Pennsylvania.

<b>Table 2 Journey-to-Work Data Hunterdon County</b>	
<b>Location</b>	<b>Percent</b>
Hunterdon County	41.3%
Somerset County	20.8%
Other NJ Counties	31.4%
Pennsylvania	3.2%
Elsewhere	3.3%
<b>Total</b>	<b>100.0%</b>

Source: Census 2000

Only 3.3% of Hunterdon County residents did not work in either New Jersey or Pennsylvania. The majority of these (2.6%) worked in New York.

The rural nature of Milford, and the distance to Interstate 78, is reflected in average travel times to work for local residents. As summarized in the Table below, Milford residents have a longer average commute than other residents of Hunterdon County or the State of New Jersey.

<b>Table 3 Travel Time to Work</b>			
	<b>Milford Borough</b>	<b>Hunterdon County</b>	<b>State of NJ</b>
Worked at home	11	3,665	106,556
< 15 Minutes	104	12,149	929,827
15 - 29 minutes	160	15,188	1,218,264
30 - 44 minutes	155	13,602	758,258
45 - 59 minutes	76	8,773	352,609
Over 1 hour	89	8,982	510,919
<b>Total</b>	<b>595</b>	<b>62,359</b>	<b>3,876,433</b>
Worked at home	1.8%	5.9%	2.7%
< 15 Minutes	17.5%	19.5%	24.0%
15 - 29 minutes	26.9%	24.4%	31.4%
30 - 44 minutes	26.1%	21.8%	19.6%
45 - 59 minutes	12.8%	14.1%	9.1%
Over 1 hour	15.0%	14.4%	13.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Source: Census 2000			

According to data from Census 2000, just of 46% of Milford residents had a commute of less than 30 minutes at the time of the 2000 Census, as compared with almost 50% for Hunterdon County and more than 58% for the State as a whole. Moreover, Milford had a higher percentage of residents commuting more than an hour each way to work, as compared to the County and the State.

### Land Use and New Construction

In terms of land use, the community is predominantly residential in nature. With the exception of the Bridge Street retail district, and some scattered non-residential uses along County Road 519 and Railroad Avenue, the community is almost exclusively residential. In addition, because of its small size (just over 1 square mile), as well as flood plain constraints and the steep slopes in many areas of the community, the community is considered virtually built-out.

Unlike many other areas of New Jersey, Milford has not experienced substantial new construction over the past ten years. According to data from the New Jersey State Data Center,

in the ten years from 1996 through 2005, the community experienced construction of just 28 new single family homes (an average of less than three per year) and no multi-family development. It is interesting to note that there was no reported new development in the community between 2000 and 2002. Since 2003, an average of 6 new single family homes have been built annually.

<b>Table 4 Historic Building Permit Activity Milford Borough</b>		
<b>Year</b>	<b>Single Family</b>	<b>Multi- Family</b>
1996	3	0
1997	4	0
1998	1	0
1999	2	0
2000	0	0
2001	0	0
2002	0	0
2003	6	0
2004	7	0
2005	5	0
<b>Total</b>	<b>28</b>	<b>0</b>

Source: New Jersey State Data Center

Table 5 below provides a summary of recent trends in population, households and housing units. As shown, the 2000 Census identified a decline in population between 1990 and 2000. Households and housing units also showed a decline. More recent data indicates that the community has begun to experience growth again. According to the New Jersey State Data Center, the estimated 2006 population of Milford is 1,215.

<b>Table 5 Summary of Housing and Population Trends Milford, New Jersey</b>						
	<b>1990 Census</b>	<b>2000 Census</b>	<b>2006 Estimate</b>	<b>%Change 2000-2006</b>	<b>2011 Projection</b>	<b>%Change 2006-2011</b>
Population	1,273	1,195	1,215	1.67%	1,234	1.55%
Households	509	469	479	2.13%	489	2.03%
Housing Units	528	484	497	2.69%	510	2.55%

Source: U.S. Census, New Jersey State Data Center and Claritas, Inc.

It is interesting to note that at the time of the 2000 Census, Milford had just 15 housing units that were not occupied. Of these units, the majority (11) were available for-sale. Perhaps more importantly, despite the presence of the Delaware River as an amenity, the Census did not identify any housing units that were seasonal or vacation homes in Milford.

As shown in Table 6 below, Hunterdon County’s population, households and housing units grew much faster than Milford’s between 2000 and 2006. Population in Hunterdon County as a whole grew at five times the rate of growth in Milford. The number of housing units in the County increased by more than 8% between 2000 and 2006, as compared to less than 2.7% in Milford. Similarly, the number of households in the County increased by 9.5%, well above the 2.1% pace of growth in Milford between 2000 and 2006.

<b>Table 6 Summary of Housing and Population Trends Hunterdon County, New Jersey</b>						
	<b>1990 Census</b>	<b>2000 Census</b>	<b>2006 Estimate</b>	<b>%Change 2000-2006</b>	<b>2011 Projection</b>	<b>%Change 2006-2011</b>
Population	107,776	121,989	132,085	8.28%	140,285	6.21%
Households	38,152	43,678	47,827	9.50%	51,115	6.87%
Housing Units	39,987	45,032	48,750	8.26%	52,101	6.87%

Source: U.S. Census and Claritas, Inc.

In terms of median household income, Milford has been consistently below the County’s median income. Hunterdon County’s median household income was 21% higher than Milford’s in 1990. By the time of the 2000 U.S. Census, the difference had increased to almost 50%. In 2006, the difference was estimated to be almost 37%%, with the median household income in Milford at \$67,935, as compared to the County’s estimated median income of \$92,983. Table 6 provides a summary of median household income data for the Borough and the County from 1990 through the 2011 projection.

<b>Table 7 Summary of Median Household Income Milford and Hunterdon County, New Jersey</b>						
	<b>1990 Census</b>	<b>2000 Census</b>	<b>2006 Estimate</b>	<b>%Change 2000-2006</b>	<b>2011 Projection</b>	<b>%Change 2006-2011</b>
Milford	\$45,074	\$53,719	\$67,935	26.46%	\$74,383	9.49%
Hunterdon County	\$54,628	\$80,353	\$92,983	15.72%	\$102,300	10.02%
Difference - \$	\$9,554	\$26,634	\$25,048		\$27,917	
Difference - %	21.20%	49.58%	36.87%		37.53%	

Source: U.S. Census and Claritas, Inc.

## Indicators of Demand

This section evaluates a variety of demand indicators, which provide information about the region's job growth, retail activity and real estate market segments. This information will serve as inputs into the highest and best use analysis.

### Labor Force and Job Growth

The State of New Jersey provides detailed information on employment and unemployment for municipalities and counties, as well as labor market areas. This data indicates the number of residents that are employed or unemployed during a given time period.

Data for Milford Borough indicates that the labor force has increased by approximately 1% annually since 2000. Between 2000 and 2005, the Milford labor force increased from 659 to 691. As shown in the Table below, the number of unemployed Milford residents has increased by 6, from 20 to 26, since 2000.

The Milford unemployment rate has also fluctuated since 2000. In 2000, the unemployment rate in Milford was just 3%. However, the unemployment rate increased steadily over the next several years, peaking at 5.4% in 2003. The number of unemployed residents also peaked in 2003 at 37. Since 2003, the unemployment rate has declined, and at the end of 2005, the unemployment rate in Milford was 3.8%.

<b>Table 8 Borough of Milford Employment and Unemployment Trends</b>				
<b>Year</b>	<b>Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>Unemployment Rate</b>
<b>2000</b>	<b>659</b>	<b>639</b>	<b>20</b>	<b>3.0%</b>
<b>2001</b>	<b>667</b>	<b>643</b>	<b>24</b>	<b>3.6%</b>
<b>2002</b>	<b>683</b>	<b>647</b>	<b>36</b>	<b>5.2%</b>
<b>2003</b>	<b>690</b>	<b>652</b>	<b>37</b>	<b>5.4%</b>
<b>2004</b>	<b>688</b>	<b>659</b>	<b>29</b>	<b>4.2%</b>
<b>2005</b>	<b>691</b>	<b>665</b>	<b>26</b>	<b>3.8%</b>
<b>Change</b>	<b>33</b>	<b>26</b>	<b>6</b>	<b>0.8%</b>
<b>% Change</b>	<b>4.97%</b>	<b>4.12%</b>	<b>32.47%</b>	<b>26.19%</b>

Source: New Jersey Department of Labor

The Borough's experience has been similar to Hunterdon County as a whole, in terms of labor force growth and in the experience of its unemployment rate. The Hunterdon County Labor Force grew from less than 68,000 in 2000 to more than 71,000 in 2005. The total growth rate of 4.86% was very similar to the growth in Milford, which was 4.97% over the same period. The unemployment rate in Hunterdon County was just 2.3% in 2000, increasing steadily through 2003, when it peaked at 4.2%. The number

of unemployed residents peaked at almost 3,000 that year. Since that time, the unemployment rate has fallen back to 3.0% at the end of 2005. It is interesting to note that the unemployment rate in Milford has been 25% to 30% higher than the County unemployment rate since 2000.

<b>Table 9 Hunterdon County Employment and Unemployment Trends</b>				
<b>Hunterdon County</b>	<b>Labor Force</b>	<b>Employment</b>	<b>Unemployment</b>	<b>Unemployment Rate</b>
<b>2000</b>	<b>67,949</b>	<b>66,363</b>	<b>1,586</b>	<b>2.3%</b>
<b>2001</b>	<b>68,738</b>	<b>66,822</b>	<b>1,916</b>	<b>2.8%</b>
<b>2002</b>	<b>70,072</b>	<b>67,210</b>	<b>2,862</b>	<b>4.1%</b>
<b>2003</b>	<b>70,757</b>	<b>67,770</b>	<b>2,987</b>	<b>4.2%</b>
<b>2004</b>	<b>70,783</b>	<b>68,471</b>	<b>2,312</b>	<b>3.3%</b>
<b>2005</b>	<b>71,248</b>	<b>69,121</b>	<b>2,127</b>	<b>3.0%</b>
<b>Change</b>	<b>3,299</b>	<b>2,758</b>	<b>541</b>	<b>0.7%</b>
<b>% Change</b>	<b>4.86%</b>	<b>4.16%</b>	<b>34.11%</b>	<b>27.91%</b>

Source: New Jersey Department of Labor

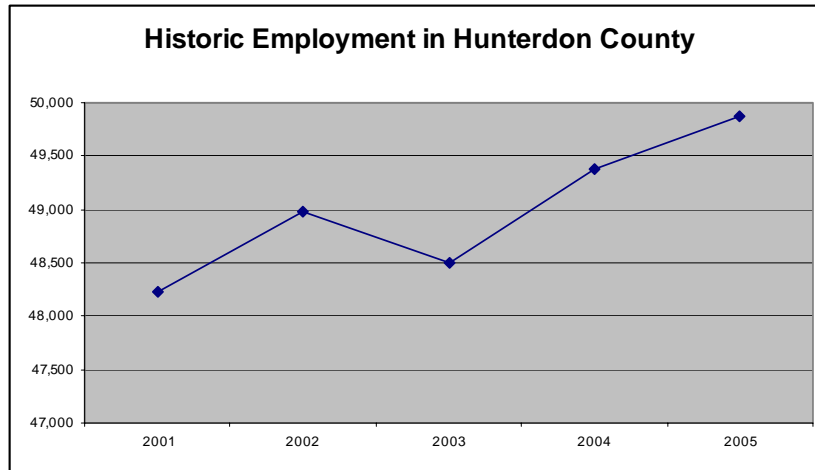
In terms of the number of jobs in the community, data is more difficult to acquire. The State of New Jersey no longer produces municipal level data, opting to focus on county-level and labor market area data. However, some data is available at the municipal level. The Table below summarizes employment in the community in the 1998 and 2003 times frames.

<b>Table 10 Public and Private Sector Employment</b>			
	<b>1998</b>	<b>2003</b>	<b>Change</b>
Private Sector Employees	992	893	-99
Private Sector Employers	121	123	2
Public Sector Employees	67	69	2
Public Sector Employers	3	3	0

Source: New Jersey Department of Labor

As shown in the Table above, total employment in Milford was 1,059 in 1998, including 992 private sector positions and 67 government positions. By 2003, total employment in the Borough had fallen by 97, to 962. Private sector job losses accounted for all of the employment decline, as private sector employment fell by 10% between 1998 and 2003. It is significant to note that Milford's employment is substantially higher than its work force. As shown above, the Borough's labor force was 690 in 2003, while total employment was 962. This indicates that Milford is, to

some extent, an “importer” of labor. In contrast, Hunterdon County is an “exporter” of labor – in 2005, the County had a labor force of 71,248, but just 49,871 total jobs. This indicates that 40% of the work force works elsewhere. The graphic below provides an overview of the recent growth in employment in Hunterdon County. As shown, total employment has increased since 2001, from 48,231 to almost 50,000. This represents a 3.4% increase in total employment between 2001 and 2005.



The Borough of Milford’s employment base represents less than two percent of the total employment within the County. Proportionally, an increase of 1,600 jobs in the County would indicate 32 new jobs in Milford. However, redevelopment of the Curtis Paper site with 150,000 square feet of commercial/industrial space would create between 150 and 300 jobs, assuming an average of 500 to 1,000 square feet per employee. If 150,000 square feet of office uses were developed on the site, as many as 750 people could work on the site.

Hunterdon County’s employment base has a strong concentration in the services sector, as well the construction sector. The Table below provides an overview of the ten sectors within Hunterdon County which have the highest concentration of employment. As shown, the professional, scientific and technical services sector has the highest concentration of employment within the County, almost double the concentration of the wholesale (nondurable) sector. Office-type uses account for three of the top seven slots, accounting for more than 20% of the County’s employment overall. Healthcare related fields, including hospitals and ambulatory health care services, account for more than 3,800 jobs in the County. The retail/food and beverage sectors also account for a combined 3,900 jobs.

The significance for the Curtis Paper site is that both office-related jobs and ambulatory health care services could be developed on the Curtis Paper site, however, the costs associated with cleanup of the property, and the allowable density that can be developed, will impact the ability of a developer to reasonably make a profit on the site.

In addition, the potential demand for space is likely to be limited by the population within a reasonable travel time to the site.

<b>Table 11 Hunterdon County Sectors with the Highest Concentration of Employment</b>	
<b>Sector</b>	<b>Employment</b>
Professional, Scientific, and Technical Services	4,412
Merchant Wholesalers, Nondurable Goods	2,304
Food Services and Drinking Places	2,166
Management of Companies and Enterprises	2,157
Hospitals	1,937
Specialty Trade Contractors	1,931
Administrative and Support Services	1,867
Ambulatory Health Care Services	1,803
Food and Beverage Stores	1,695
Construction of Buildings	1,127

Source: New Jersey Department of Labor

### **Office Market**

As part of this analysis, JDA reviewed summary market statistics for the Northern New Jersey and greater Philadelphia markets, as prepared by CB Richard Ellis (CBRE). Milford is generally considered to be part of the Western Route 78 submarket, though the Borough does not have any available office properties which are included in the CBRE survey.

The Western Route 78 submarket is limited to 6 investment quality office buildings, with an aggregate square footage of 1.76 million square feet. The larger Northern New Jersey market area includes more than 750 buildings, totaling more than 150 million square feet.

According to CBRE, more than 15% of the office properties in the Western Route 78 submarket were available at the end of 2005. This vacancy rate was only slightly higher than the larger marketplace, which had a reported vacancy rate of 14.12%. More than 250,000 square feet of office space was available in the submarket at the end of 2005.

Asking rents were in the range of \$23 per square foot, consistent with the larger marketplace. During the 4<sup>th</sup> quarter of 2005, the submarket experienced negative net absorption, indicating that total occupancy declined over the quarter. This was in contrast to the larger market area of Northern New Jersey, which experienced positive absorption of more than 11 million square feet.

Rents and vacancy rates for the Western Route 78 corridor are consistent with those in Bucks County, Pennsylvania. CBRE indicates that the Bucks County market includes 4.4 million square feet of space. Availability was most recently reported to be 15.9%, with an average asking rent of \$22.50. While Bucks County had experienced modest positive absorption, the submarket was also expected to bring more than 300,000 square feet of new construction on-line in the current year.

### **Industrial Market**

According to CBRE, the Northern/Central New Jersey industrial market includes more than 780 million square feet of space. This includes more than 370 million square feet in Central New Jersey, and more than 400 million square feet in Northern New Jersey. Milford is considered part of the Hunterdon submarket, within Central New Jersey.

CBRE indicates that total industrial space within the Hunterdon submarket is less than 5.4 million square feet, or less than 1.5% of the total supply in the Central New Jersey region. Hunterdon is the smallest submarket in Central New Jersey, behind Princeton (8.8 million square feet) and Route 78 East (9.3 million square feet). CBRE indicates that industrial space in the region had an availability rate of 17%, the highest availability rate of any submarket in Central or Northern New Jersey. This indicates that more than 900,000 square feet of competitive industrial space in the Hunterdon submarket was available at the end of 2005.

In terms of pricing, the asking lease rate for industrial space in the Hunterdon submarket was reported to be \$4.43 per square foot annually. This lease rate is approximately 15% less than the Central New Jersey average of \$5.15 per square foot.

Absorption in the 4<sup>th</sup> quarter of 2005 was negative, with more than 50,000 square feet of space becoming vacant. In addition, there is a 57,000 square foot building under construction in this submarket. Overall, the Central New Jersey market saw positive net absorption of more than 300,000 square feet in the 4<sup>th</sup> quarter, despite large losses totaling almost 2 million square feet in the Exit 8A and Treton/I-295 submarkets.

On the Pennsylvania side, CBRE indicates that the Bucks County submarket has more than 26.5 million square feet of industrial space. Availability was reported at 7.5%, well below the 17% rate reported in the Hunterdon submarket. Asking rents in the Bucks County submarket were \$4.51 per square foot, similar to the \$4.43 per square foot rate in the Hunterdon submarket.

### **Retail Market**

The retail sector in Milford is heavily concentrated along Bridge Street, with some additional retail activity on Frenchtown Road and Railroad Avenue. The community has a healthy retail mix, including a small grocery/liquor store, pharmacy, hardware store and a variety of food service businesses.

In order to evaluate the retail market in Milford, JDA acquired data on consumer spending and retail sales from Claritas, a national demographic and forecasting service. According to Claritas, total retail sales in Milford are approximately \$13 million annually. In contrast, however, consumer expenditures by Milford residents are estimated to be \$19.9 million annually. This indicates a retail opportunity (gap) of \$6.9 million annually. This means that almost 35% of all retail needs for residents of Milford are accommodated outside the Borough.

While the overall market indicates that sales of more than \$6.9 million are being accommodated by other retail alternatives, some segments of the Milford market are actually “importing” sales dollars. For example, while locally generated demand for health and personal care stores is estimated to be \$880,000 annually, Claritas estimates that stores of this type have sales of more than \$2.9 million annually in Milford. This creates a surplus of sales activity in this sector of more than \$2 million annually. Surpluses are also identified for appliance stores, gasoline stations and foodservice establishments, as summarized in the Table below.

<b>Table 12 Milford Retail Market Gap Analysis</b>				
	<b>Demand (Consumer Expenditures)</b>	<b>Supply (Retail Sales)</b>	<b>Opportunity Gap/Surplus</b>	<b>Opportunity Gap/Surplus</b>
Total Retail Sales	19,892,687	12,977,064	6,915,623	34.8%
Motor Vehicle and Parts Dealers	4,251,398	400,142	3,851,256	90.6%
Furniture and Home Furnishings Stores	526,856		526,856	
Electronics and Appliance Stores	475,167	530,685	(55,518)	-11.7%
Building Material, Garden Equip Stores	1,811,475	52,606	1,758,869	97.1%
Food and Beverage Stores	2,361,734	2,717,102	(355,368)	-15.0%
Health and Personal Care Stores	880,833	2,922,142	(2,041,309)	-231.7%
Gasoline Stations	1,796,487	3,482,346	(1,685,859)	-93.8%
Clothing and Clothing Accessories Stores	945,164		945,164	100.0%
Sporting Goods, Hobby, Book, Music Stores	364,330		364,330	100.0%
General Merchandise Stores	2,446,573		2,446,573	100.0%
Miscellaneous Store Retailers	539,109	433,478	105,631	19.6%
Non-Store Retailers	1,450,381	36,143	1,414,238	97.5%
Foodservice and Drinking Places	2,043,180	2,402,420	(359,240)	-17.6%

Source: Claritas, Inc. and JDA

In contrast, substantial retail opportunities appear to exist in several sectors. According to Claritas data, there are no retail sales in the furniture, clothing, specialty and general merchandise sectors in Milford. This is due, in part, to the presence of larger retailing centers in the region, such as Philipsburg, Flemington and Clinton, which meet the needs of the region with larger retail operations, big box stores and large scale shopping centers. At the present time, total retail square footage in Milford (excluding the automotive sector) is estimated to be less than 30,000 square feet.

The retail market in Hunterdon County is substantial, with an estimated \$2.16 billion in annual retail sales. However, with consumer demand estimated to be \$2.66 billion, the retail gap is almost half a billion dollars annually. This is not uncommon in regions which have a significant commuting workforce, as people tend to shop at or near work for some portion of their retail needs.

As summarized below, the largest gap (in dollars) is in the general merchandise sector. According to Claritas data, the County has general merchandise demand of \$330 million annually, but just \$95.7 million in sales, creating a \$235 million gap. In percentage terms, the largest gap is in the electronics and appliance sector, where 73% of the demand is met outside the region.

<b>Table 13 Hunterdon County Retail Market Gap Analysis</b>				
<b>Retail Stores</b>	<b>Demand (Consumer Expenditures)</b>	<b>Supply (Retail Sales)</b>	<b>Opportunity Gap/Surplus</b>	<b>Opportunity Gap/Surplus</b>
Total Retail Sales	2,659,480,465	2,164,526,958	494,953,507	18.6%
Motor Vehicle and Parts Dealers	503,233,165	606,288,993	(103,055,828)	-20.5%
Furniture and Home Furnishings Stores	83,217,968	53,030,013	30,187,955	36.3%
Electronics and Appliance Stores	66,362,960	17,903,014	48,459,946	73.0%
Building Material, Garden Equip Stores	318,116,196	283,685,989	34,430,207	10.8%
Food and Beverage Stores	286,683,509	344,252,990	(57,569,481)	-20.1%
Health and Personal Care Stores	103,405,380	39,100,981	64,304,399	62.2%
Gasoline Stations	254,453,176	312,823,001	(58,369,825)	-22.9%
Clothing and Clothing Accessories Stores	146,358,207	81,294,007	65,064,200	44.5%
Sporting Goods, Hobby, Book, Music Stores	52,629,321	30,341,985	22,287,336	42.3%
General Merchandise Stores	330,770,771	95,677,017	235,093,754	71.1%
Miscellaneous Store Retailers	73,312,438	57,042,991	16,269,447	22.2%
Non-Store Retailers	184,148,282	102,373,993	81,774,289	44.4%
Foodservice and Drinking Places	256,789,092	140,711,984	116,077,108	45.2%

Source: Claritas, Inc.

In terms of the potential for the Curtis Paper site, it is unlikely that substantial portions of the County's retail demand will be met in Milford. This is due to the fact that the existing retail base is small, estimated at less than 30,000 square feet in total. Comparatively, the County's retail base is estimated to be between 3.5 and 4.5 million square feet. Perhaps more importantly, any substantial retailing activity on the Curtis Paper site will put pressure on Milford's Bridge Street retail district, and could negatively affect properties and retail businesses in this part of the community. For example, the creation of 6,000 square feet of retail space on the Curtis Paper site would represent an increase in the supply of retail space of approximately 20%.

### **Residential Real Estate**

As discussed earlier, the Borough has seen limited new development over the past decade. On average over the past decade, three to four homes are built annually, though over the past three years, that average has been six new homes annually. This is due in part to the limited availability of development sites.

As part of this analysis, listing data from the Garden State Multiple Listing Service (MLS) was reviewed, to identify general market trend information. For the most part, available residential homes in Milford are older, typically ranging between 40 and 150 years of age. Prices for existing older homes tend to be concentrated in the range of \$250,000 to \$350,000, with a median price near \$300,000. Newer homes, built in the last ten years, are generally much more expensive. Newer homes tend to range from \$450,000 to \$600,000 or more. In general, these homes are also somewhat larger, with average sizes of 3,000 square feet and more being common.

Over the past several years, real estate developers have aggressively developed and marketed “age-restricted” or “active adult” communities in New Jersey. The aging of the baby boom generation has created a tremendous opportunity to develop products, including homes, that cater to this segment of the population. These developments are seen in many communities as a way to limit the number of school-aged children associated with a new residential development. In fact, residential developments of this type generally have few (if any) school-aged children living in them. However, the related issue, which can not be controlled, is where the buyers of these age-restricted units are moving from. In many cases, depending on the size of the development, the majority of buyers relocate from a radius five to ten miles. The result is that while the new age-restricted development does not put pressure on the school system, the sale of existing residences to young families by retirees can result in increasing school enrollments.

Age-restricted or active adult communities can take many forms. Some can be characterized as free-standing (or attached) condominiums, with a more aggressive set of condo association rules and regulations, and higher maintenance standards. Others take the form of larger scale multi-family complexes, which offer comprehensive services to residents, such as housekeeping, meal plans, activities and recreational amenities, in exchange for a monthly fee. Still others, such as assisted living facilities, offer housekeeping and related services, as well as health care services, as needed for residents.

The target market for products of this type in Hunterdon County is projected to increase substantially over the next ten years. According to data from the State of New Jersey’s Labor and Planning Analysis unit, the number of Hunterdon County residents over the age of 55 is projected to increase from less than 33,000 in 2007 to more than 41,000 in 2015. This represents a significant increase of more than 25% over the period.

<b>Table 14 Hunterdon County Population Projections</b>				
<b>Cohort</b>	<b>2000</b>	<b>2007</b>	<b>2015</b>	<b>2020</b>
0 - 19	33,509	35,900	36,500	37,400
20 - 54	64,238	68,200	72,700	75,300
55 - 64	12,014	17,300	21,000	21,800
65 & Over	12,228	15,500	20,400	23,900
Total	121,989	136,900	150,600	158,400

Source: State of New Jersey, Planning & Analysis Unit

The determination of whether an age-restricted project could succeed at the Curtis Paper site will be related to the allowable density, as well as the product type selected by the developer. For example, a multi-family (apartment) style project, housed in several low- to mid-rise buildings could have some market appeal, but density would likely be between 200 to 500 units. One- and two-story buildings might also be viable (i.e. detached or townhouse style units), but the developable portion of the property may not be sufficient to create enough units to offset the cleanup costs. In a one- or two-story development, density of four to six units per acre (or more) will likely be necessary to justify the investment in cleanup.

At the present time, the Hunterdon County Planning Board indicates that there are six age-restricted developments in the County. These include:

- Flemington Borough – Church Street Senior Housing
- Frenchtown Borough – Barn Center
- Holland Township – Huntington Knolls
- Lambertville City – High Point at Lambertville
- Raritan Township – Raritan Valley Development Center
- Readington Township – Four Seasons

These projects will add more than 430 units of age-restricted housing to the regional marketplace. As discussed elsewhere in this Technical Memorandum, the Curtis Paper site could support as many as 300 or more residential units, and a portion of these units could be targeted for age-restricted use. The site has the ability to support appropriate amenities, such as a pool, clubhouse, walking trails and community spaces, which are common to age-restricted developments. In addition, the presence of the river and access to the waterfront would also be considered a string amenity for an age-restricted development.

**Implications of the Cleanup Costs for the Redevelopment Plan**

Perhaps the biggest challenge associated with the Curtis Paper site is the costs for environmental remediation of the property. The Langan report estimated the remediation, cleanup and demolition costs to be between \$10.0 and \$11.1 million. In terms of the developable land available, this indicates a cost of \$253,000 to \$281,000 per acre. For analytical purposes, a cleanup cost of \$280,000 per developable acre is assumed. This figure is considered critical, as it is essentially the “land cost” for any development project. Before a developer can redevelop the property, the land must be readied for development, which in this case means completing the cleanup. It is also important to recognize that the investment in the cleanup costs excludes any purchase price for the property, which would also affect the development economics of the project.

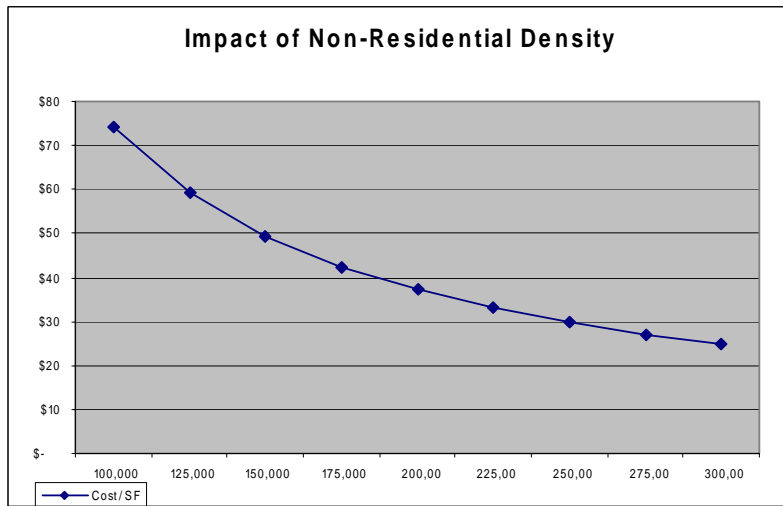
Allocating the anticipated cleanup cost across the anticipated development for the site, as identified in the community’s Redevelopment Plan, provides an indication of the impact of the clean-up costs on the anticipated costs for development. As shown in the Table below, the Redevelopment Plan indicates 13 acres of residential development on the Curtis Paper site, 2.8 acres of mixed-use development and 23.7 acres of non-residential uses.

<b>Table 15 Impact of Cleanup Costs on Redevelopment Plan Density</b>				
<b>Land Use</b>	<b>Acres</b>	<b>Cost @</b>		<b>\$ per Unit</b>
		<b>\$280,000/Acre</b>	<b>Development</b>	
Mixed-Use	2.8	\$ 784,000	14,000 SF	\$56/SF
Residential	13	\$ 3,640,000	31 Homes	\$117,419/Home
Non-residential	23.7	\$ 6,636,000	118,500 SF	\$56/SF
<b>Total</b>	<b>39.5</b>	<b>\$ 11,060,000</b>		

Source: Langan Report and Curtis Paper Redevelopment Plan

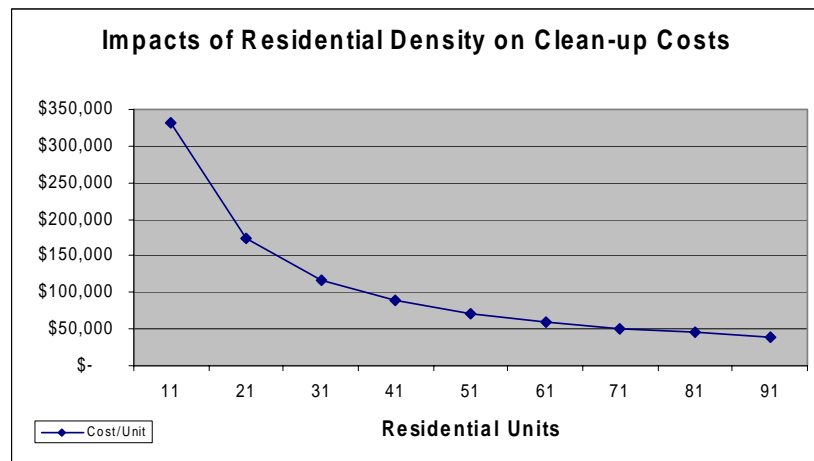
Assuming that the mixed-use and non-residential portions of the site are developed with an average density of 5,000 square feet per acre (132,500 square feet total), the approximate impact of the clean-up cost would be \$56 per square foot of building area. In development terms, the cleanup cost is considered the equivalent of land cost. A cost of \$56 per square foot of building area is considered high for the types of traditional light industrial types uses envisioned in the Redevelopment Plan. According to the Marshall Valuation Service, good quality industrial facilities have a range of construction costs of \$69 to \$85 per square foot. This indicates that the cleanup cost for the Curtis Paper site could increase construction costs by 65% to 80% at this density.

The graphic to the right provides an illustration of the impacts of increased density on the site as it relates to the anticipated cleanup cost. If density were doubled to 10,000 square feet per acre (265,000 SF total), the impact of the cleanup costs would be reduced to \$28 per square foot of building area, still considered to be somewhat high. For industrial and distribution-type uses, a range of land costs of up to \$15 per square foot is considered to be achievable. For mixed-use buildings, up to \$30 may be achievable, though the percentage of residential use involved in the mixed-use building will affect how high the equivalent land value can be. It should be noted that in order to achieve an equivalent land cost of \$15 per square foot of building area, as much as 500,000 square feet of development would have to occur on the 26.5 acres of mixed-use and non-residential property. This is considered far too dense for the site.



Perhaps of greater concern is the residential portion of the property. Based on the assumption of 31 homes in the Redevelopment Plan, the average cleanup cost equates to more than \$117,000 per unit for the residential portion of the property. Based on market experience, land costs for a single-family development can be in the range of 20% to 30% of project costs. This indicates that home pricing would be in the range of \$390,000 to \$585,000. This pricing is considered achievable, based on the proximity of the sites to the river. However, the site's prior history and environmental stigma may inhibit marketing, as the proximity to industrial uses could also reduce the marketability of the end product, particularly at the higher end of the range of values.

The graphic to the right provides an indication of the impacts of density on the residential portion of the property. As shown in the graphic, the current density of 31 homes on 13 acres, as proposed in the Redevelopment Plan, generates an average investment in cleanup of more than \$117,000 per



home. If the density is increased to 91 homes on the 13-acre site, the average cleanup cost falls to \$40,000 per unit.

### Impacts of Single Use Redevelopment

The impacts discussed above are associated with the Redevelopment Plan for the property, as prepared by T&M Associates in 2004. However, as a test of sensitivity, JDA also considered the impact of converting the entire site to a single use, including both residential and non-residential. This was done to determine what the impacts of the cleanup costs are on each market segment, to better understand what the “breakeven point” is for residential and non-residential uses at the site. For this analysis, the base cleanup cost of \$11.1 million was used as a starting point.

From a residential perspective, the cleanup costs of \$11.1 million were evaluated against a variety of residential densities. Assuming 40 acres of developable land, construction of 80 units would equate to an average density of two units per acre, while construction of 200 units would equate to an average density of five units per acre. Table 16 below provides an overview of the impacts of development of the entire 40 acres of developable land for residential uses. As shown in the Table, development of 100 units on the entire site would result in an average investment in cleanup of approximately \$111,000 per unit. Increasing the overall density to 150 units reduces the average cost to \$74,000 per unit. It is likely that developers would seek a minimum overall density of approximately 200 units to make the project viable in terms of the regional real estate market.

Table 16 Cleanup Costs for Residential Development			
Units	Cost/Unit	Units/Acre	
50	\$ 222,000	1.25	
75	\$ 148,000	1.88	
100	\$ 111,000	2.50	
125	\$ 88,800	3.13	
150	\$ 74,000	3.75	
175	\$ 63,429	4.38	
200	\$ 55,500	5.00	
225	\$ 49,333	5.63	
250	\$ 44,400	6.25	

Source: JDA

As discussed elsewhere in this analysis, there are additional issues to consider beyond the cost implications of the cleanup. The creation of 200 homes in Milford would be the equivalent of a 40% increase in the number of housing units in the community. Growth of this magnitude could have a significant impact on municipal services for the community. In particular, the community’s K-8 school, which is reported to be near capacity, could be overwhelmed. In

addition, infrastructure systems, including water, sewer and roadways, could also be overtaxed, resulting in a negative impact on service for the community.

Conversion of the entire 40 acres of developable land to a non-residential uses presents its own unique set of challenges. Specifically, because the clean-up costs are so high, substantial density is required in order to reduce the average cleanup cost per square foot to a level that is consistent with development economics. However, creating the required density on the Curtis Paper site will result in substantial infrastructure requirements for water and sewer, and will also generate substantial traffic impacts. The Table below provides a summary of the cleanup cost using a variety of development densities. Development density is stated using the square footage (SF) per acre, and using the floor area ratio (FAR), which is a relative measure of the intensity of development relative to the size of the site. The higher the FAR, the more intense the development.

As shown in the Table, development of 400,000 square feet of floor space on the site (10,000 SF per acre) is equivalent to an FAR of 0.23, and results in an average cleanup cost of \$28 per square foot of building area. Development of 550,000 square feet of floor space on the site (13,750 SF per acre) is equivalent to an FAR of 0.316, and reduces the average cleanup cost to \$20 per square foot of building area.

<b>Table 17 Cleanup Costs for Non-residential Development</b>			
<b>SF</b>	<b>Cost/SF</b>	<b>SF/Acre</b>	<b>FAR</b>
200,000	\$ 56	5,000	0.115
250,000	\$ 44	6,250	0.143
300,000	\$ 37	7,500	0.172
350,000	\$ 32	8,750	0.201
400,000	\$ 28	10,000	0.230
450,000	\$ 25	11,250	0.258
500,000	\$ 22	12,500	0.287
550,000	\$ 20	13,750	0.316
600,000	\$ 19	15,000	0.344
650,000	\$ 17	16,250	0.373
700,000	\$ 16	17,500	0.402
750,000	\$ 15	18,750	0.430

Source: JDA

An average cleanup cost (or land investment) of \$20 per square foot of building area is still considered to be somewhat high for industrial-type uses. This level of investment is considered to be viable for higher value uses, including office uses, better quality retail uses and possibly mixed use development. However, the ability of the Milford marketplace to absorb 550,000 square feet of space is extremely limited, in particular due to access to the property. For example, office uses typically range from 200 to 300 square feet per employee,

indicating that 550,000 square feet of office space could employ between 1,800 and 2,750 people.

### **Conclusions and Implications for Redevelopment of the Curtis Paper Site**

The Curtis Paper site represents a significant opportunity for Milford Borough. The site includes approximately 70 acres of land, with significant frontage along the Delaware River. Although the majority of the property is reported to be within the 500-year floodplain, the Redevelopment Plan for the property identified almost 40 acres of potentially developable land. Approximately 13 acres of this land was recommended for residential uses, 2.8 acres for mixed-use development and 23 acres for non-residential (light industrial) development. An additional 1.1 acres was identified in the Redevelopment Plan for public uses, and the remaining 30 +/- acres was identified as open space and wetlands.

The uses recommended in the Redevelopment Plan for the property did not consider the impacts of the environmental remediation costs and demolition costs on the development economics of the property. Simply put, the \$11 million in remediation costs for 40 developable acres is a significant financial burden on the potential redevelopment of the property. This investment in cleanup costs is equivalent to approximately \$280,000 per acre, well above land values in the region.

While the cleanup costs are substantial, the physical realities of the site, and the associated infrastructure, place additional burdens on the development economics of the property. The Redevelopment Plan assumes 31 homes on a 13-acre portion of the site. The clean-up costs equate to an average investment of \$117,000 per home. While this “land cost” might be achievable in some instances, once the costs of developing necessary streets and water/sewer infrastructure are included, a developer would be unlikely to support the cleanup costs.

The cleanup cost issues are more significant as they relate to the non-residential development on the site. Assuming an average density of 5,000 square feet of development per acre, the cleanup costs equate to \$56 per square foot of building area. This is well above what is considered reasonable for industrial projects (\$6 to \$15 per square foot of building area), and above what would be considered supportable for an office project (\$20 to \$40 per square foot of building area).

It is also important to recognize that retail development at the Curtis Paper site is likely to have a negative impact on the Bridge Street retail core. Because of the limited amount of square footage in the Bridge Street retail core, development of as little as 10,000 square feet would represent an increase in the supply of retail space of 30% or more. Moreover, because of the level of development costs associated with creating new retail space at the Curtis Paper site, rents would have to be significant. Assuming a total development cost of \$140 per square foot<sup>2</sup>, rents would be in the range of \$13 to \$18 per square foot, before considering any extraordinary risk associated with the redevelopment of an environmentally challenged site.

---

<sup>2</sup> Marshall & Swift Commercial Cost Estimator, Neighborhood Retail Center

Similarly, development of a portion of the property for office uses will be driven by similar financial issues. At a construction cost of \$90 to \$125 per square foot, plus remediation costs and soft costs, the project cost could exceed \$210 per square foot of building area. This would require rents in the range of \$18 to \$26 to justify the investment, which is considered to be above what the local market could bear.

Two strategies are available to lessen the impact of the cleanup costs on the overall development. First, outside funding can be used to reduce the net cost of environmental remediation and demolition. Obviously, if the net cost of environmental cleanup can be reduced through grant funding, or another outside source, the “breakeven” point for a developer will be reduced.

For example, at the anticipated cleanup cost of \$11 million, the average cost per unit for 275 units of housing would be \$40,000 per unit. However, if the cleanup cost were reduced through outside funding to \$7 million, the site would have to support 175 units of housing to reach the same \$40,000 per unit average cleanup cost. Similarly, on the non-residential side, at a cleanup cost of \$11 million, the average cost for 550,000 square feet of development would be \$20 per square foot of building area. If the cleanup cost were reduced to \$5 million through outside funding, the site would only have to support 250,000 square feet of development to achieve the same average cost of \$20 per square foot of building area. Two charts which illustrate the impact of varying levels of development and varying levels of cleanup costs are included in the Appendix to this report.

The second approach is to allow substantially more density than what is presently envisioned for the site. This approach obviously has additional consequences, in terms of traffic, population, water/sewer uses, and demands for other public services. Some, but not all, of these impacts would be partially offset by additional tax revenues generated by the project.

Without outside funding to reduce the net impact of remediation costs, the necessary density is likely to be substantially beyond what the residents of Milford would consider acceptable.

### **Highest and Best Use Analysis**

In evaluating the subject property, it is important to understand the Highest and Best Use. In evaluating Highest and Best Use, three issues must be considered. These include what is physically possible, legally permissible and maximally productive.

Physically Possible – A wide variety of uses are physically possible on the Curtis Paper site. The property approximately 70 total acres, including an estimated 40 acres which are considered developable. Physically possible uses include office, commercial, light industrial or research uses, as well as municipal uses and single- or multi-family residential uses. Ignoring parking requirements and height restrictions, the property could be developed for a variety of uses, capitalizing on the proximity to the river, proximity to the downtown area and the potential for on-site amenities. However,

when parking is considered, physically possible uses can quickly become limited. For example, if office uses require five parking spaces for every 1,000 square feet of office space, parking would require almost twice as much land area as the physical building, which would limit office development to approximately 15,000 square feet per acre, unless structured parking were used.

**Legally Permissible** – Legally permissible uses for the property are governed by the Zoning Code of the Borough, as well as the approved Redevelopment Plan for the property. The Redevelopment Plan, approved in 2004, envisions 31 housing units, 2.8 acres for mixed-use development and 23 acres of non-residential (industrial) development. It should be noted that density for non-residential and mixed-use portions of the site is non-specific.

**Maximally Productive** – Normally, the concept of maximally productive use of property implies that certain uses can generate more significant financial returns than others, which is to say that the concept assumes that more than one use can be profitable on the site. In the case of the Curtis Paper site, the ability of any use to be profitable is heavily influenced by the costs for environmental remediation and demolition. ***Given the uses outlined in the Redevelopment Plan, redevelopment of the Curtis Paper site is not considered to be financially feasible, unless grant funds are available to reduce the net cost of remediation.***

Although the demand for residential uses is very strong in New Jersey at the present time, residential uses as outlined in the Redevelopment Plan are not sufficient to support the costs for redeveloping the property. Increased density is likely to be necessary to increase financial returns, as the cost for the underlying land and the associated remediation is spread across a larger building base.

# APPENDIX

Impact of Cleanup Costs on Non-Residential Development

	Anticipated Cleanup Cost												
	\$ 12,000,000	\$ 11,000,000	\$ 10,000,000	\$ 9,000,000	\$ 8,000,000	\$ 7,000,000	\$ 6,000,000	\$ 5,000,000	\$ 4,000,000	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000	
50,000 \$	240 \$	220 \$	200 \$	180 \$	160 \$	140 \$	120 \$	100 \$	80 \$	60 \$	40 \$	20	
75,000 \$	160 \$	147 \$	133 \$	120 \$	107 \$	93 \$	80 \$	67 \$	53 \$	40 \$	27 \$	13	
100,000 \$	120 \$	110 \$	100 \$	90 \$	80 \$	70 \$	60 \$	50 \$	40 \$	30 \$	20 \$	10	
125,000 \$	96 \$	88 \$	80 \$	72 \$	64 \$	56 \$	48 \$	40 \$	32 \$	24 \$	16 \$	8	
150,000 \$	80 \$	73 \$	67 \$	60 \$	53 \$	47 \$	40 \$	33 \$	27 \$	20 \$	13 \$	7	
175,000 \$	69 \$	63 \$	57 \$	51 \$	46 \$	40 \$	34 \$	29 \$	23 \$	17 \$	11 \$	6	
200,000 \$	60 \$	55 \$	50 \$	45 \$	40 \$	35 \$	30 \$	25 \$	20 \$	15 \$	10 \$	5	
225,000 \$	53 \$	49 \$	44 \$	40 \$	36 \$	31 \$	27 \$	22 \$	18 \$	13 \$	9 \$	4	
250,000 \$	48 \$	44 \$	40 \$	36 \$	32 \$	28 \$	24 \$	20 \$	16 \$	12 \$	8 \$	4	
275,000 \$	44 \$	40 \$	36 \$	33 \$	29 \$	25 \$	22 \$	18 \$	15 \$	11 \$	7 \$	4	
300,000 \$	40 \$	37 \$	33 \$	30 \$	27 \$	23 \$	20 \$	17 \$	13 \$	10 \$	7 \$	3	
325,000 \$	37 \$	34 \$	31 \$	28 \$	25 \$	22 \$	18 \$	15 \$	12 \$	9 \$	6 \$	3	
350,000 \$	34 \$	31 \$	29 \$	26 \$	23 \$	20 \$	17 \$	14 \$	11 \$	9 \$	6 \$	3	
375,000 \$	32 \$	29 \$	27 \$	24 \$	21 \$	19 \$	16 \$	13 \$	11 \$	8 \$	5 \$	3	
400,000 \$	30 \$	28 \$	25 \$	23 \$	20 \$	18 \$	15 \$	13 \$	10 \$	8 \$	5 \$	3	
425,000 \$	28 \$	26 \$	24 \$	21 \$	19 \$	16 \$	14 \$	12 \$	9 \$	7 \$	5 \$	2	
450,000 \$	27 \$	24 \$	22 \$	20 \$	18 \$	16 \$	13 \$	11 \$	9 \$	7 \$	4 \$	2	
475,000 \$	25 \$	23 \$	21 \$	19 \$	17 \$	15 \$	13 \$	11 \$	8 \$	6 \$	4 \$	2	
500,000 \$	24 \$	22 \$	20 \$	18 \$	16 \$	14 \$	12 \$	10 \$	8 \$	6 \$	4 \$	2	
525,000 \$	23 \$	21 \$	19 \$	17 \$	15 \$	13 \$	11 \$	10 \$	8 \$	6 \$	4 \$	2	
550,000 \$	22 \$	20 \$	18 \$	16 \$	15 \$	13 \$	11 \$	9 \$	7 \$	5 \$	4 \$	2	
575,000 \$	21 \$	19 \$	17 \$	16 \$	14 \$	12 \$	10 \$	9 \$	7 \$	5 \$	3 \$	2	
600,000 \$	20 \$	18 \$	17 \$	15 \$	13 \$	12 \$	10 \$	8 \$	7 \$	5 \$	3 \$	2	
625,000 \$	19 \$	18 \$	16 \$	14 \$	13 \$	11 \$	10 \$	8 \$	6 \$	5 \$	3 \$	2	
650,000 \$	18 \$	17 \$	15 \$	14 \$	12 \$	11 \$	9 \$	8 \$	6 \$	5 \$	3 \$	2	
675,000 \$	18 \$	16 \$	15 \$	13 \$	12 \$	10 \$	9 \$	7 \$	6 \$	4 \$	3 \$	1	
700,000 \$	17 \$	16 \$	14 \$	13 \$	11 \$	10 \$	9 \$	7 \$	6 \$	4 \$	3 \$	1	
725,000 \$	17 \$	15 \$	14 \$	12 \$	11 \$	10 \$	8 \$	7 \$	6 \$	4 \$	3 \$	1	
750,000 \$	16 \$	15 \$	13 \$	12 \$	11 \$	9 \$	8 \$	7 \$	5 \$	4 \$	3 \$	1	

S  
Q  
U  
A  
R  
E  
  
F  
O  
O  
T  
A  
G  
E

Impact of Cleanup Costs on Residential Development													
Cleanup Cost per Residential Unit													
NUMBER OF UNITS	Anticipated Cleanup Cost												
	\$ 12,000,000	\$ 11,000,000	\$ 10,000,000	\$ 9,000,000	\$ 8,000,000	\$ 7,000,000	\$ 6,000,000	\$ 5,000,000	\$ 4,000,000	\$ 3,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
25	\$ 480,000	\$ 440,000	\$ 400,000	\$ 360,000	\$ 320,000	\$ 280,000	\$ 240,000	\$ 200,000	\$ 160,000	\$ 120,000	\$ 80,000	\$ 40,000	\$ 40,000
50	\$ 240,000	\$ 220,000	\$ 200,000	\$ 180,000	\$ 160,000	\$ 140,000	\$ 120,000	\$ 100,000	\$ 80,000	\$ 60,000	\$ 40,000	\$ 20,000	\$ 20,000
75	\$ 160,000	\$ 146,667	\$ 133,333	\$ 120,000	\$ 106,667	\$ 93,333	\$ 80,000	\$ 66,667	\$ 53,333	\$ 40,000	\$ 26,667	\$ 13,333	\$ 13,333
100	\$ 120,000	\$ 110,000	\$ 100,000	\$ 90,000	\$ 80,000	\$ 70,000	\$ 60,000	\$ 50,000	\$ 40,000	\$ 30,000	\$ 20,000	\$ 10,000	\$ 10,000
125	\$ 96,000	\$ 88,000	\$ 80,000	\$ 72,000	\$ 64,000	\$ 56,000	\$ 48,000	\$ 40,000	\$ 32,000	\$ 24,000	\$ 16,000	\$ 8,000	\$ 8,000
150	\$ 80,000	\$ 73,333	\$ 66,667	\$ 60,000	\$ 53,333	\$ 46,667	\$ 40,000	\$ 33,333	\$ 26,667	\$ 20,000	\$ 13,333	\$ 6,667	\$ 6,667
175	\$ 68,571	\$ 62,857	\$ 57,143	\$ 51,429	\$ 45,714	\$ 40,000	\$ 34,286	\$ 28,571	\$ 22,857	\$ 17,143	\$ 11,429	\$ 5,714	\$ 5,714
200	\$ 60,000	\$ 55,000	\$ 50,000	\$ 45,000	\$ 40,000	\$ 35,000	\$ 30,000	\$ 25,000	\$ 20,000	\$ 15,000	\$ 10,000	\$ 5,000	\$ 5,000
225	\$ 53,333	\$ 48,889	\$ 44,444	\$ 40,000	\$ 35,556	\$ 31,111	\$ 26,667	\$ 22,222	\$ 17,778	\$ 13,333	\$ 8,889	\$ 4,444	\$ 4,444
250	\$ 48,000	\$ 44,000	\$ 40,000	\$ 36,000	\$ 32,000	\$ 28,000	\$ 24,000	\$ 20,000	\$ 16,000	\$ 12,000	\$ 8,000	\$ 4,000	\$ 4,000
275	\$ 43,636	\$ 40,000	\$ 36,364	\$ 32,727	\$ 29,091	\$ 25,455	\$ 21,818	\$ 18,182	\$ 14,545	\$ 10,909	\$ 7,273	\$ 3,636	\$ 3,636
300	\$ 40,000	\$ 36,667	\$ 33,333	\$ 30,000	\$ 26,667	\$ 23,333	\$ 20,000	\$ 16,667	\$ 13,333	\$ 10,000	\$ 6,667	\$ 3,333	\$ 3,333
325	\$ 36,923	\$ 33,846	\$ 30,769	\$ 27,692	\$ 24,615	\$ 21,538	\$ 18,462	\$ 15,385	\$ 12,308	\$ 9,231	\$ 6,154	\$ 3,077	\$ 3,077
350	\$ 34,286	\$ 31,429	\$ 28,571	\$ 25,714	\$ 22,857	\$ 20,000	\$ 17,143	\$ 14,286	\$ 11,429	\$ 8,571	\$ 5,714	\$ 2,857	\$ 2,857
375	\$ 32,000	\$ 29,333	\$ 26,667	\$ 24,000	\$ 21,333	\$ 18,667	\$ 16,000	\$ 13,333	\$ 10,667	\$ 8,000	\$ 5,333	\$ 2,667	\$ 2,667
400	\$ 30,000	\$ 27,500	\$ 25,000	\$ 22,500	\$ 20,000	\$ 17,500	\$ 15,000	\$ 12,500	\$ 10,000	\$ 7,500	\$ 5,000	\$ 2,500	\$ 2,500
425	\$ 28,235	\$ 25,882	\$ 23,529	\$ 21,176	\$ 18,824	\$ 16,471	\$ 14,118	\$ 11,765	\$ 9,412	\$ 7,059	\$ 4,706	\$ 2,353	\$ 2,353
450	\$ 26,667	\$ 24,444	\$ 22,222	\$ 20,000	\$ 17,778	\$ 15,556	\$ 13,333	\$ 11,111	\$ 8,889	\$ 6,667	\$ 4,444	\$ 2,222	\$ 2,222
475	\$ 25,263	\$ 23,158	\$ 21,053	\$ 18,947	\$ 16,842	\$ 14,737	\$ 12,632	\$ 10,526	\$ 8,421	\$ 6,316	\$ 4,211	\$ 2,105	\$ 2,105
500	\$ 24,000	\$ 22,000	\$ 20,000	\$ 18,000	\$ 16,000	\$ 14,000	\$ 12,000	\$ 10,000	\$ 8,000	\$ 6,000	\$ 4,000	\$ 2,000	\$ 2,000
525	\$ 22,857	\$ 20,952	\$ 19,048	\$ 17,143	\$ 15,238	\$ 13,333	\$ 11,429	\$ 9,524	\$ 7,619	\$ 5,714	\$ 3,810	\$ 1,905	\$ 1,905
550	\$ 21,818	\$ 20,000	\$ 18,182	\$ 16,364	\$ 14,545	\$ 12,727	\$ 10,909	\$ 9,091	\$ 7,273	\$ 5,455	\$ 3,636	\$ 1,818	\$ 1,818
575	\$ 20,870	\$ 19,130	\$ 17,391	\$ 15,652	\$ 13,913	\$ 12,174	\$ 10,435	\$ 8,696	\$ 6,957	\$ 5,217	\$ 3,478	\$ 1,739	\$ 1,739
600	\$ 20,000	\$ 18,333	\$ 16,667	\$ 15,000	\$ 13,333	\$ 11,667	\$ 10,000	\$ 8,333	\$ 6,667	\$ 5,000	\$ 3,333	\$ 1,667	\$ 1,667
625	\$ 19,200	\$ 17,600	\$ 16,000	\$ 14,400	\$ 12,800	\$ 11,200	\$ 9,600	\$ 8,000	\$ 6,400	\$ 4,800	\$ 3,200	\$ 1,600	\$ 1,600
650	\$ 18,462	\$ 16,923	\$ 15,385	\$ 13,846	\$ 12,308	\$ 10,769	\$ 9,231	\$ 7,692	\$ 6,154	\$ 4,615	\$ 3,077	\$ 1,538	\$ 1,538
675	\$ 17,778	\$ 16,296	\$ 14,815	\$ 13,333	\$ 11,852	\$ 10,370	\$ 8,889	\$ 7,407	\$ 5,926	\$ 4,444	\$ 2,963	\$ 1,481	\$ 1,481
700	\$ 17,143	\$ 15,714	\$ 14,286	\$ 12,857	\$ 11,429	\$ 10,000	\$ 8,571	\$ 7,143	\$ 5,714	\$ 4,286	\$ 2,857	\$ 1,429	\$ 1,429
725	\$ 16,552	\$ 15,172	\$ 13,793	\$ 12,414	\$ 11,034	\$ 9,655	\$ 8,276	\$ 6,897	\$ 5,517	\$ 4,138	\$ 2,759	\$ 1,379	\$ 1,379
750	\$ 16,000	\$ 14,667	\$ 13,333	\$ 12,000	\$ 10,667	\$ 9,333	\$ 8,000	\$ 6,667	\$ 5,333	\$ 4,000	\$ 2,667	\$ 1,333	\$ 1,333
775	\$ 15,484	\$ 14,194	\$ 12,903	\$ 11,613	\$ 10,323	\$ 9,032	\$ 7,742	\$ 6,452	\$ 5,161	\$ 3,871	\$ 2,581	\$ 1,290	\$ 1,290
800	\$ 15,000	\$ 13,750	\$ 12,500	\$ 11,250	\$ 10,000	\$ 8,750	\$ 7,500	\$ 6,250	\$ 5,000	\$ 3,750	\$ 2,500	\$ 1,250	\$ 1,250
825	\$ 14,545	\$ 13,333	\$ 12,121	\$ 10,909	\$ 9,697	\$ 8,485	\$ 7,273	\$ 6,061	\$ 4,848	\$ 3,636	\$ 2,424	\$ 1,212	\$ 1,212
850	\$ 14,118	\$ 12,941	\$ 11,765	\$ 10,588	\$ 9,412	\$ 8,235	\$ 7,059	\$ 5,882	\$ 4,706	\$ 3,529	\$ 2,353	\$ 1,176	\$ 1,176