

Final Report and Recommendations – Lincoln Boulevard Redevelopment Plan 11/15/2018

Public Meetings

Four public meetings were held to allow the Residents and business people of the Borough of Middlesex to comment on and make suggestions relating to the current adopted Lincoln Boulevard Redevelopment plan.

This plan was originally adopted in September of 2007 and revised August 2011 and again in December 2016.

Based on the rapidly changing retail and real estate markets the Borough Council authorized a full review of the plan to determine if the land uses stated in the plan were still viable in today's market and to learn of any concerns the public might have relating to it.

The meetings were held in the Borough Council chambers with separate meetings for each of the designated areas having one meeting to fully explore the plan's requirements and the public's comments. These meeting dates were, Thursday 2/22/2018, for the Town Center Area, Thursday 3/22/2018 for the Gateway Area and Thursday 6/28/2018 for the West Market Area. A fourth meeting was held on 8/23/2018 to discuss the Transition Zones and how they can be improved to tie in with the three main areas.

At every meeting the facilitator presented to attendees the purpose of the meeting and reviewed the current elements of the plan as they related to the specific element of the plan being discussed that night.

Middlesex Borough Lincoln Boulevard Redevelopment Plan Review

The Objective

The Borough Economic Development Committee, will hold a series of Public conversations with stakeholders and other professionals, during 2018 to re-examine the vision and redevelopment plans for Lincoln Boulevard. At the conclusion of these conversations, if needed, recommendations will be made to the Planning Board to modify the Redevelopment Plan based on the stakeholder's consensus, other Borough redevelopment activities, current research and trends and the economic climate.

The proposed format for these conversations will be based on the current redevelopment Plan for Lincoln Boulevard.

The Plan comprises four discrete sections, there will be a separate discussion for each section.

The basic steps for each element are the same and is:

- a) Hold Public Meeting
- b) Prepare reports of findings from Public meetings
- c) Prepare suggested RD Plan amendments based on Public Input by Phase
- d) Present amendments to Planning Board for review and approval
- e) Council adopts RD Plan amendments.

Additionally, discussion should consider how this Plan affects other areas within the Borough and more importantly are there other areas in the borough that need a redevelopment or rehabilitation focus.

11/15/2018

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Each Phase will consist of 6 elements, they are expected to be as follows:

1. Introductory Meeting and Recap of Plan Elements
2. Compile and Review comments from meeting
3. Prepare potential Revisions/Amendments to Section
4. Second Public Meeting to present findings and seek buy-in
5. Draft Revisions/Amendments for PB review
6. Adopt Revisions Amendments

It should be noted that phase 3 and 4 were postponed based on the public input and reserved to be presented as one presentation in October of 2018. This was to provide context and continuity for all elements and a clearer understanding of the outcomes from each public session and the overall recommendations from the Economic Development Committee.

Public Meetings

The first meeting was the best attended over 60 people attending. As happens in these types of public events many issues were raised by attendees that were not relevant to the subject at hand. There was a lot of discussion relating to the various State regulations that control local redevelopment and how a plan must conform to these. It became apparent that the types of land use the public wanted to see were included in the current Plan.

The second meeting was also well attended and mostly followed the same pattern as meeting one. The third and fourth meeting were less well attended and the concerns expressed by the attendees were more focused on traffic along Lincoln Boulevard and resident parking as development continues. An analysis of these uses and wants from all four meetings is included in this report.

Recommendations:

The Economic Development Committee recommends the following amendments be made to the adopted Lincoln Boulevard Redevelopment Plan.

1. Street Scape treatment and sidewalk specifications in the "Transition Zones" to conform to those specified for the Town Center, Gateway and West Market Areas.
2. Revise the traffic calming measures to delete "bump outs", but include more emphasis on updated signage and pedestrian safety measures, i.e., pedestrian operated signals at crosswalks, should be incorporated into the plan.
3. Freestanding parking Structures (Decks) should be an allowed use in all areas.
4. Public Spaces should be allowed and not an interim use.
5. Outside/Sidewalk dining should be allowed.
6. Drive through's for Banks should be allowed.
7. Eliminate the transition zone overlay and replace with, "mixed use" and "adaptive reuse" requirements.
8. Consider "Innovation Centers" as an allowed use.
9. Extend Sidewalk design standards for Lincoln Boulevard into Transition Zones facing Lincoln Boulevard
10. Rename Block 318 Lots, 4.01, 38.01, 1.01, 21, 43, 44, 45 and 48, and Block 319 Lots 28, 45 and 47 within the Transition Zone as "Warehouse and Municipal Focus Zone".
 - a. In this area amend section 13.4 to read, following 13.4.H, "In the warehouse and Municipal Focus Zone the Planning Board will determine the need for the requirements detailed in Section 13.4.A through H of the Redevelopment Plan.

11. Amend Building height in “Transition Areas/Warehouse and Municipal Focus Zones” to, “not to exceed 60 feet”.
12. Rename remaining Transition Zones (Facing Lincoln Boulevard) as:
 - a. East Focus Area
 - b. Central Focus Area
 - c. West Focus Area

Note: This will remove the Overlay requirement and allow the design standards established for the existing focus areas to become applicable in these focus areas.
13. Replace the word Rehabilitation wherever found with the word Redevelopment.
14. Ensure that the Plan includes language to include a buffer zone between the redevelopment/focus areas and the existing residential areas abutting them along Lincoln Boulevard.

General Comments - Public Meetings

The Public appeared to be concerned more with the types of uses the Plan contained than the more detailed design elements. Comments focused on the types of uses allowed, with discussion centered on the perceived lack of new retail and other small business types relocating to Middlesex.

This in turn led to a discussion on the current and future trends of retail occurring nationwide and the impacts this is having on regional and local land use planning. This report will not make any recommendations relating to the inclusion of specific retail types of business as the market is going through significant changes in the type of stores and customer expectations as they relate to shopping and purchasing habits. (See attachment #1)

The review of the current allowed uses in the "Focus Areas" of Lincoln Boulevard Redevelopment Plan remain current with emerging trends with only minor changes being suggested. For reference the current Plan language is noted below.

Current Focus Zones (Illustrative Plans)

There are three specified illustrative plans, one for each Focus Area, included in this overall Plan: Gateway, West Market, and Town Center. The three illustrative plans exhibit the recommended building and parking locations and streetscapes for each of the three Focus Areas. The illustrative plans feature diverse and contiguous pedestrian realms, linear buildings "framing" Lincoln Boulevard, street trees and behind building parking courts or decks. See Exhibits 4.0, 5.0, and 6.0 for each Focus Area Illustrative Plan.

The illustrative exhibits presented are for graphical representation. If contradictions exist between the written part of this plan and the exhibits, the written portion shall govern.

These plans are illustrative and modifications to the layout and form are allowed without the need to amend this Plan.

This Plan recognizes the need to consolidate several lots to create one larger parcel of land to implement several of the Focus Area plans. As a result, the development options for several properties within the Focus Areas are limited to the land use, layout and design requirements of the Lincoln Boulevard Redevelopment Plan. For this reason, without the assemblage of land consistent with Focus Area plans identified in this section, individual property owners may be *severely* limited in their development options. For this reason, this Plan allows for the development of such parcels in accordance with the zoning designations that existed immediately prior to the creation of the Focus Areas when it can be determined that a plan incompatibility exists (See Definition of Plan Incompatibility in Section 6.0). A determination that a plan incompatibility exists may be made prior to submittal of a plan for development.

Current Transition Zones

The revitalization, rehabilitation and redevelopment of the entire corridor is important if Lincoln Boulevard is to become the "Main Street" of Middlesex Borough. Thus, the Focus Areas are not the only areas of importance to the Plan. Areas within the Rehabilitation Area but not within the three Focus Areas are designated Transitional Zones.

Development within the Transitional Zones shall be governed by this plan and shall be according to one of following scenarios:

5.3.1 Development may occur within the Transitional Zone according to the zoning that existed immediately prior to the implementation of this Plan.

5.3.2 One or more contiguous properties with a minimum frontage of 150 feet may develop seeking approval for development, may develop in accordance with the following requirements:

5.3.2.A Permitted uses shall include retail, office and parking uses as described in Section 8.2. Nonresidential mixed-use developments shall be permitted.

5.3.2.B Building regulations shall be in conformance with Building Type 6. However, 2-story buildings shall be permitted. Residential development is not permitted on any floor.

5.3.2.C Design standards shall conform to the required architectural standards within Section 10.1.

5.3.2.D Parking requirements shall conform to the standards outlined in Section 11.0. One or more contiguous properties with a frontage along Lincoln Boulevard of 150 feet or more seeking approval for development may apply to the Planning Board to designate the area as a new Focus Area, which shall require the amendment of this Plan. The procedures for the amendment of this Plan are outlined in Section 13.3 of this Plan.

The following is the current Section 8 of the Lincoln Boulevard Redevelopment Plan to be use as a reference for those uses suggested by the public.

8.1 General Requirements

In the event of any conflict or inconsistency between the provisions of this Plan and the provisions of the Middlesex Borough Zoning Regulations, this Plan shall govern in those areas specified as “focus areas”:

Areas outside the designated "focus areas" shall be governed by the existing zoning until such time that a specific focus area is designated.

These new focus areas can only be designated within the approved Rehabilitation Area.

Specific application of the land use and development requirements of this Plan, as they affect existing uses will be as follows:

1. Existing uses that are nonconforming with the current zoning provisions will remain nonconforming unless they are expressly permitted in this Redevelopment Plan.
2. Existing principal or accessory uses of properties, permitted by the use provisions of the Land Use Regulations in effect for the Area immediately prior to the effective date of this Plan, but which are not listed as permitted uses in this Plan, will become prior nonconforming uses at the time this Plan is effective. At that time and thereafter, any modification or expansion of these prior non-conforming uses is prohibited and any new use, redevelopment or rehabilitation of such properties shall be subject to the provisions of this Plan.
3. Where Plan Incompatibility as defined in Section 6.0 exists, the zone designation that existed immediately prior to the creation of the Focus Area zoning districts may be utilized.

8.2 Permitted Uses

Permitted uses for the focus areas are illustrated in Exhibits 23, 24 and 25. The uses indicated on these diagrams are defined as follows

1. Offices: General and Professional offices, including, by way of example, but not limitation, general offices, doctors; dentists; lawyers', accountants, 'and architects' offices.
2. Retail: Stores, restaurants, and similar facilities including by way of example, but not limitation markets, stores, convenience stores, entertainment establishments, restaurants, cafes, bars, health and fitness clubs, clothing stores, banks.
3. Parking: A structure within the redevelopment area used for the parking of automobiles and primarily to support specified uses. Multi-use structures are recommended. Parking structures

are subject to review for compliance to Design Standards.

4. Residential: Includes premises available for long-term human habitation by means of ownership or rental, but excluding premises offered for rental for periods of less than a month's duration; excludes all boarding houses and rooming houses.
5. Churches, temples and other religious institutions and any facilities including by way of example but not limitation, Sunday Schools, child care facilities, meeting areas, recreation areas and the like.
6. Mixed-use: A building that combines any two or more of the permitted uses within a single building. Additionally, there can be more than one principle building containing one or more principal uses on the same lot.
7. Live-work: Units that permit ground level light commercial activity including, by way of example, but not limitation, professional offices (doctor, dentist, lawyer, architect, publisher, and other professional services), workshops (mechanic, plumber, fabricators, general contractor), or artist studios. Permission to inhabit or work in live-work units is only permitted after review by Borough Planning Board to ensure that tenancy will not become a disturbance or distraction to the neighboring uses and providing that the owner or employee of such businesses live in such unit.

8.3 Interim Uses

The following shall be permitted interim uses in the Area. The duration during which such uses may remain in place shall be determined by the Middlesex Borough Planning Board.

1. Parks,
2. Surface parking facilities,
3. Any other use that will not encumber the property in any way as would hinder the ultimate development of the permanent permitted use.
4. Construction Staging Area.

8.4 Prohibited Uses

Any use not expressly permitted shall be prohibited within the Area. Existing uses that are prohibited under this Plan are permitted to remain as is. However, it is this Plan's assertion that any rehabilitation, redevelopment or development within the Area include only permitted uses. The following list includes examples of uses that are prohibited and is not intended to be exhaustive of all prohibited uses.

1. Drive-through commercial uses where patrons remain in automobiles.
2. Gas and service stations and car wash facilities.
3. Vending machines, except when located within buildings.
4. Commercial kennels and animal husbandry facilities.
5. Warehousing or distribution facilities.
6. Automotive sales, repair, or long-term storage
7. Junk yards, recycling facilities, and outdoor storage.
8. Labor pool buildings, halfway houses, and food pantries.
9. Industrial and/or manufacturing operations.
10. Facilities producing adverse impacts on adjacent properties in general, usually as a result of odor, vibration, noise, pollution, or socioeconomic disruption.
11. Structured parking facilities, except those required to meet the permitted parking requirements of permitted uses within the rehabilitation area.
12. Storage buildings and/or yards.
13. Sale or distribution of pornographic material.

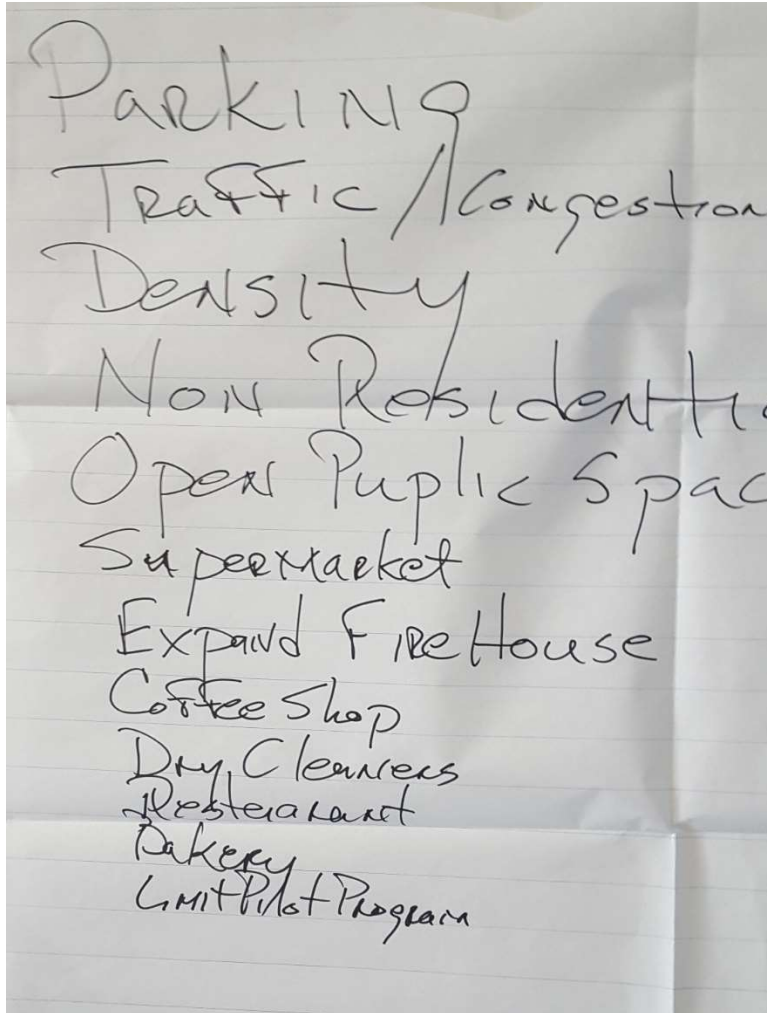
8.5 Optional Uses

Optional uses are indicated on Exhibits 23.0, 24.0 and 25.0 with a striped pattern. The buildings that have multiple possible uses can be either use or a combination of the two uses as defined as in Section 8.2 Permitted Uses.

9. Entertainment/Movies/Dine in Theater	Not Prohibited*
10. Multi-Family Housing//Single Family Housing	Allowed
11. Senior(s) Development	Allowed
12. Over 55 Community	Allowed
13. Assisted living	Not Prohibited*
14. Home Depot/Michaels or stores like that-Convenience Shopping	Allowed
15. Green Initiatives (pp50,9.1.9)	Allowed
16. YMCA/Recreation	Not Prohibited*
17. Town Center (like Division St Somerville)	Allowed/Interim?
18. Mingling Spaces (public space-arts/active community)	Allowed/Interim?
19. Pet Park (personal?)	Interim
20. Public Transport to get to trains (shuttle bus)	Part of infrastructure
21. Café Seating Businesses/Dinning	Allowed
22. Marihuana distribution	Illegal
23. Commercial Banking (allow Drive through)	Prohibited
24. Corporate/mixed use	Allowed
25. Specialty foods	Allowed
26. Art Gallery/arts/sciences	Allowed
27. Antique gallery	Allowed
28. Ice cream shops	Allowed
29. Sporting goods store	Allowed
30. Kids entertainment-retro arcades-trampoline park-arcades	Allowed
31. Catering to warehouse/distribution centers (pp50,9.1.10)	Most likely will need a Vendors Permit
32. 1 Bed apartments	Allowed

*Not prohibited means there is no reference to this use either in the permitted uses or prohibited uses sections of the Plan.

The following are the notes and review comments from Gateway Area Public Meeting 2, 3/22/2018

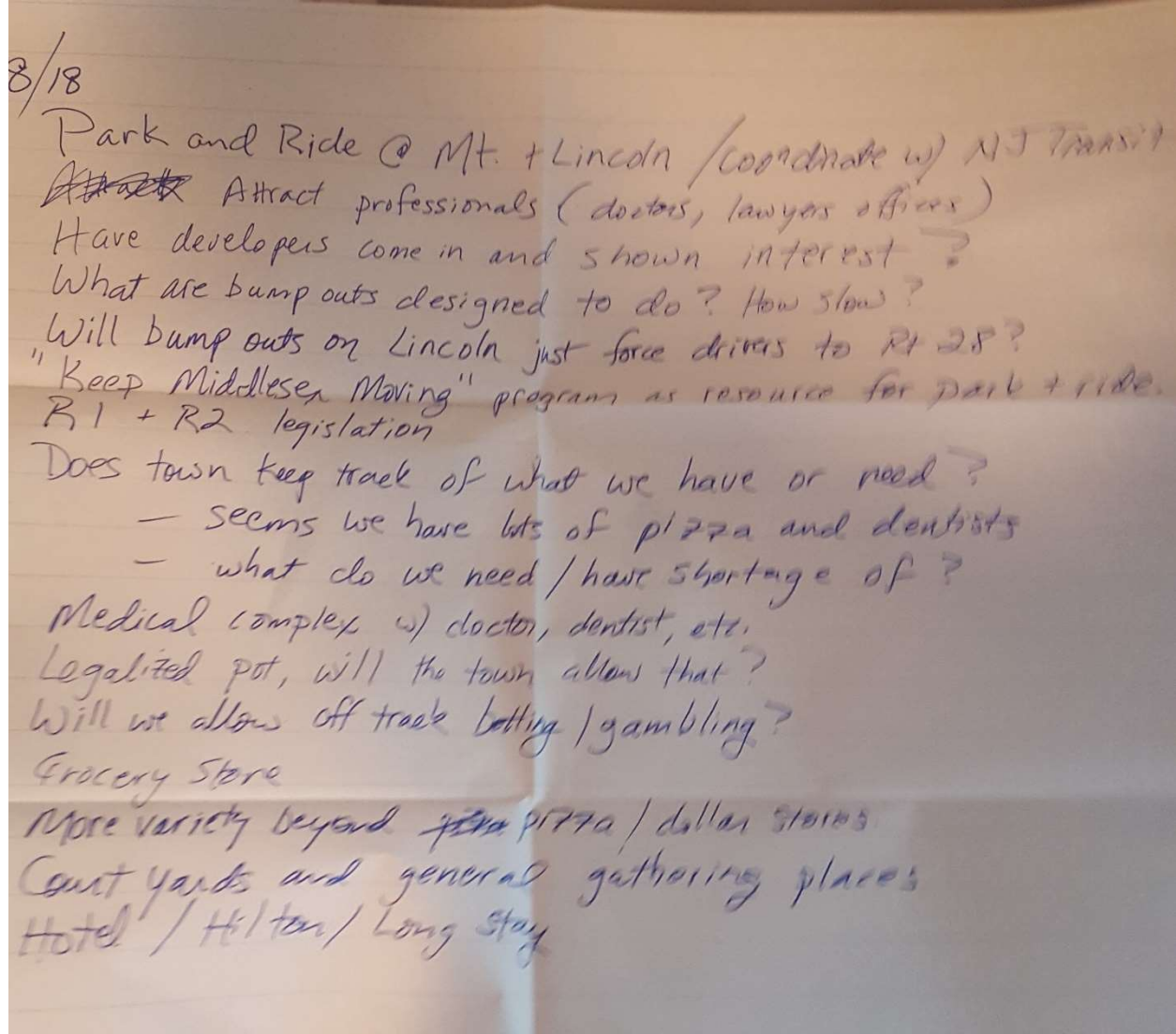


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|--|----------------------------------|
| 1. Parking (seen as an issue) | Allowed as part of a development |
| 2. Open Public Space | Interim Use |
| 3. Supermarket | Allowed |
| 4. Coffee Shop | Allowed |
| 5. Destination Stores (Dry Cleaner, Restaurants, Bakery) | Allowed |
| 6. Non-Residential uses | Allowed |

Seen as problems, no offered solutions

1. Parking overall
2. Traffic congestion/speed
3. PILOT Programs

The following are the notes and review comments from West Market Area Public Meeting 3.
6/28/2018



- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Park and Ride at Mountain and Lincoln 2. Attract professionals i.e. Doctors/lawyers offices 3. Have developers come in and show interest? 4. What are bump outs designed to do? How slow? 5. Will bump outs on Lincoln just force drivers to Rt 28? 6. "Keep Middlesex Moving" as resource for Park and Ride 7. R1 and R2 legislation 8. Does town keep track of what we have and what we need? <ol style="list-style-type: none"> a. Seems we have a lot of Pizza places and dentists b. What do we need/what do we have a shortage of? 9. Medical complex, with doctors/dentist etc. 10. Legalize pot-will town allow that 11. Will we allow off track betting/gambling | <p>Coordinate with NJT</p> <p>Market driven</p> <p>Beginning to happen</p> <p>Stop Speeding/TBD</p> <p>County will not approve</p> <p>Agreed</p> <p>Not sure what this means</p> <p>See note below</p> <p>Allowed</p> <p>TBD when state allows</p> <p>State needs to approve</p> |
|---|--|

- | | |
|--|----------------|
| 12. Grocery store | Coming |
| 13. More variety beyond pizzas/dollar stores | See note below |
| 14. Court yards and gathering places | Plan amendment |
| 15. Hotel/Hilton/long stay | Allowed |

Note:

The Borough cannot by law mandate what businesses can and cannot be in the town, this is market driven.

The Redevelopment Plan is the only tool we have to define what is allowed or not allowed

The following are the comments from Transition zones Public Meeting 4. 8/23/2018

1. Continue sidewalk specifications through/along all of Lincoln Boulevard
2. Calm traffic/reduce speeds
3. Allow for adaptive reuse
4. Look at 8.2#7 and 8.4#11 in RD Plan
5. Continue allowed uses into transition areas
6. Review if commercial overlay allowed uses is realistic
7. Eliminate industrial uses

Review of Redevelopment Plan Sections and Recommended Changes (Underlined)

Cover Page	<u>Revise with current Revision and Adoption Dates when applicable</u>
Table of Contents	No Change
List of Exhibits	No Change
Section 1.0 Page 3	<u>Add the following; Within the Transition Zone, Block 318 Lots, 4.01, 38.01, 1.01, 21, 43, 44, 45 and 48 allowed uses will include Warehousing, and Block 319 Lots 28, 45 and 47 Municipal Facilities.</u>
Exhibit 2	No Change
Exhibit 3	No Change
Exhibit 3.1	No Change
Section 2	No Change
Section 3	No Change
Section 4	No Change
Section 5.1 & 5.2	No Change
Section 5.3	<u>Change to include reference to Warehousing in Paragraph 2</u> <u>Change 5.3.1 to include “unless otherwise noted in this section”.</u> <u>Change 5.3.2-B delete “Residential development is not allowed on any floor”</u>
Section 5.4 & 5.5	No Change
Exhibit 4, 5, 6	No Change
Section 6	No Change
Section 7.1	<u>Add language that states that “Lincoln Boulevard is a County road and any modification will have to be approved by the County of Middlesex”</u>
Section 7.2	<u>Delete: Vehicular Circulation Plan</u>
Section 7.3	<u>Delete Paragraph 4 “Several traffic calming” including exhibit 13, and any other reference to “bump outs” along Lincoln Boulevard.</u>
Section 7.4	<u>Delete reference to “future train station” in Plan and specifically in Paragraphs 2, 3 and 4, and Exhibit 19.0</u>

Exhibit 7, 8, 9 & 10	No Change
Exhibit 11 through 18	No Change
Exhibit 19	<u>Delete: Transit Plan and Walking Distance</u>
Exhibit 20 through 22	No Change
Section 8.0	<u>Changes underlined below, deletions shown by strikethrough</u>

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These new focus areas can only be designated within the approved Rehabilitation Area.

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3. Where Plan Incompatibility as defined in Section 6.0 exists, the zone designation that existed immediately prior to the creation of the Focus Area zoning districts may be utilized.

8.2 Permitted Uses

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3. Parking: A structure within the redevelopment area used for the parking of automobiles and primarily to support specified uses. Multi-use structures are recommended. Parking structures are subject to review for compliance to Design Standards.
4. Residential: Includes premises available for long-term human habitation by means of ownership or rental, but excluding premises offered for rental for periods of less than a month's duration; excludes all boarding houses and rooming houses.
5. Churches, temples, mosques and other religious institutions and any facilities including by way of example but not limitation, Sunday Schools, child care facilities, meeting areas, recreation areas and the like.
6. Mixed-use: A building that combines any two or more of the permitted uses within a single building. Additionally, there can be more than one principle building containing one or more principal uses on the same lot.

7. Live-work: Units that permit ground level light commercial activity including, by way of example, but not limitation, professional offices (doctor, dentist, lawyer, architect, publisher, and other professional services), workshops (mechanic, plumber, fabricators, general contractor), or artist studios. Permission to inhabit or work in live-work units is only permitted after review by Borough Planning Board to ensure that tenancy will not become a disturbance or distraction to the neighboring uses and providing that the owner or employee of such businesses live in such unit.
8. Warehousing in Transition areas as designated in this plan

8.3 Interim Uses

The following shall be permitted interim uses in the Area. The duration during which such uses may remain in place shall be determined by the Middlesex Borough Planning Board.

1. ~~Parks,~~
2. Surface parking facilities,
3. Any other use that will not encumber the property in any way as would hinder the ultimate development of the permanent permitted use.
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5. Warehousing or distribution facilities, except where designated in this plan.
6. Automotive sales, repair, or ~~long-term~~ storage
7. Junk yards, recycling facilities, and outdoor storage.
8. Labor pool buildings, halfway houses, ~~and food pantries.~~
9. Industrial and/or manufacturing operations.
10. Facilities producing adverse impacts on adjacent properties in general, usually as a result of odor, vibration, noise, pollution, or socioeconomic disruption.
11. Structured parking facilities, except those required to meet the permitted parking requirements of permitted uses within the rehabilitation area.
12. Add, word Industrial to Storage buildings and/or yards.
13. Sale or distribution of pornographic material.

8.5 Optional Uses

Optional uses are indicated on Exhibits 23.0, 24.0 and 25.0 with a striped pattern. The buildings that have multiple possible uses can be either use or a combination of the two uses as defined as in Section 8.2 Permitted Uses.

Exhibit 23, 24, 25 No Change

Section 9	<u>Add new section 9.3 “warehouse standards”</u> A. <u>Maximum Height not to exceed 60 feet</u> B. <u>Parking Location, surface parking</u> C. <u>Sidewalk width, 6 feet</u> D. <u>Minimum Lot Width 200 feet excluding access</u>
Section 10	<u>Add new section 10.1.8 Warehouse</u> 1. <u>Warehouse buildings are allowed in designated Focus Areas</u>
Section 11	Include changes already enacted by Council
Section 11.1	Parking Standards: A. Section 11.1.1. Bullet Point 3: language will be replaced with the following; <u>“Apartment Dwellings” One bedroom: and Two Bedroom two (2) Spaces: more than two bedrooms: Planning Board to determine:</u> B. Section 11.1.1. (3) Shared Parking: <u>Deleted in its entirety.</u> C. Section 11.1.2 Shared Parking: <u>Deleted in its entirety and replaced with: “Shared Parking will be considered by the Planning Board at its sole discretion if it can be determined that the parking demand at any one time will be adequately served by the total number of parking spaces available.”</u>
Section 11.2.1	<u>Delete reference to “train station”</u>
Section 12	No Change
Section 13.4	<u>Add at end of section “the Planning Board will determine the need for the requirements detailed in Section 13.4 within the Warehouse and Municipal Focus Zones.</u>
Section 14	No Change
Section 15.3	<u>Delete</u>
Section 15.5	<u>Add to first paragraph following Redevelopment Entity “or authorized designated Committee”</u>
Section 16	No Change
Appendix 1	No Change
Appendix 2	No Change
Appendix 3	No Change
Appendix 4	No Change

ATTACHMENT #1

Retail Trends

Source Coresight Research

Figure 1. US Brick-and-Mortar Retail: Positive and Negative Metrics in 2017



Total physical store sales were up by about 2.5% in 2017, we calculate, based on US Census Bureau data. We think that average in-store sales growth is likely to accelerate in 2018.

Average sales per store and average sales per square foot across US retail also increased in 2017, we estimate.

The grocery and dollar store sectors expanded significantly in 2017, with major retailers opening a net 1,785 stores. This boosted off-mall locations such as strip malls.

Shopping-center owner GGP noted sustained traffic growth in its premium, class A malls during the year.

Mall-based sales densities were flat in furniture and were up meaningfully in electronics year over year in the first 10 months of 2017 (latest), according to data from the International Council of Shopping Centers (ICSC).

Open-air shopping centers and destination superregional malls saw relatively resilient occupancy levels in 2017 amid a rash of retail bankruptcies.



In 2017, the total number of retail outlets fell for the first time since 2009, according to Euromonitor International. Total retail space declined, too.

FGRT data revealed that softline retailers, which include apparel specialists, closed the highest number of stores among major retailers in 2017, with 3,411 net closures.

Shopper traffic was down sharply at specialty and large-store retailers last year, according to RetailNext.

Total mall occupancy rates declined slightly in 2017, according to ICSC data, driven by a slump in regional malls, which tend to have a higher proportion of apparel tenants.

Four of the top five retail real estate owners in the US reported mild year-over-year declines in occupancy at the end of the third quarter of 2017 (latest), as they continued to feel the effects of retail bankruptcies.

Introduction

As more and more retailers entered bankruptcy or shuttered stores in 2017, the narrative that US retail was undergoing an apocalypse took hold. In this report, we bring together a number of data points on brick-and-mortar retail and retail real estate to analyze what actually happened last year. Our focus is on the physical store landscape rather than on individual retailers.

Store closures by apparel and department store retailers fueled the negative headlines in 2017 and early 2018, although there were casualties in other sectors, too, such as RadioShack in electronics. These closures impacted regional shopping malls most heavily. In this report, we argue that we must look beyond apparel and regional malls to see the fuller picture of brick-and-mortar performance. This wider view reveals a brick-and-mortar landscape that is more resilient than recent coverage has suggested.

- Readers may also be interested in our [*Mall Is Not Dead*](#) reports.

The Bad News

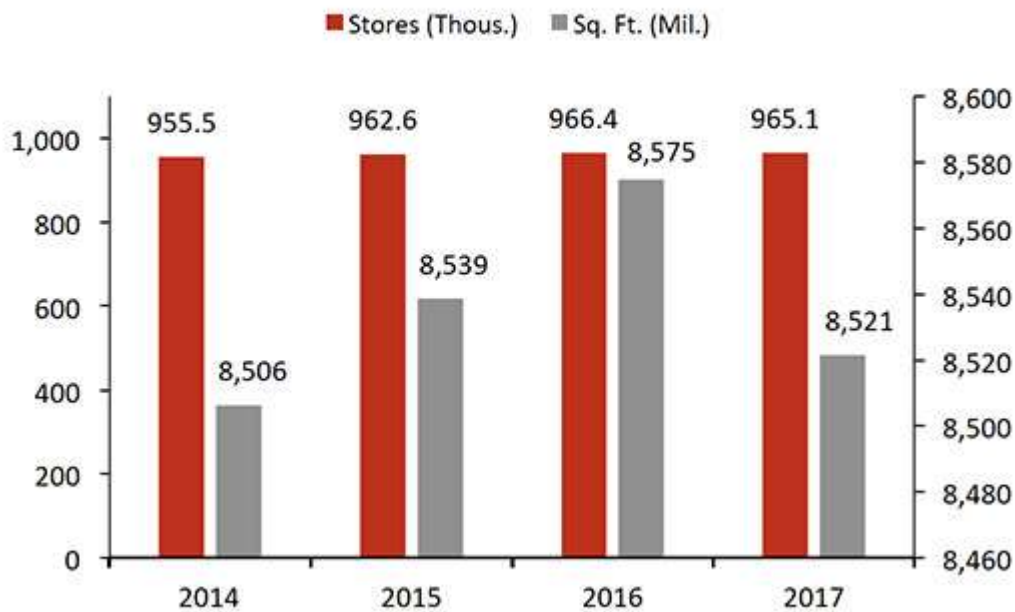
First, we round up some of the bad news regarding store closures and traffic, much of which is likely familiar to readers. We examine more positive indicators later in the report.

Total Store Numbers Declined in 2017 for the First Time Since 2009

Store closures grabbed the headlines and drove the retail apocalypse narrative in 2017 and into 2018. According to our own research, major US chains announced a total of 6,955 store closures in 2017. According to Euromonitor International, whose store closure figures include small and independent retailers, total US store numbers fell in 2017 for the first time since 2009. However, in the context of all retail stores, the declines were slight:

- The total number of US stores fell by just 0.1% year over year in 2017, to 965,148, according to Euromonitor International.
- Because many of the locations that were closed in 2017 were large-format stores, such as department stores, the year-over-year decline in total retail net selling space equated to a more sizeable 0.6%. As of year-end, the US had 8.52 billion square feet of retail selling space, according to Euromonitor.

Figure 2. US Retail: Total Number of Stores (Thous., Left Axis) and Net Square Footage (Mil. Sq. Ft., Right Axis) at Year-End



Source: Euromonitor International

Our analysis of Euromonitor selling-space data and our own tally of store closure and opening announcements revealed the following sector trends:

- Apparel and footwear specialist stores' total selling space declined by 2.2% year over year in 2017. Payless ShoeSource, Rue21, Ascena Retail, Gymboree and The Limited announced a combined 2,080 store closures in 2017. However, apparel retail is fragmented, so these closures resulted in only a low-single-digit decline in total sector space.
- Department stores' total selling space fell by 3.5% in 2017. Sears, Kmart, JCPenney and Macy's announced a combined 566 store closures during the year.
- Selling space in electronics and appliance stores fell sharply in 2017. RadioShack alone closed almost 1,500 stores, while HHGregg closed 220 stores.
- Variety store and grocery retailers grew total selling space in 2017. Dollar General, Dollar Tree, Aldi, Five Below and Lidl announced a combined total of 2,535 store openings in the year.
- Warehouse clubs grew selling space, too.

Figure 3. US Retail: Total 2017 Selling Space, by Sector (YoY % Change)



Source: Euromonitor International/FGRT

Our *Weekly Store Openings and Closures Tracker* found that store number trends were broadly similar to selling-space trends over 2017. Softline retailers—which largely consist of apparel specialty stores—were the group that announced the most store closures in 2017, while grocery retailers, dollar stores and warehouse clubs announced a significant net increase in store numbers. For softline and department store retailers, the net figures below include the offsetting effect of openings by chains such as T.J.Maxx, Ross Stores, Macy's Backstage and Nordstrom.

Figure 4. US Retail: Major Retailers' Net Announced Store Openings and Closures (2017)



*Includes Target, Five Below and dollar stores
Source: FGRT

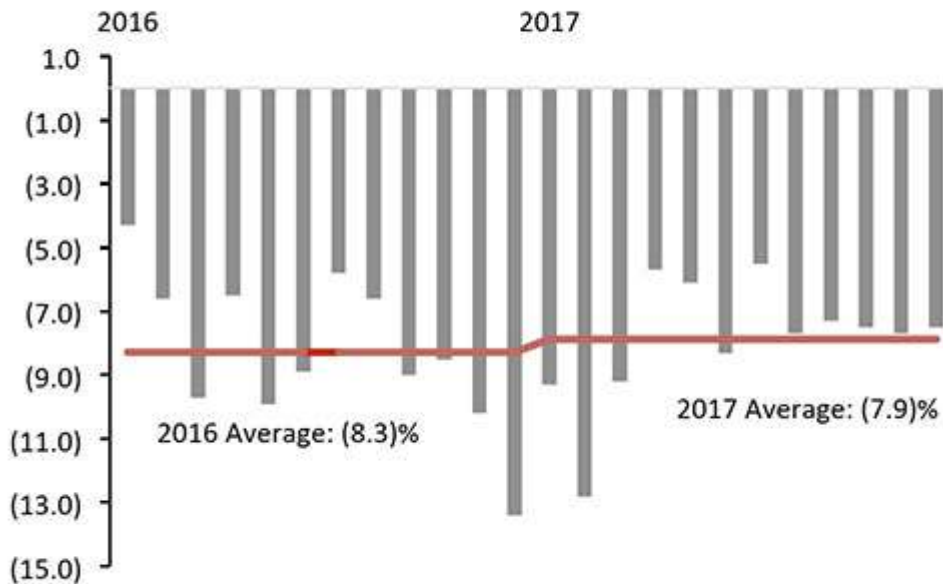
As we discuss in more detail later, store closures and openings have not been distributed evenly across different types of shopping centers. Many of 2017's closure announcements were focused on mall locations, and many opening announcements were not. The retailers that announced the most store openings in 2017 were Dollar General, Dollar Tree, Aldi, TJX Companies, Five Below, Ulta, Lidl and Ross Stores. These retailers all opted to open either some or all of their new stores in off-mall locations.

Shopper Traffic Fell by Nearly 8% in 2017

Shopper traffic declined sharply across specialty and larger-format stores in 2017, according to data from RetailNext. These types of stores saw traffic fall by an average of 7.9% over the year, slightly below the 8.3% average decline seen across 2016.

Meanwhile, traffic trends at certain premium malls in the US were strong in 2017. On its midyear conference call, shopping-center owner GGP pointed to a 1.4% year-over-year increase in traffic at its top-tier, class A malls. The firm also noted that its B+ malls had seen positive traffic trends and that its B malls had seen flat traffic trends.

Figure 5. US Shopper Traffic in Specialty and Larger-Format Stores (YoY % Change)



Source: RetailNext/FGRT

The Good News

Despite the challenges retailers faced in 2017, total in-store sales continued to grow, yielding an uplift in sales densities across US retail. Moreover, occupancy rates in open-air shopping centers and superregional malls proved resilient.

In-Store Retail Sales Continue to Grow

The rapid growth of e-commerce is well documented, but total store-based retail sales have continued to grow, too. Our analysis of US Census Bureau data found that, in 2017:

- Total offline retail sales grew by approximately 2.5%.
- Total offline nonfood sales grew more strongly, by about 2.8%.
- Total offline food and beverage sales grew by about 1.8%.

Meanwhile, total US retail sales grew by 4.0% over the year.

We think that store-based sales growth is likely to strengthen in 2018 amid accelerating total retail sales growth. Offline sales are made largely through physical stores, but they also include more minor channels, such as direct selling.

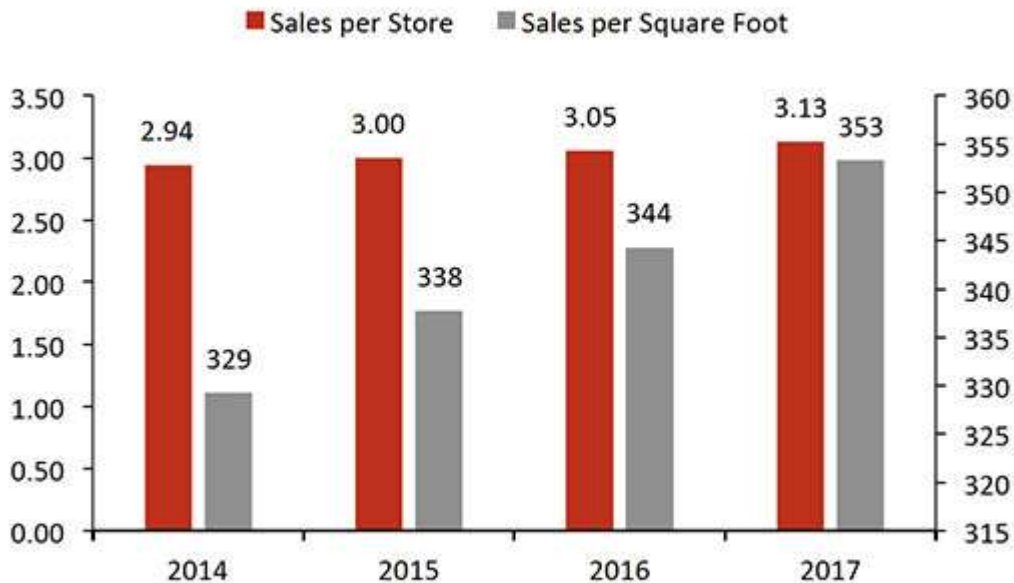
Across US retail, nearly 88% of sales were made offline in 2017, we estimate from Census Bureau data. The very low e-commerce penetration rate in grocery depresses this total, and when we look only at nonfood categories, about 84% of all sales were made offline last year.

Sales per Store and Sales Densities Are Growing, Too

As total in-store sales climbed across US retail in 2017, so, too, did sales per store and sales per square foot. We estimate that:

- Once online retail sales are stripped out, average sales per store across US retail rose by 2.4% in 2017, to \$3.13 million.
- Average sales per square foot of selling space increased even more sharply, by 2.6%, to \$353.

Figure 6. US Retail: Average Annual Offline Sales per Store (USD Mil., Left Axis) and Average Annual Offline Sales per Square Foot (USD, Right Axis)



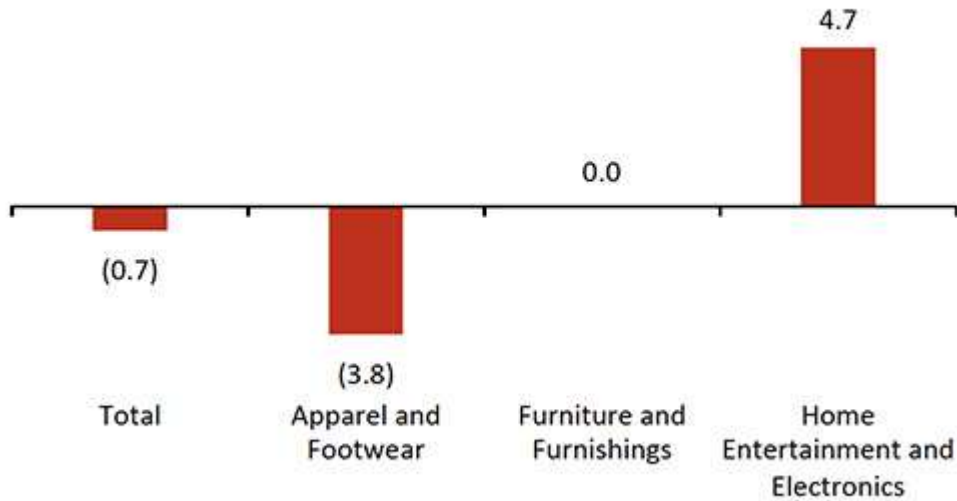
*Based on annual average store numbers and selling space
Source: US Census Bureau/Euromonitor International/FGRT*

The total growth figures conceal mixed results among different types of retailers and locations. According to our analysis of ICSC mall data:

- Sales per square foot in US malls declined by 0.7% year over year over the January–October 2017 period (latest).
- The apparel and footwear category saw a more severe contraction in mall-based sales densities.
- Home entertainment and electronics sales densities grew strongly in mall stores. This metric likely benefited from the shakeout of players with lower sales densities.

The ICSC data are chain weighted, to adjust for changes in the sample size. The data are based on non-anchor-store figures and exclude department stores.

Figure 7. US Shopping Malls: Chain-Weighted Average Annual Sales per Square Foot, by Selected Retail Category, January–October 2017 (YoY % Change)



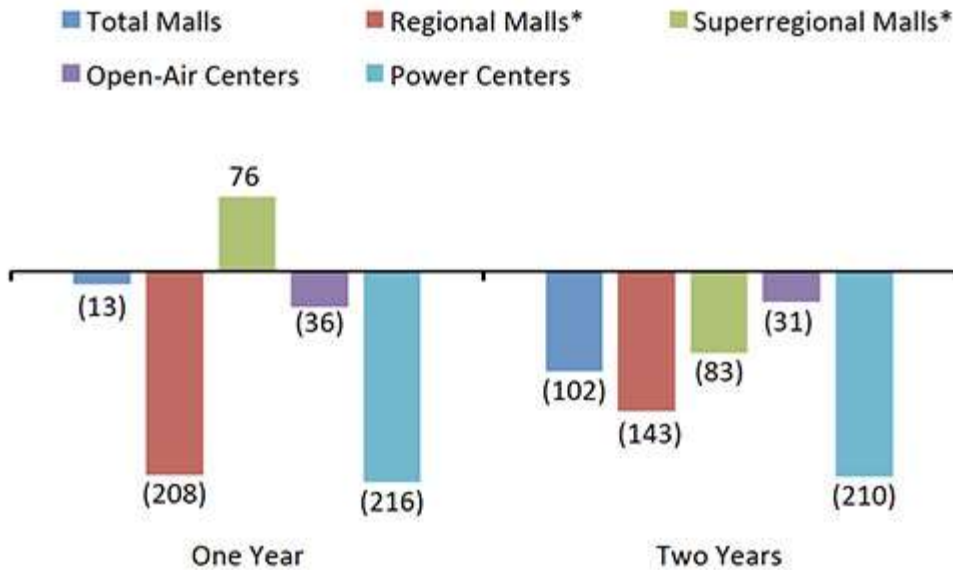
Source: ICSC/FGRT

Open-Air Centers and Superregional Malls See Solid Occupancy Rates

Bankruptcy filings from retailers such as Sports Authority, Payless ShoeSource and Rue21 impacted occupancy rates at shopping centers in 2017. However, the impacts of these closures were not evenly distributed, as occupancy rates at open-air centers and superregional malls outperformed those of regional malls over the year.

In 2017, superregional malls were the only major shopping-center segment to grow occupancy rates. On a two-year stack, open-air centers performed best in terms of occupancy rates. Power centers, which are focused on a few anchor tenants, saw a second year of deep declines in occupancy in 2017.

Figure 8. US Shopping Centers: Basis-Point Change in Occupancy Rates (as of September 2017)



Open-air centers are general purpose centers and include strip malls, neighborhood centers and community centers. Power centers have category-dominant anchors and only a few small tenants; they are not included within the open-air centers category.

**Regional malls and superregional malls are subsets of total malls.*

Source: ICSC/FGRT

Open-air centers are one of the most resilient retail real estate segments. There are a number of reasons for the strength of these properties:

- Many of the retailers that are actively opening stores—from Aldi to Dollar General to T.J.Maxx to Ulta—are opening them in off-mall locations such as strip malls.
- Open-air centers tend to have less exposure to apparel specialty retailers, where retail bankruptcies have been most concentrated.
- The centers tend to have a strong presence of everyday retailers such as grocery stores. Grocery, in particular, continues to see a very large majority of sales transacted in physical stores rather than online, which supports shopper traffic at open-air centers.

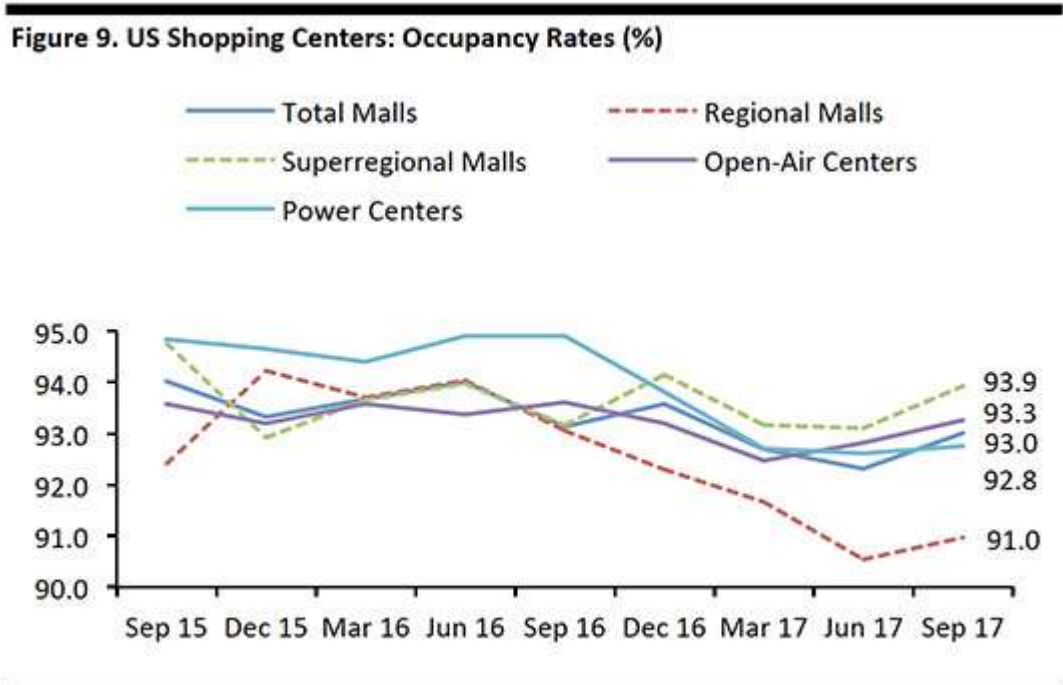
Superregional malls, which the ICSC defines as those of 800,000 square feet or more, were resilient in 2017. These malls grew occupancy rates by 76 basis points over the year and outperformed total malls on a two-year stack. Some mall owners have chosen to cater to consumer demand for quality experiences by investing in superregional malls to ensure they provide shoppers with wider choice and leisure facilities.

Regional malls, which are typically enclosed malls of 400,000–800,000 square feet, have been the hardest hit of the larger shopping-center formats. These malls include a long tail of shopping

centers that focus on apparel retailers, and some of them have suffered from a negative cycle of poor traffic trends and store closures.

In 2017, management at retail real estate firm DDR noted an average window of 12–18 months between the time an anchor store in a shopping center closes and the time the space reopens.

As charted below, occupancy rates have tended to hold up well at superregional malls and open-air centers. Power centers have seen steep declines in occupancy, but from a very strong position. Regional malls have experienced severe attrition in occupancy rates since mid-2016 as a result of bankruptcies and store closure programs.



Source: ICSC

As a result of these trends, a number of mall owners have been diversifying their portfolios to incorporate more premium, class A malls, where sales densities are higher and where tenants may include destination stores such as Apple or Tesla stores. These A malls account for only 20% of all US malls, but they generate 72% of total mall sales, according to Green Street Advisors. The struggling malls tend to be regional class C and D malls as well as some B malls. Combined, these make up the 300 or so malls that dominate the negative commentary on the state of physical retail in the US.

These same regional malls are likely to be the ones impacted when anchor department stores close, and such closures are driving mall owners to rethink how they are using their spaces. Today, a number of mall owners are using these closures as opportunities to reshape their retail offering and are filling their malls with traffic drivers that include grocery stores, discount stores (such as T.J.Maxx) and higher-growth fashion retailers (such as H&M and Zara). In some cases,

mall owners are dividing their spaces into smaller sections to house boutiques that offer a curated selection of goods.

Top Retail Real Estate Owners Maintain 95% Occupancy Rates

According to *National Real Estate Investor*, the top five owners of US retail real estate (as measured by gross leasable area) in 2016 were, in descending order, Simon Property Group, GGP, Kimco Realty, Brixmor Property Group and DDR.

At the end of the third quarter of 2017 (latest), four of these five companies had seen a year-over-year decline in occupancy rate, as we show in the table below. However, the declines were marginal, especially in the context of retail bankruptcies. The nonweighted average occupancy rates across these companies was 94.5% at the end of the third quarter of 2017, versus 95.2% one year earlier.

- Simon Property Group operates regional malls, premium outlet centers and malls under the Mills banner, the latter of which blend conventional retail, outlet stores and entertainment.
- GGP operates premium retail properties across open-air centers and covered malls.
- Kimco, Brixmor and DDR concentrate on open-air centers. Many of these include everyday retailers such as grocery stores and value retailers: Brixmor shopping centers tend to have grocery anchors while DDR characterizes its centers as “value-oriented.”

Figure 10. Major US Retail Real Estate Owners: Occupancy Rate (%)

	Simon	GGP	Kimco	Brixmor	DDR
1Q16	95.6	95.9	95.8	92.4	96.1
2Q16	95.9	96.1	96.0	92.8	96.1
3Q16	96.3	96.7	95.1	92.6	95.4
4Q16	96.8	97.2	95.4	92.8	95.0
1Q17	95.6	95.9	95.3	92.5	94.3
2Q17	95.2	95.7	95.5	92.0	93.7
3Q17	95.3	96.5	95.8	91.6	93.4
YoY basis-point change at 3Q17	(100)	(20)	70	(100)	(200)

Figures are as of quarter-end.

Source: Company reports/FGRT

GGP and others have been dialing down their exposure to apparel specialty stores, and a number of these companies have focused on grocery-anchored centers or sought to bring in more grocery tenants to their existing centers. Some have also been adding leisure services such as fitness centers and entertainment venues to their properties.

In addition, Simon Property Group and GGP are embarking on mixed-use concepts that include residences, hotels, restaurants, grocery stores, bowling alleys and food halls.

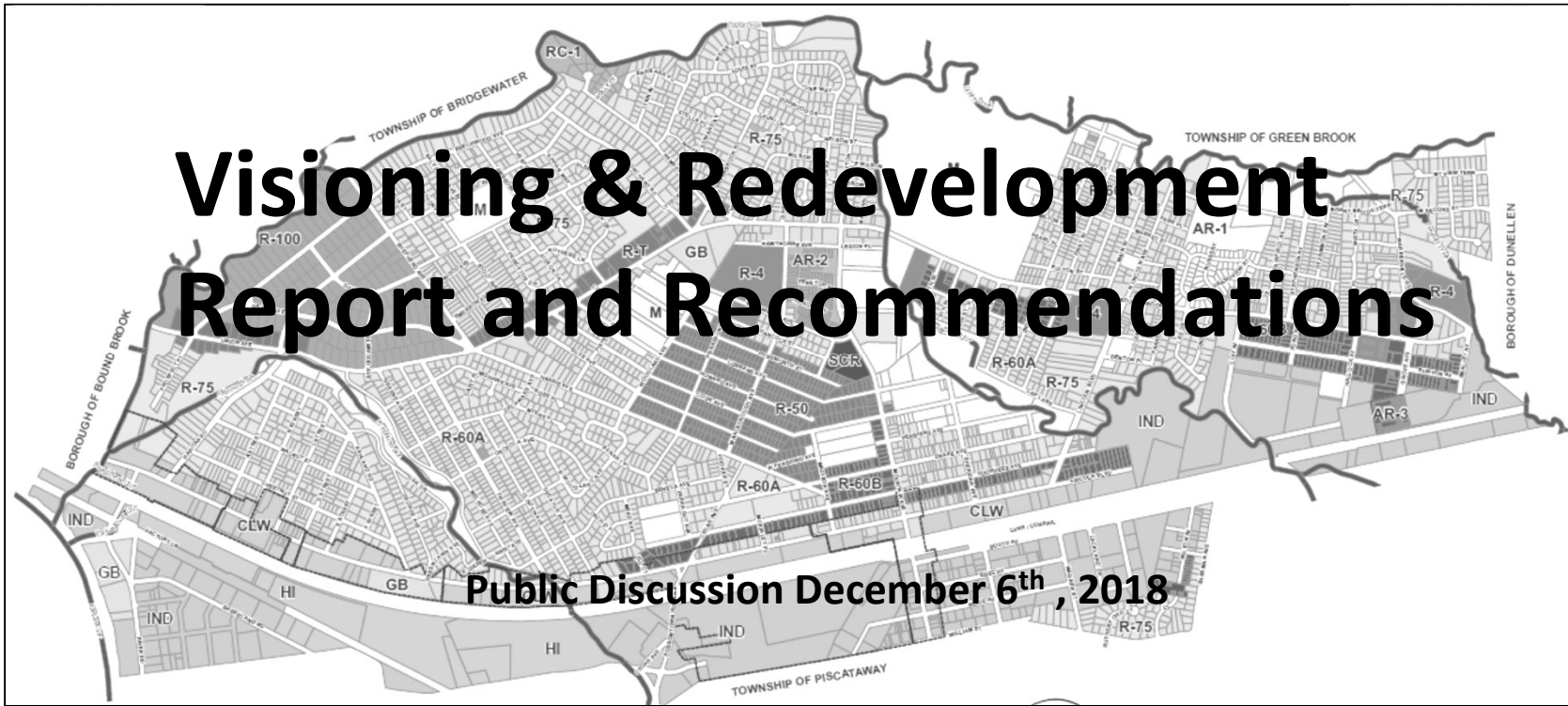
- We feature commentary from management at these five firms in an appendix to this report.

Key Takeaways

- 2017 saw a jump in store closure announcements by major retailers, which prompted a decline in total US store numbers for the first time since 2009. Negative headlines were driven by apparel retail and the regional malls that are more reliant on that sector.
- Open-air centers are benefiting from the growth of off-price, dollar and grocery retailers. The open-air segment saw resilient occupancy rates in 2017 despite the impact of retail bankruptcies.
- Similarly, superregional malls, which are leisure as well as retail destinations, registered solid occupancy rates across 2017. Reflecting the strength of premium centers, GGP recorded positive traffic trends in its A malls over the year.
- A number of major shopping-center owners are pivoting away from apparel specialist stores. Some are focusing on bringing in grocery and everyday-goods retailers, which are less vulnerable to e-commerce migration than apparel retailers are. Others are moving toward mixed-use spaces that incorporate leisure and entertainment venues as well as office and residential units.

Visioning & Redevelopment Report and Recommendations

Public Discussion December 6th, 2018



History

Visioning in 2005 resulted in

One Redevelopment Area

- Lincoln Boulevard RD Area
 - Adopted September 2007
 - Revised August 2011
 - Revised December 2016

Contained three “Focus” Areas and a series of “Transition” Areas.

Background

Borough established an Economic Development Committee to define the best method(s) to improve the financial stability of the Borough through economic growth.

The Committee Reaffirmed

- All Redevelopment Plans should be based on Community Input and Master Plan
- Part of the Redevelopment Plan process is Public Participation

- RD Plans should be revisited regularly
- Be prepared to meet with interested “potential” Developers

- Form Partnerships with State Agencies where necessary
- Partner with County Agencies where necessary
- Work with potential Redevelopers to make “their” project work for the Borough

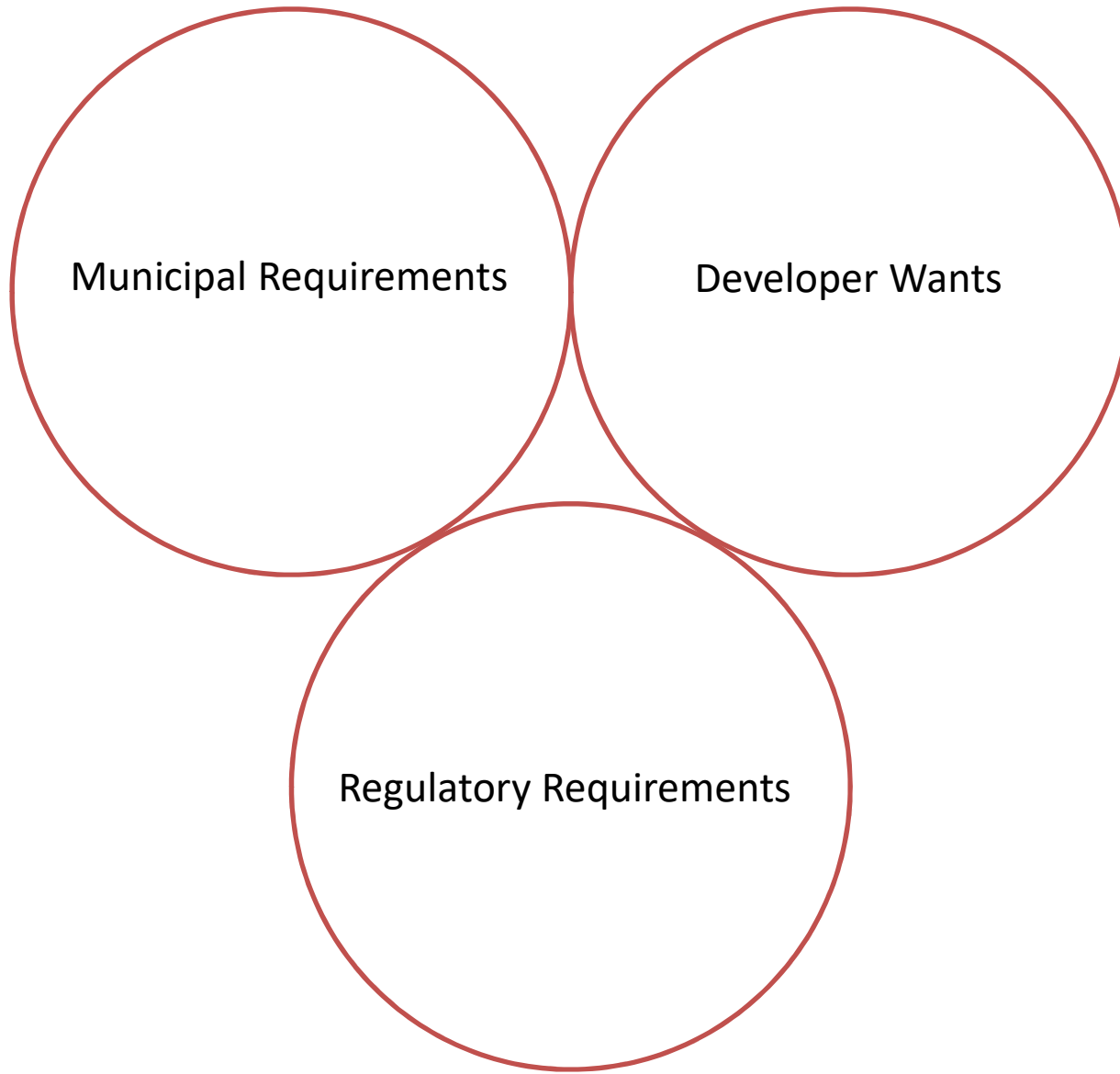
- RFP’s if issued, must be based on adopted Redevelopment Plans

- It was felt to be critical to hold Public meetings to find what was important!

Purpose of the Public Meetings

- Possible Revisions to RD Plan
- Identification of additional areas of Public concern
- Communicate a greater understanding of Borough Goals and Objectives
- Discussion planned to be in Five Sessions
 - Town Center Area 2/22
 - Gateway Area 3/22
 - West Market Area 6/28
 - Transition Areas 8/23
 - Final Recap and Review 12/6 tonight

The Framework We Have To Work With

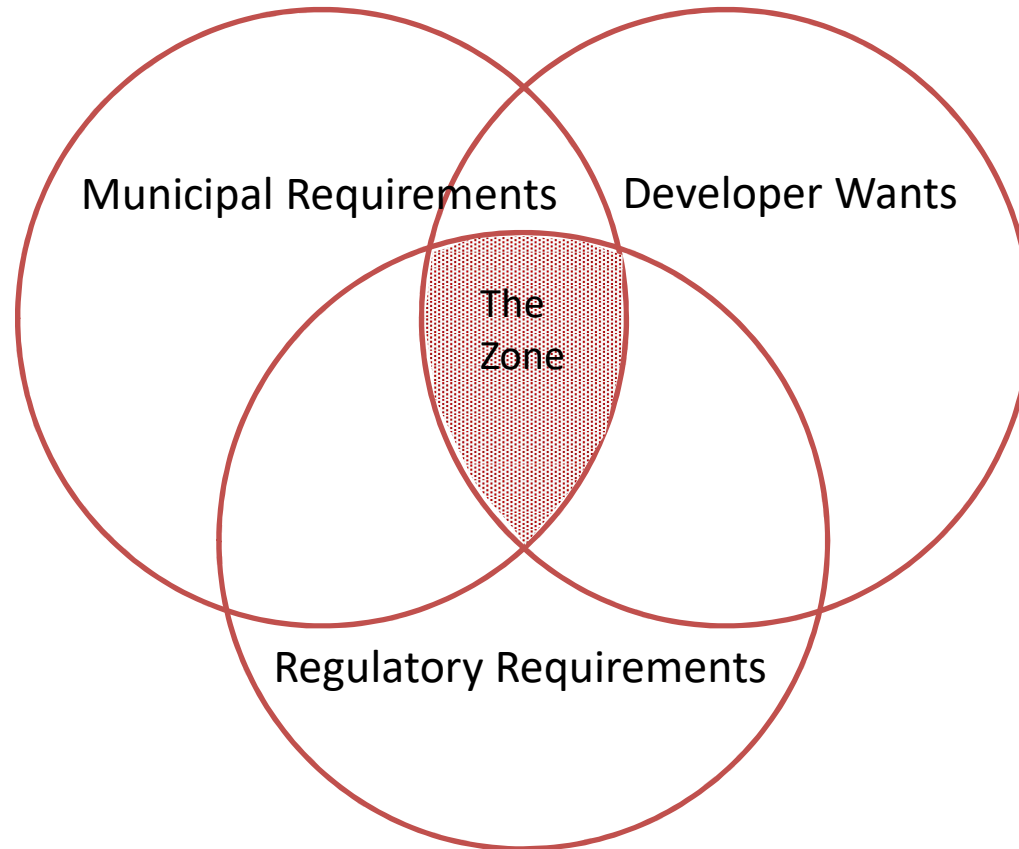


Municipal Requirements

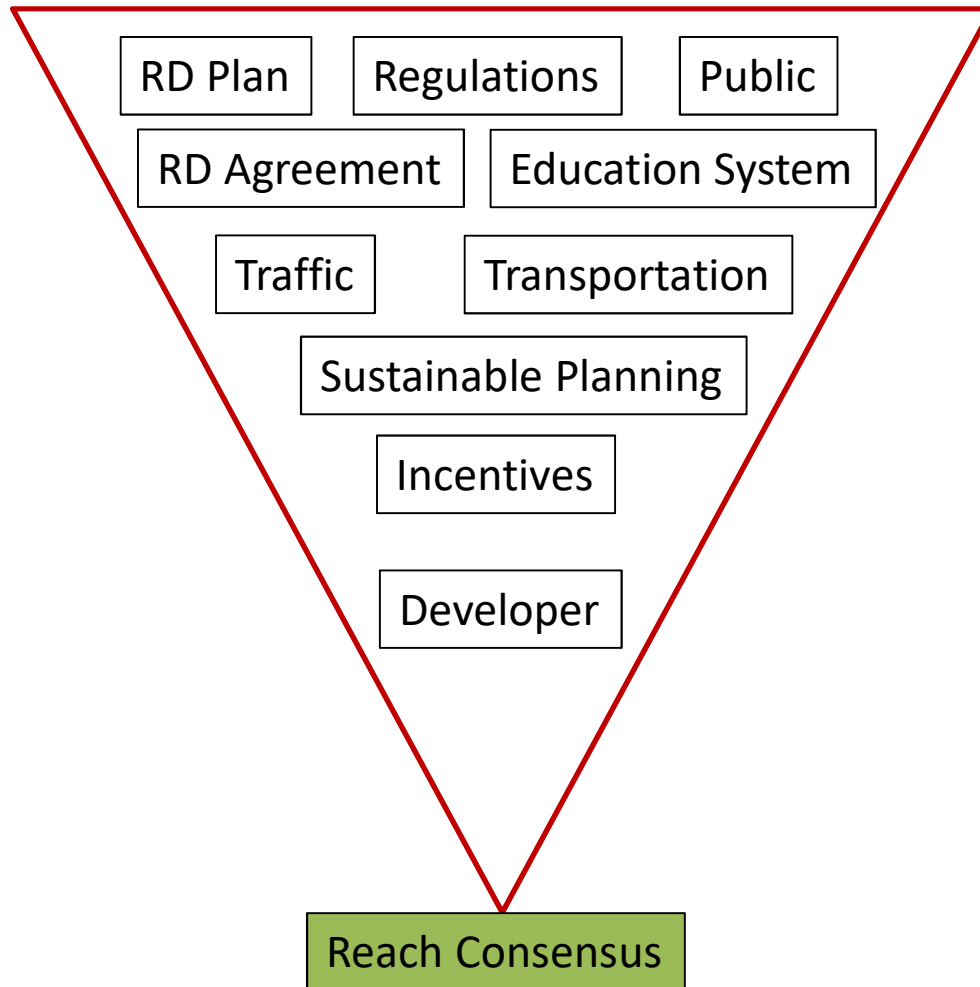
Developer Wants

Regulatory Requirements

We Need to Get To The Comfort Zone



Elements we have to Consider



A Redevelopment Plan was Adopted in 2007 and Revised in 2016

Middlesex Borough, New Jersey

LINCOLN BOULEVARD REDEVELOPMENT PLAN

Original Plan Prepared By:

A. Nelessen Associates, Inc.

2011 & 2016 Revisions Prepared By:

RicciPlanning, LLC

Prepared: June 27, 2007

Adopted: September 18, 2007

Revised to: February 25, 2011

Adopted: August 9, 2011

Revised to: November 18, 2016

Adopted: December 13, 2016

Prepared for:

Middlesex Borough

The Redevelopment Area was Identified



The following are the notes and comments from Town Center Public Meeting 1. 2/22/18

- | | |
|--|--|
| 1. Hi-Tech Businesses | Allowed |
| 2. Solar sidewalks (a green initiative) | Cost and practicality |
| 3. Grooming Services | Allowed |
| 4. Health Services/ Nutrition | Allowed |
| 5. Destination Stores | Need to be specific/allowed |
| 6. Larger fitness centers | Allowed |
| 7. Medical Plaza (one stop shopping//outpatient surgical center) | Allowed |
| 8. Food Shopping (upscale grocery) | Allowed |
| 9. Entertainment/Movies/Dine in Theater | Not Prohibited |
| 10. Multi-Family Housing//Single Family Housing | Allowed |
| 11. Senior(s) Development | Allowed |
| 12. Over 55 Community | Allowed |
| 13. Assisted living | Not Prohibited |
| 14. Home Depot/Michaels or stores like that-Convenience Shopping | Allowed |
| 15. Green Initiatives (pp50,9.1.9) | Allowed |
| 16. YMCA/Recreation | Not Prohibited |
| 17. Town Center (like Division St Somerville) | Allowed/Interim? |
| 18. Mingling Spaces (public space-arts/active community) | Allowed/Interim? |
| 19. Pet Park (personal?) | Interim |
| 20. Public Transport to get to trains (shuttle bus) | Part of infrastructure |
| 21. Café Seating Businesses/Dinning | Allowed |
| 22. Marihuana distribution | Illegal |
| 23. Commercial Banking (allow Drive through) | Prohibited |
| 24. Corporate/mixed use | Allowed |
| 25. Specialty foods | Allowed |
| 26. Art Gallery/arts/sciences | Allowed |
| 27. Antique gallery | Allowed |
| 28. Ice cream shops | Allowed |
| 29. Sporting goods store | Allowed |
| 30. Kids entertainment-retro arcades-trampoline park-arcades | Allowed |
| 31. Catering to warehouse/distribution centers (pp50,9.1.10) | Most likely will need a Vendors Permit |
| 32. One Bedroom Apartments | Allowed |

The following are the notes and comments from Gateway Area Public Meeting 2, 3/22/2018

- | | |
|--|----------------------------------|
| 1. Parking Structures (seen as an issue) | Allowed as part of a development |
| 2. Open Public Space | Interim Use only |
| 3. Supermarket | Allowed |
| 4. Coffee Shop | Allowed |
| 5. Destination Stores (Dry Cleaner, Restaurants, Bakery) | Allowed |
| 6. Non-Residential uses | Allowed |

Seen as problems, no offered solutions

1. Parking overall
2. Traffic congestion/speed
3. PILOT Programs

The following are the notes and comments from West Market Area Public Meeting 3. 6/28/2018

- | | |
|---|--------------------------|
| 1. Park and Ride at Mountain and Lincoln | Coordinate with NJT |
| 2. Attract professionals i.e. Doctors/lawyers offices | Market driven |
| 3. Have developers come in and show interest? | Beginning to happen |
| 4. What are bump outs designed to do? How slow? | Stop Speeding/TBD |
| 5. Will bump outs on Lincoln just force drivers to Rt 28? | County will not approve |
| 6. "Keep Middlesex Moving" as resource for Park and Ride | Agreed |
| 7. R1 and R2 legislation | Not sure what this means |
| 8. Does town keep track of what we have and what we need? | See note below |
| a. Seems we have a lot of Pizza places and dentists | |
| b. What do we need/what do we have a shortage of | |
| 9. Medical complex, with doctors/dentist etc. | Allowed |
| 10. Legalize pot-will town allow that | TBD when states allows |
| 11. Will we allow off track betting/gambling | State needs to approve |
| 12. Grocery store | Coming |
| 13. More variety beyond pizzas/dollar stores | See note below |
| 14. Court yards and gathering places | Plan amendment |
| 15. Hotel/Hilton/long stay | Allowed |

Note:

The Borough cannot by law mandate what businesses can and cannot be in the town, this is market driven. If there is an overabundance of business types some will not stay in business.

The Redevelopment Plan is the only tool we have to define what is allowed or not allowed

The following are the comments from Transition Zones Public Meeting 4. 8/23/2018

1. Continue sidewalk specifications through/along all of Lincoln Boulevard
2. Calm traffic/reduce speeds
3. Allow for adaptive reuse
4. Look at 8.2#7 “live-work conditions” and 8.4#11 “structured parking prohibited” in RD Plan
5. Continue “allowed” uses into transition areas
6. Review if commercial overlay allowed uses are realistic
7. Eliminate industrial uses

Recommendations

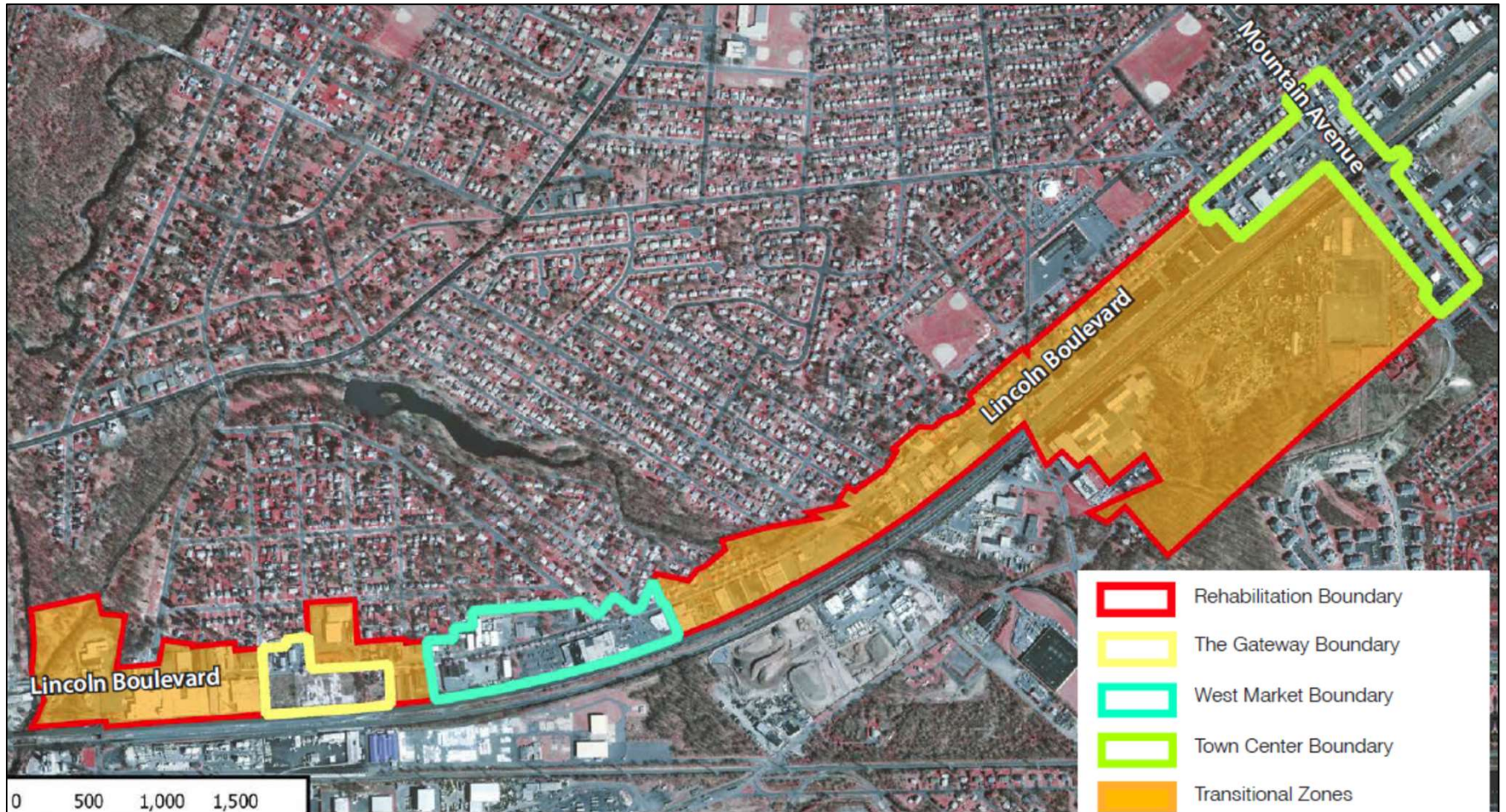
1. Street Scape treatment and sidewalk specifications in the “Transition Zones” to conform to those specified for the Town Center, Gateway and West Market Areas.
2. Revise the traffic calming measures to delete “bump outs”, but include more emphasis on updated signage and pedestrian safety measures, i.e., pedestrian operated signals at crosswalks, should be incorporated into the plan.
3. Freestanding parking Structures (Decks) should be an allowed use in all areas.
4. Public Spaces should be allowed and not an interim use.
5. Outside/Sidewalk dining should be allowed.
6. Drive through’s for Banks should be allowed.
7. Eliminate the transition zone overlay and replace with, “mixed use” and “adaptive reuse” requirements.
8. Consider “Innovation Centers” as an allowed use.
9. Extend Sidewalk design standards for Lincoln Boulevard into Transition Zones facing Lincoln Boulevard

Recommendations

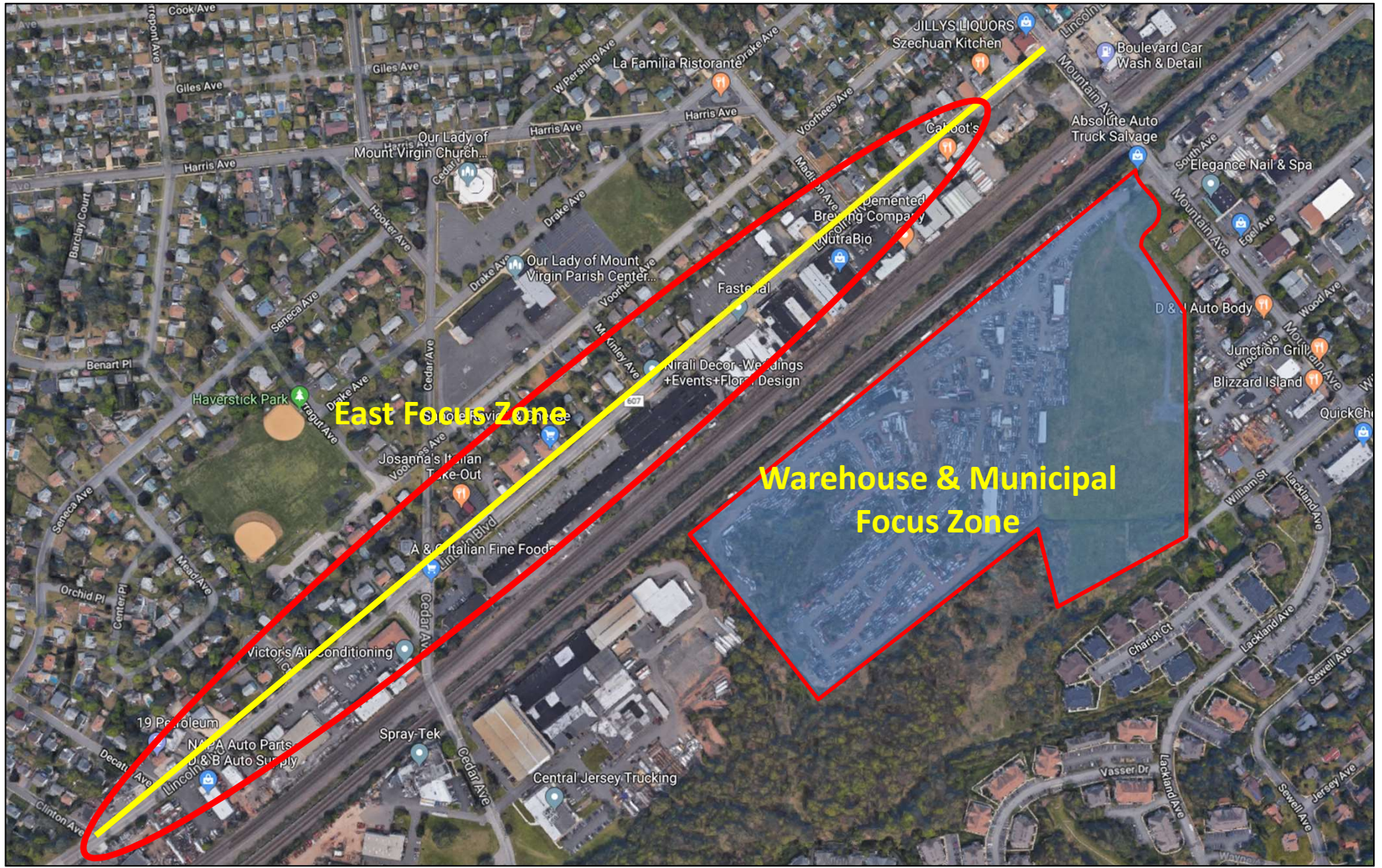
10. Rename Block 318 Lots, 4.01, 38.01, 1.01, 21, 43, 44, 45 and 48, and Block 319 Lots 28, 45 and 47 within the Transition Zone as “Warehouse and Municipal Focus Zone”.
 - a. In this area amend section 13.4 to read, following 13.4.H, “In the warehouse and Municipal Focus Zone the Planning Board will determine the need for the requirements detailed in Section 13.4.A through H of the Redevelopment Plan.
11. Amend Building height in “Transition Areas/Warehouse and Municipal Focus Zones” to not exceed 60 feet”.
12. Rename remaining Transition Zones (Facing Lincoln Boulevard) as:
 - a. East Focus Area
 - b. Central Focus Area
 - c. West Focus Area

Note: This will remove the Overlay or Underlying Zoning requirement and allow the standards established for the existing focus areas to become applicable in these focus areas.
13. Replace the word Rehabilitation wherever found with Redevelopment.
14. Ensure that the Plan includes language to include a buffer zone between the redevelopment/focus areas and the existing residential areas abutting them along Lincoln Boulevard.

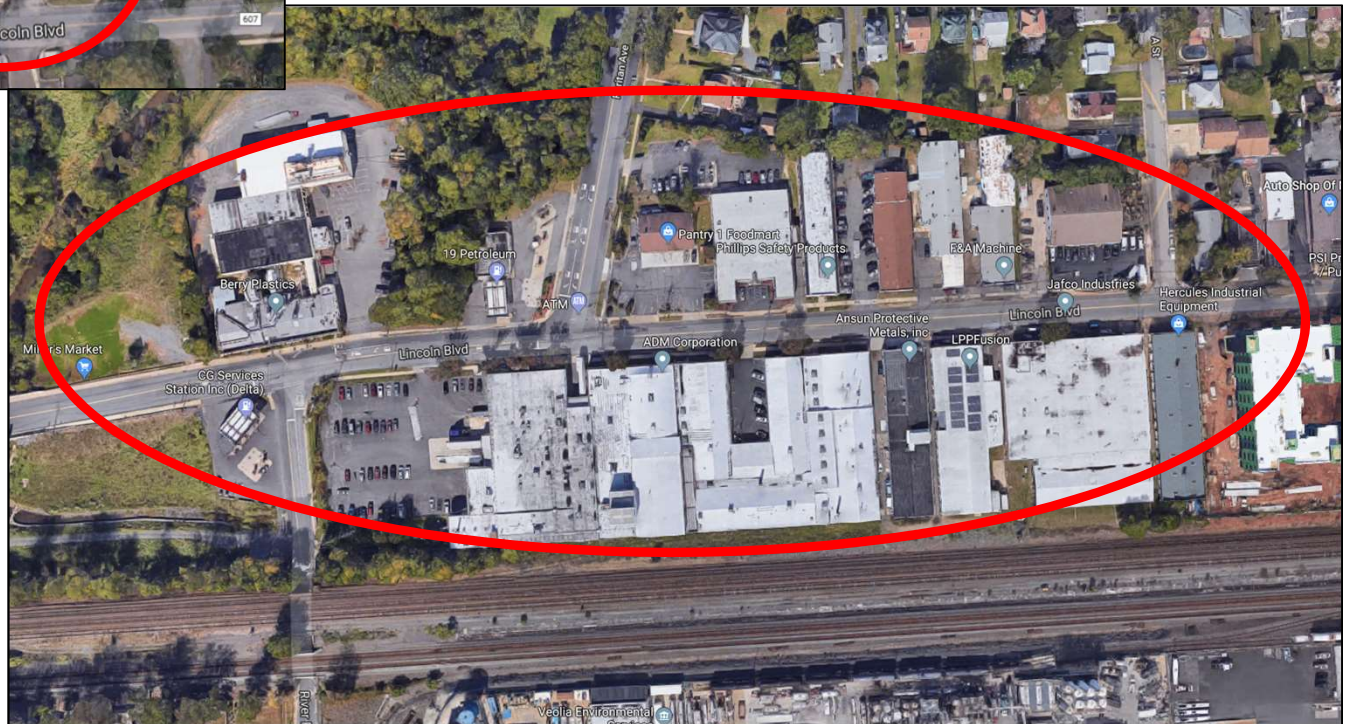
Current Focus and Transition Areas



Proposed Warehouse/Municipal/East Focus Zones



Proposed West and Central Focus Areas



Discussion

- Have we missed anything?
- Are there others areas that should be considered for redevelopment?
- What happens next?

Next Steps

1. Forward recommendations to Planning Board for Review and Approval – January 2019
2. When Planning Board Approves they will send a recommendation to Council for the Redevelopment Plan to be Amended to include the recommendations – March 2019
3. If Council agrees, they will ask the Planning Board to direct their Planner amend the Redevelopment Plan for review at a regular Public meeting – March 2019
4. The amended Redevelopment Plan will then be sent to Council for final approval and introduction by Ordinance – April 2019
5. Following the mandatory “comment” period, the “Amended Plan” will be adopted – May 2019

Thank you