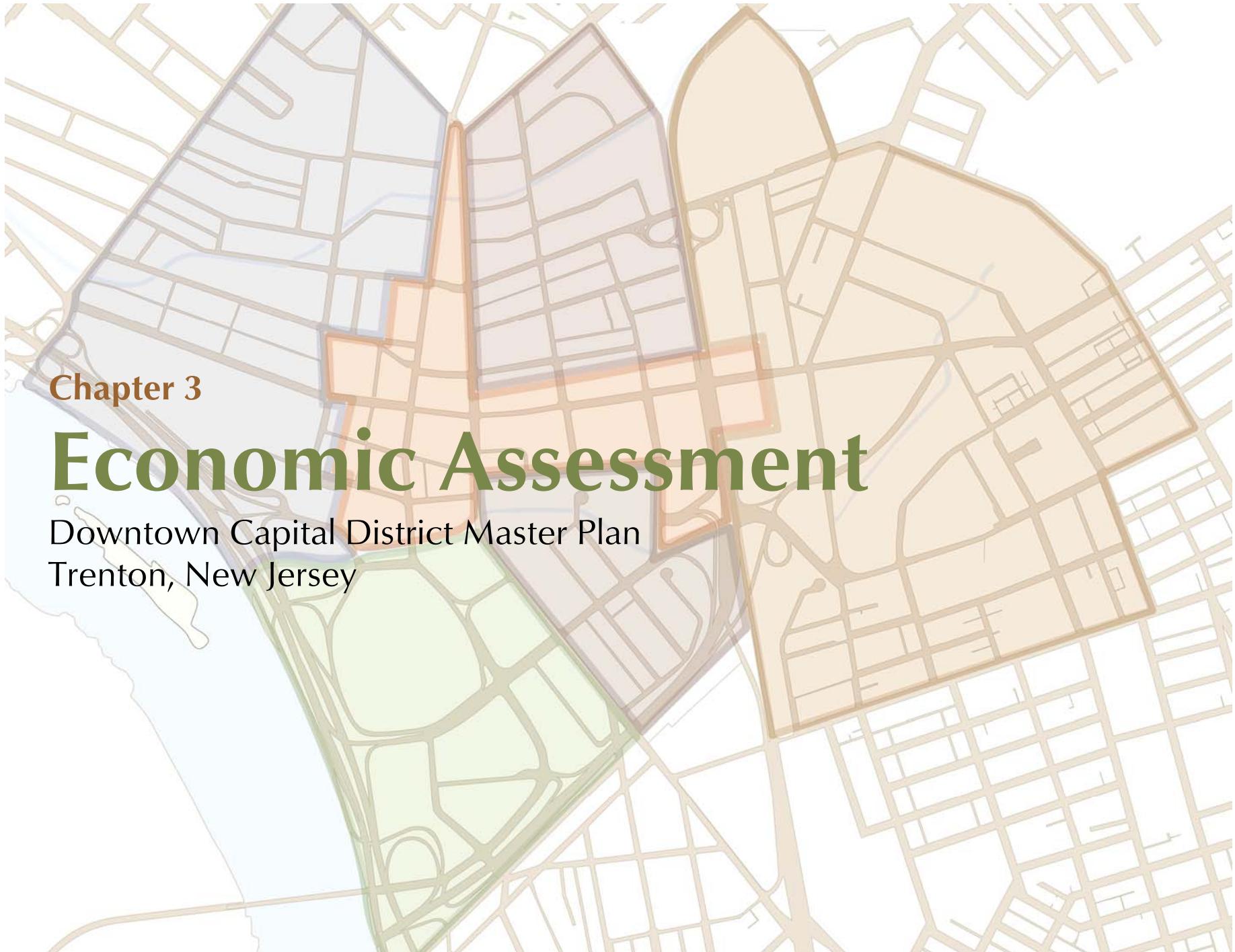




Chapter 3

Economic Assessment

Downtown Capital District Master Plan
Trenton, New Jersey

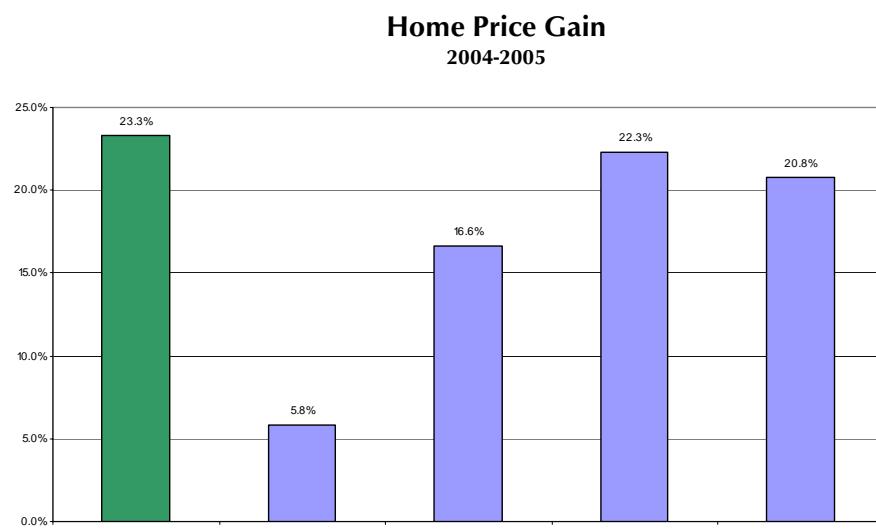


Economic Assessment

There are tremendous opportunities for upside appreciation in Trenton across all market sectors.

Analysis of Community Potentials

Like many major cities across North America, Trenton has experienced an increase in residential property values. However, compared to nearby major metro areas, Trenton is still considered a tremendous value. Actual costs, as well as cost-to-value as shown in the chart below, are lower in Trenton than most other metro areas in the region, which means that residents can work in metro areas, such as Manhattan and Philadelphia, and be able to afford a significantly more upscale property in Trenton than they could afford in those high-priced markets.

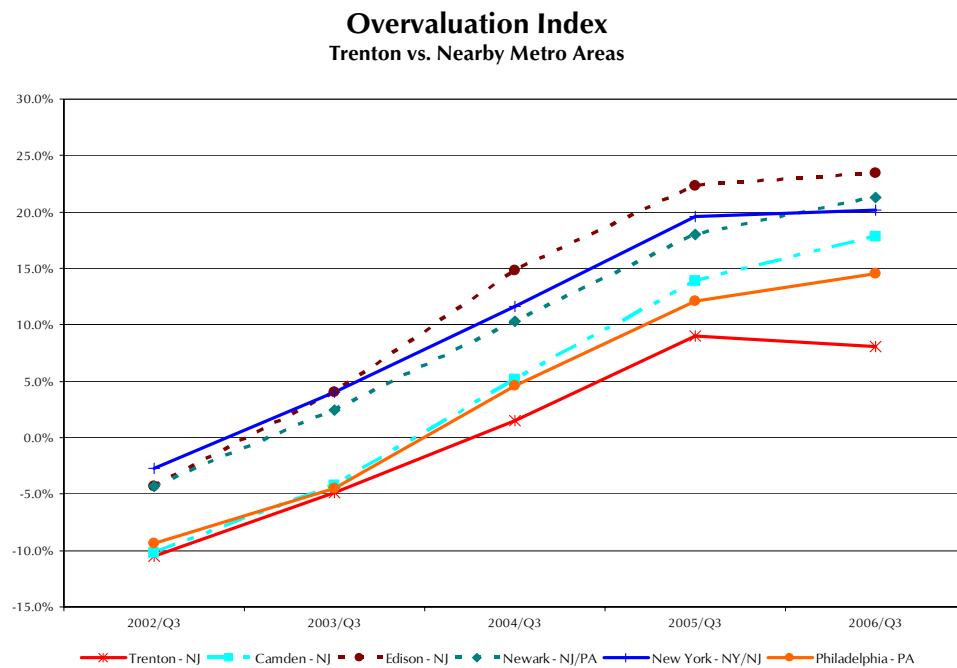


Despite the measure of comparative residential affordability in Trenton, residential property owners are reaping the benefits of property appreciation. Between 2004 and 2005, Trenton properties demonstrated a higher average rate of appreciation than many other nearby metro areas.

Market research by RES Advisors suggests that 75% of new residents – both renters and owners – would be drawn to the primary market area of Mercer County, including the City and Downtown. The secondary market area defined as Burlington County and Bucks County, Pennsylvania would draw approximately 25% of new Downtown residents.

Top candidates for the new downtown residents, according to RES market segmentation research, could include upper-income singles and married couples, highly-educated "bohemian" middle-income singles, and racially diverse middle-income urban households. The actual demographic statistics within this market area contradict conventional wisdom that Downtown residential development opportunities would be limited in scope and sophistication.

In fact, the market holds opportunity for more affordable "workforce" housing products as well as more upscale products. Among current Downtown residents, 38% of households in 2000 had annual incomes over \$35,000; 12% earned over \$75,000. These households could reasonably afford monthly rents of \$700 to \$1,500 per month, or purchase homes priced between \$123,000 and \$264,000 (assuming 10% down and a 6.5% 30-year fixed mortgage rate). The 2006 median household income for Mercer County was estimated at \$66,149. In Burlington County, the median household income for



Source: Global Insight/National City, December 2006

Guideline Housing Expenditures

Annual Household Income	Monthly Housing Allowance	Rent or Mortgage Payment	30 Year Mortgage at 6.5%	Housing Price with 10% Down
\$30,000	\$750.00	\$600.00	\$94,926.49	\$105,000.00
\$35,000	\$875.00	\$700.00	\$110,747.57	\$123,000.00
\$50,000	\$1,250.00	\$1,000.00	\$158,210.82	\$176,000.00
\$75,000	\$1,875.00	\$1,500.00	\$237,316.23	\$264,000.00
\$100,000	\$2,500.00	\$2,000.00	\$316,421.64	\$352,000.00
\$125,000	\$3,125.00	\$2,500.00	\$395,527.05	\$439,000.00
\$150,000	\$3,750.00	\$3,000.00	\$474,632.46	\$527,000.00
\$175,000	\$4,375.00	\$3,500.00	\$553,737.87	\$615,000.00
\$200,000	\$5,000.00	\$4,000.00	\$632,843.28	\$703,000.00

2006 was estimated at \$68,455; in Bucks County, the median household income for the same period was estimated at \$68,570. For this median figure, affordable monthly rents would be approximately \$1,360, with homes priced for purchase around \$240,000. The table on the lower left illustrates guideline housing expenditures possible based on a range of household incomes.

A primary attraction for new households to move to Downtown Trenton is the access its location provides to jobs. Additionally, the lifestyle choice to live in a city center as opposed to the suburbs, especially in new construction or renovated housing, is a strong motivator. Downtown Trenton could become an exciting alternative to life in the suburbs, or to established urban neighborhoods in Trenton like Mill Hill, which may already be overpriced for some segments of the Downtown target market. Housing products that are currently missing from the Downtown mix are primarily new, for-sale units in varying price points.

New housing units should be designed as neighborhoods in order to function as cohesive communities rather than as individual buildings or blocks segregated by levels of affordability. Developments should offer quality and amenities comparable to suburban complexes. Features should include dedicated secure parking, patios or balconies, and common area amenities such as clubhouses, fitness centers, and pools. Redevelopments could be planned as mixed-use to reinforce the dynamic urban character of area, or wholly residential. Neighborhoods can also accommodate a mix of income levels, with quality design guidelines and standards serving to create "income blind" units. Sites within the Downtown that are highly amenable to new residential development include:

- **Central Business District / Hanover Academy Neighborhood**
 - Mixed-use site between State Street and Hanover Street across from City Hall
- **Downtown Transit Village**
 - Former Miller Homes site, developed as a high quality, mixed-income neighborhood

- Mixed-use building at State Street and Wallenberg Avenue, wrapping around the existing parking structure, with additional residential across on the north side of State Street
- **Riverfront District**
 - Mixed-use district between Warren Street and the River, north of Market Street
- **Capital District Neighborhood**
 - Canal Banks Redevelopment Area, along the D&R Canal north of Hanover Street, featuring rowhouses or townhomes.

Renovation of existing housing stock is also a key component of Downtown's revitalization. People with a love of historic neighborhoods, energy and vision to spend on renovation and a pioneering spirit can transform neighborhoods, lot-by-lot or block-by-block, by restoring housing. Major historic urban areas, such as South Bronx starting in the 1960s, Baltimore since the 1980s, and Philadelphia beginning in the 1990s, have experienced a revitalization of historic neighborhoods by residents who had the foresight to look five to twenty years into a neighborhood's future and see an exciting, urban neighborhood. This type of market-rate restoration activity has already taken root in the Mill Hill neighborhood and should be encouraged in the:

- **Capital District Neighborhood**, along Bank Street, Spring Street, Summer Street, Belvidere Street, and Bellevue Avenue
- **Downtown Transit Village**, in the blocks between Route 1, State Street, Perry Street and Clinton Avenue, and in the blocks southeast of Walnut Avenue
- **Central Business District / Hanover Academy Neighborhood**, in the areas along State Street, Warren Street, Broad Street, Hanover Street, Academy Street, and Perry Street.

For either type of residential – new development or restoration – development of public amenities through high-quality urban design will be key to instill developer and buyer confidence and excitement. The growth of the residential base will, in turn, contribute to growth in other development sectors that rely on local "rooftops" to sustain their businesses, such as retail, entertainment, and cultural amenities.

Existing Quality of Life Attributes

In addition to the great housing value present in Trenton, residents, employees and visitors can enjoy numerous cultural events and organizations. These include the Boehme Opera Company, the Cathedral Arts Series at Trinity, the Greater Trenton Symphony Orchestra, and the Passage Theater Company at Mill Hill Playhouse. Trenton is also home to the Trenton War Memorial, a grand historic auditorium host to many "big name" acts, and the Sovereign Bank Arena, which hosts major music concerts, theater performances and sporting events.

For local sporting events, Trenton residents can watch Trenton Thunder Baseball, the AA affiliate of the New York Yankees, at the Mercer County Waterfront Park. The Trenton Titans Hockey are the Philadelphia Flyers AA affiliate team and play at the Sovereign Bank Arena.

Reflecting Trenton's place in early American History, the City hosts numerous historic monuments and museums. These include the Battle Monument, the Contemporary Victorian Museum, the City of Trenton Museum at Ellarslie Mansion, the Meredith Havens Fire Museum, the New Jersey State Museum, the New Jersey State House, the Old Barracks Museum, the 1719 William Trent House Museum, and the Old Masonic Lodge.

In addition to interstate and US highway access, Trenton is connected by train to the greater Northeast. The City has a stop on the Amtrak Acela Express Route that connects Boston to Washington DC. By express train, Trenton is:

- 30 min from Philadelphia's 30th Street Station
- 30-45 minutes from Newark Airport
- 1 hour from New York's Penn Station in Manhattan.

Travelers and commuters can also access New Jersey Transit, SEPTA or the RiverLINE to go to Newark (including the airport), Manhattan, Philadelphia (including the airport) and Camden. A major station redevelopment offering improved facilities and amenities is nearing completion.

Strategic Location within the Northeast Corridor

The single greatest factor for attracting potential residents to Downtown Trenton is its regional accessibility to good jobs. Trenton enjoys a strategic location within the Northeast Economic Corridor and should capitalize on this location and the strength of the regional metropolitan economy to expand its own local economic base.

The Northeast Corridor is the largest economic concentration in North America. It spans the area between five major cities including Washington, DC, Baltimore, MD, Philadelphia, PA, New York, NY, and Boston, MA. New Jersey is a central state in this economy from a transportation, infrastructure and sub-economy perspective. While it does house many corporate back-office operations, the State is also home to numerous corporate headquarters and is the pharmaceutical capital of the US.



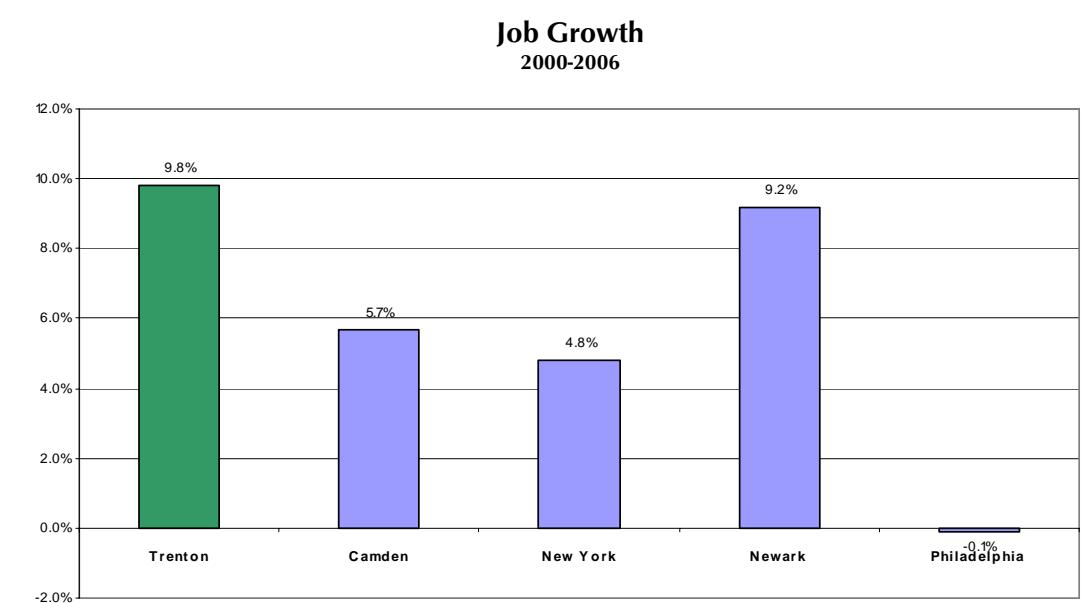
Central New Jersey enjoys a strategic location in the Middle Atlantic, linked to other key Eastern cities by US Route 1 and Interstate 95. These corridors are often called the 'Wealth Belt' and are characterized by rapid growth, low unemployment, and high incomes.

Trenton is located:

- 35 miles from Philadelphia
- 55 miles from Newark
- 70 miles from New York

Source: *New Jersey in the Global Network*, Michael Gallis & Associates

Key industries for the central New Jersey area include pharmaceuticals, telecommunications, biotechnology, electronics, health care, finance, business services, and distribution/warehousing. The top ten largest employers in Mercer County (excluding Trenton) are Merrill Lynch, Princeton University, Bristol Myers Squibb, University Medical Center at Princeton, Educational Testing Service, NJ Manufacturers Insurance, Congoleum, Washington Group International, the US Postal Service, and Janssen Pharmaceuticals. In central New Jersey and in Mercer County, Trenton is one of the main employment centers. Its largest employers include the State of New Jersey, Capital Health Systems, St. Francis Medical Center, and The Hibbert Group. Because of its location and current economic base, Trenton is poised to capitalize on education, health care, biotechnology and pharmaceutical research,



Source: *Money Magazine "Best Places to Live, 2006"*

and business services supporting corporate and government functions. Overall job growth in the City between 2000 and 2005 outpaced that of other nearby regions, as illustrated by the chart below.

Many businesses view access to institutions of higher learning as a locational asset; and Trenton offers proximity to a variety of institutions. Trenton is the home of Thomas A. Edison State College and the Kerney Campus of Mercer County Community College. Princeton University, Rider University and Rutgers University are located just northeast of the City of Trenton. Nearby Philadelphia is home to three highly regarded research universities: University of Pennsylvania, Temple University, and Drexel University.

Opportunities for Commercial Growth

Based on the regional economy and strategic location, Trenton should be poised to attract additional business services to support state government, back-office operations for financial services companies (like Merrill Lynch) who desire proximity to Manhattan and Philadelphia but seek location diversity and lower rents, and research and development (R&D) to capitalize on the state's science capital and proximity to Princeton, Rutgers, and the prestigious research universities in Philadelphia. In terms of existing office and business facilities in Downtown Trenton, **90% of office space is currently owned or leased by government agencies**. This dynamic must be balanced by private sector office development in order for Trenton to be transformed. Private sector tenants are primarily branch office businesses due, in part, to the absence in inventory of non-governmental Class A office space. There are currently no manufacturers or R&D centers within Downtown.

The current office supply somewhat hampers the immediate attraction of such businesses: no large blocks of Class A space are available, and no new Class A space has been developed since 1989 until the partnership with Hill Wallack to build the new space now occupied by Wachovia. Rents for existing Class A space are comparable to other facilities along the Route 1 corridor when taxes and parking costs are factored in.

In order for Trenton to be a more desirable location than outlying locations, the following must be promoted:

- Available modern, prestige facilities
- Business support services for businesses
- Retail, personal service and entertainment amenities for workers
- Quality local housing
- Access to workers with good technical and professional skills
- Gap financing and economic development incentives from state and local government units for relocation to Trenton or expansion

Potential sites for new office developments in Downtown Trenton include:

- **Capital District Neighborhood**
 - In a mixed-use development on the block bounded by Bank Street and West Hanover Street on Willow Street
- **Downtown Transit Village**
 - The large site with Route 1 visibility, to be developed as a corporate headquarters or high profile complex
- **Riverfront District**
 - In the mixed-use district between Warren Street and the River, north of Market Street
- **Central Business District / Hanover Academy Neighborhood**
 - One State Street Plaza, completion of Phase 3 building
 - The large site between Perry Street and the railroad tracks with Route 1 visibility, to be developed as a corporate headquarters or high profile complex
 - In a mixed-use development at the southwest corner of West Hanover Street and Willow Street.

City, County and State economic and redevelopment agencies engage or partner with national real estate brokers specializing in the office sector who can identify potential tenants by analyzing the lease status and potential relocation/expansion interest among such tenants.

To encourage business development in Trenton, there are a variety of state and local economic development incentives available: short-term property tax exemptions, longer-term property tax abatement, Urban Enterprise Zone designation, various small business loan programs, Capital City Redevelopment Corporation grants, New Jobs Investment tax credits, Business Relocation Assistance grants, and workforce training. Additionally, the State enjoys low corporate income tax, no net worth tax, no business personal tax, no commercial rent or occupancy tax, and no retail gross receipts tax.

Currently, the business mix in Downtown Trenton is fairly limited, and is not tailored to capture sales from the employment base that fills downtown each weekday. According to a 2004 survey by the International Council of Shopping Centers, downtown office workers eat out for lunch 3.1 times per week, with sit-down, fast food, and deli restaurants equally popular. The survey also indicated that downtown office workers in cities like Trenton make some type of shopping trip at least once a week, most frequently after work; purchases were fairly evenly divided between conveniences goods and boutique/mall/department store goods. The City should work with the various economic development agencies to recruit new retail vendors and restaurants. This effort is best supported by maintaining a detailed inventory of available space by square footage. Retailers have specific space requirements, so Trenton's marketing effort should focus on retailers that fit the configuration of space downtown.

Recognition of Successes and Challenges

Trenton has experienced an exciting revitalization of its diverse neighborhoods in the last several years, with notable new investments in the Downtown and across the City in the works. Some of the half billion dollars of downtown development projects include:

- Restoration of the Historic Broad Street Bank Building

- \$73 Million Expansion of the Trenton Train Station
- Planned Transformation of Route 29 into an Urban Boulevard
- 100,000 SF South Broad Street Entertainment District
- Front Street Renovation
- Planned Sun Bank Mixed-Use Redevelopment

Despite the resurgence that the City has witnessed in the last several years, there are still a number of civic concerns that need continued attention. Fortunately, the City has plans for each of these topics, and is making positive progress.

The City has improved its fiscal position, transforming the environment in which residents and business owners live and work. Rising property values have added \$102 million to the City's assessed valuations between 2002 and 2006. The City also now enjoys an improved tax collection rate, a record high 97.88%. To continue its movement toward fiscal stability and strength, the City is making an effort to reconvert many of the numerous downtown State-owned parking lots – which are not tax assessed and generate no property tax revenues – into useful, productive redevelopment sites. Not only will this encourage additional development, it will rebalance the tax base of the Downtown and income and expenses for services provided to the Downtown.

The City has also developed one of the most effective efforts in the US for reducing gang activity and chronic gun violence, and has been highly successful in reducing both property and violent crime. The number of reported crimes in Trenton declined 27% in 2006 from 2005, falling to the lowest level since reporting began in 1967. In a speech addressing the City's reputation and successes, Mayor Douglas H. Palmer stated, "Trenton is a very safe city for law abiding residents and the thousands of people who work downtown or attend sporting and cultural events." In addition to political action and collaborative partnerships with other units of government, the City has enhanced community policing by opening two new neighborhood police precincts, and making plans to refurbish the Police Headquarters in the North Ward and Metro precinct in the South.

