



October 24, 2014

Dear City Council Members:

Thank you again for working with my Administration on the final draft plan for the Hoboken Yards Redevelopment Plan. This email includes the final draft plan and the economic analysis. We will have hard color copies of all these materials sent out to you as well.

We would like to give all Council members time to review the plan prior to having it released publicly, and want to let you know that all of these documents will be posted on the City's web site by the end of the day on Monday. This will give the community 10 days to review the written plan before the Council is asked to vote on first reading at the meeting on November 5<sup>th</sup>. Please be advised that we are also providing a copy of the plan and all materials to New Jersey Commissioner of Transportation Jamie Fox and NJ Transit Executive Director Ronnie Hakim.

The City's revised Plan calls for a baseline 2.176 million square foot mixed-use project (with an additional 125,000 square feet of commercial space permitted if the commercial space is architecturally creative and designed to LEED Gold standard), two-thirds of the overall plan is for office space and one-quarter for residential space, with the remainder for retail space. The plan would create a true mixed-use project that will significantly diversify the local economy, support local businesses, and revitalize the Hoboken Terminal area and Observer Highway area – an essential gateway to Hoboken.

### **Economic Viability**

The City's Economic Analysis, conducted by Freeman/Frazier & Associates, Inc., a highly regarded and experienced New York City-based firm, makes clear that the implementation of the Plan is economically viable. The economic experts considered, among other factors, the value of the land, soft costs, construction costs, flood resiliency costs, relocation costs, infrastructure costs, and the fair market value of the residential, retail, and office space improvements. They concluded that the "cash flow model indicates that the IRR [Internal Rate of Return] of the project will be 12.9%" which "is at the high end of the minimum range of pro forma rates of return in the New York – New Jersey Market as reported by the 'Realty Rates' survey in the 3rd Quarter of 2014." This is a conservative estimate that does not include the additional 125,000 square foot density bonus.

The proposed project will create thousands of construction and permanent jobs, bring new companies to New Jersey, and add millions of dollars of revenue for the State of New Jersey. It is my hope that all of the parties will objectively evaluate this project and move forward in the best interests of our State and our City.

While NJ Transit will not receive the enormous revenue that it hoped to receive when it originally proposed its 9 million square foot plan back in 2008, it will receive a fair return on its real estate asset enabling it to make overdue and vitally necessary improvements to its Hoboken facilities.

The reality is that the previous disagreement was not really about the economic viability of the project itself. It was about NJ Transit's desire to create zoning that would increase the price that it would receive for its property beyond what was necessary to complete an appropriately scaled project.

Hoboken is the 4th most densely populated City in the country, so we are quite sensitive to the burden that excessive new residential density would place on our City's infrastructure. The attached plan represents the results of an extensive City Council and community process to find consensus. I hope that all parties can come together to seize an opportunity to move forward with a great project that would truly benefit NJ Transit, the City of Hoboken and the State of New Jersey.

### **Plan Changes**

Based on feedback from the City Council, NJ Transit/LCOR, members of the community, and lessons learned from Super storm Sandy, various changes were made to the draft plan introduced in 2012.

Additional commercial density was provided to make the project economically viable (175,000 SF baseline additional and an additional 125,000 SF if commercial sites are designed to be LEED Gold and with architectural creativity). The maximum height of the tallest commercial building was increased from 19 stories to 22 stories (24 stories if LEED Gold and with architectural creativity). The height limitations on the site closest to the PATH remain the same and there is no change to the residential population. While the NJ Transit concept proposed in 2008 would have had a residential population of 7,300, the City's 2012 and 2014 plans both correspond to a residential population of 950. Of the estimated 583 dwelling units, 20% are required to be family-sized 3 bedroom units and a minimum of 10% of all units are required to be affordable units.

Based on community feedback, blocks were separated into their own tax parcels, streets were extended to the southern end of the property/service road, and parking deck access was established from the access road behind the buildings and prohibited from the north/south streets.

The 2012 draft plan included a provision for a "Performing Arts Center." In order to provide more flexibility to the City and allow for other potential uses, the plan was revised to require "Indoor Public Space," noting that this may include a variety of uses such as performance space, public meeting rooms, and other civic uses to be determined by the City. The final design will be determined in the negotiation of the redevelopment agreement.

Stricter traffic language was included, such as references to existing severe traffic conditions and the need for the developer to address the constraints of train overpass trestles on nearby streets and accommodate better traffic flow. Parking ratios for commercial and office space were maintained. The parking ratio for residential sites was increased to 0.75, along with a corresponding provision for a 10 foot height increase on the site to accommodate the additional spaces. The plan includes requirements for shared car services and bike share in the buildings to facilitate less car usage. In addition, as one option to address parking concerns, new residents in

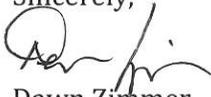
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these new buildings may not be permitted to have parking permits to park on the street in Hoboken.

The revised plan includes various flood mitigation measures including requiring the separation of the sanitary sewer and storm sewer, sewer pumps to serve the property, compliance with the City's Flood Damage Prevention ordinance, and encouraging the construction of storm surge protection at Warrington Plaza. A varied mix of stairs, seating levels, and irrigated green walls may need to be incorporated to tie the street and sidewalk grade on Observer Highway.

Working together, we have developed an economically feasible plan that supports balanced development and, most importantly, meets the needs of our community. Please feel free to call me if you would like to discuss this further.

Sincerely,

A handwritten signature in black ink, appearing to read "Dawn Zimmer", written over a horizontal line.

Dawn Zimmer  
Mayor

Cc: Brandy Forbes  
Joe Maraziti