new jersey reporter

$3.50

FEBRUARY 1988

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Trenton's Roebling Revival

Capital Comeback

By
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Seventy-five years ago, the motto, "Trenton Makes, The World Takes," could not have been better represented than by the Roebling and the American Steel and Wire companies. Innovations developed in the heart of Trenton found immediate applications as America raced through technological change. At the Roebling plant, huge machines spun wire rope which was then transported by the adjacent canal and rail lines for the construction of the Brooklyn, Williamsburg, George Washington, and Golden Gate bridges. The same technology supported the growth of many industries: cable cars, elevators, mining electrification, shipping, and, during World War II, underwater netting to deflect enemy submarines.

At the turn of the century, the Roebling and American Steel and Wire companies employed 3,000 people, who settled within walking distance of the sites, principally in the neighborhood known as Chambersburg. The 50 industrial buildings, on 45 acres of land, stood as architectural monuments to the companies' success in an expanding industrial era.

Today, these same factory buildings are mere echoes of their former vitality. The buildings are either vacant or used for warehousing; fewer than 100 people are employed in both complexes.

Yet the site offers enormous potential for creating one of the premier redevelopment centers in the state, incorporating housing, retailing, offices, a community market, and cultural facilities in a single urban location. The ingredients for success include structurally sound and architecturally appealing historic buildings; a location between the major urban centers of the Northeast (the very same locational advantage which led to Trenton's prosperity during the last century) and proximity to Amtrak's station to reach these centers; strong neighborhoods around the site; and a national trend toward urban living.

There are, however, significant obstacles which must be overcome if this site is to be successfully redeveloped. Some of these obstacles are unique to Trenton, but most are common to all urban redevelopment efforts throughout New Jersey. Costs, many of which are not readily apparent, are high, while assistance from the state and federal governments is limited.

The obstacles to urban redevelopment are not merely imposing; they stand in stark contrast to the relative ease with which suburban development is taking place right next door. This is due, in large part, to biases in government programs and to tax policies that favor growth in the suburbs. State urban development initiatives are simply inadequate to offset the many suburban advantages.

It seems clear that government can — and should — take steps to overcome these biases and inequities. Realizing the full potential of urban redevelopment projects like the one taking shape at the Roebling site may depend on it.

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The Trenton Roebling Project

The Roebling redevelopment story began with a vision for the entire 45-acre site. Instead of piecemeal, building-by-building re-use or loss of the entire complex by successive demolition, the site would be renovated according to a comprehensive, mixed-use redevelopment plan to promote activity seven days a week.

Growth and investment would be tied closely to the preservation of the site's unique, historic significance, and would harness the assets of the adjacent communities. A key factor in the realization of this project would be a tripartite cooperation among the local communities, the state and local governments, and the private sector.

The demise of an earlier proposal to redevelop a portion of the site provided valuable lessons. The Chambersburg Mall project, proposed in 1979, had called for the demolition of most of the buildings and the creation of a suburban-style strip mall, anchored by two national retail chains. The developer and several local government officials had championed the plan. But a local merchant group brought suit, contesting the designation of the site as a blighted area. The community opposition was rooted in the concern that the national chains would draw business away from local retail stores, and that too many historic buildings would be demolished. Negotiations dragged on for several years until the project finally died in 1982, when interest rates hit 18 percent.

Three years later, community and civic activists and local business and professional leaders founded the nonprofit Trenton Roebling Community Development Corporation (TRCDC) to plan and promote a new redevelopment vision. The nonprofit corporation — consisting of 20 board members, three local political leaders who serve as ex-officio members, and a part-time executive director and secretary — promptly established a community outreach program, informing business and civic groups of the proposal and promoting citizen and community participation.

Step one was to write a comprehensive mixed-use redevelopment plan, one that matched community values and objectives with private investment goals. With $25,000 from the city and the county, and assistance from the Fund for New Jersey and the Prudential Foundation, the TRCDC staff completed a draft plan in January 1987. The plan seeks to assure the historic significance of the site through the preservation of the finest buildings and the establishment of design guidelines and standards for building renovation, street lighting, benches, cobblestone walkways, signage, and the like. One important goal is to evoke a sense of place and pride in the city's heritage.

The plan also emphasizes the importance of mixed-use redevelopment, which is seen as a vital component in the creating of an environment attractive to both city residents and visitors. The mixture of uses, a characteristic which generally distinguishes urban projects from their one-dimensional suburban counterparts, is a key factor in drawing people with buying power to the city — which, in turn, allows the benefits to be shared by other city businesses. Further, a mixed-use project helps provide the "human element" which urban developments elsewhere have shown to be so vital to success — the presence of many people of different backgrounds interacting for different purposes.

The plan envisions 200 units of housing, including some senior-citizen housing in response to expressions of community need. The retail segment will include a supermarket, again in response to the community. (There is now only one small supermarket in Trenton, a city of 90,000 residents.) In addition, the former Roebling machine shop is ideally suited by location and by its physical characteristics — long nave, high ceilings, and clerestory lighting — to contain a community market providing retail outlets for the food products that have made Chambersburg's restaurants and Trenton's wholesale businesses widely acclaimed.

The plan calls for the creation of a New Jersey Museum of Industry, which, through film and displays, will portray the state's long tradition of innovative technology, including Trenton's steel and ceramics industries. As in Lowell, Massachusetts, the museum will show advances in technology in the context of economic and social change, including community, labor, and ethnic history. Cultural activities on the site will also include a small theatre for a local theatre company and community use.

Two nationally known market-analysis firms have completed detailed studies of the housing and retail potential of the site. The studies, supported by the state Department of Community Affairs, confirm that the plan is not merely a wish-list of a community group; rather, the market for these uses is strong. In addition, a consultant with extensive experience in integrating cultural activities into mixed-use urban redevelopment will be retained shortly to define the scope and financing alternatives for the museum. This work is supported by funds raised by the TRCDC from the developer, other corporations, and foundations.

The historic value of the site has been verified by studies conducted under grants from the office of New Jersey Heritage and the New Jersey Historical Commission. These funds enabled the TRCDC to support documentation to nominate the site to the National Register of Historic Places as the Trenton Historic Industrial District.

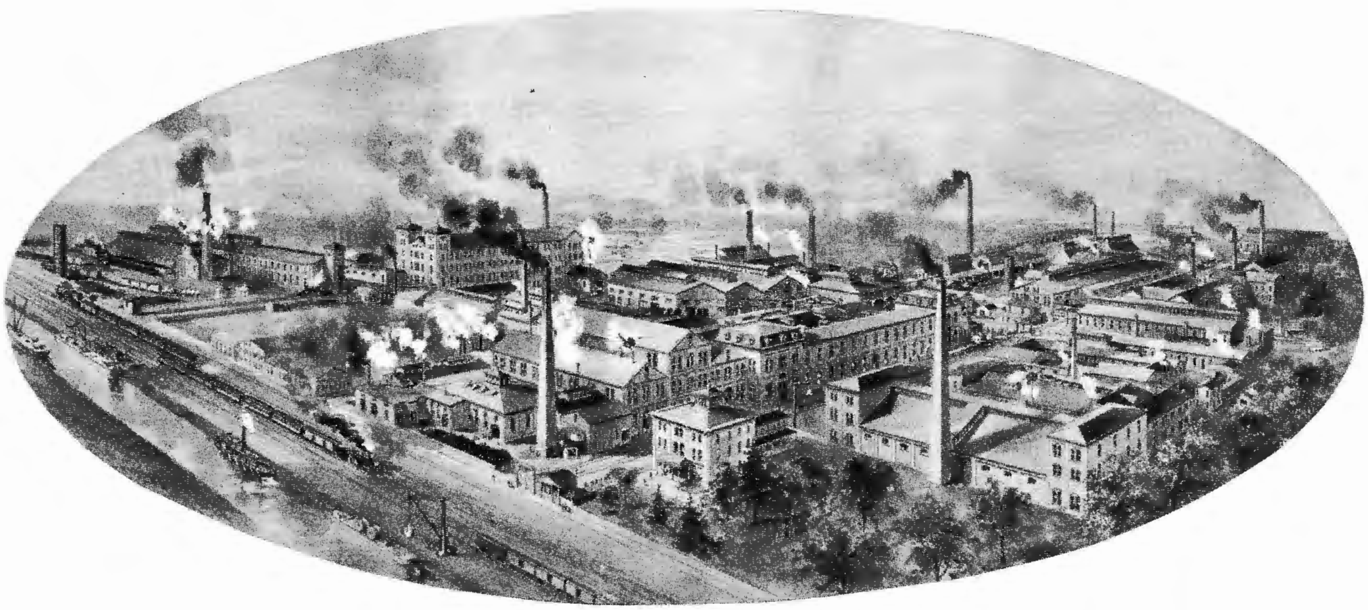
At the time of the introduction of the plan, DKM Properties, a Lawrenceville real-estate firm with extensive development experience in Trenton and Mercer County, owned nearly half the Roebling site, including a 262,000-square-foot building adjacent to the Mercer County office buildings along South Broad Street. DKM subsequently acquired the American Steel and Wire complex, giving the company control of roughly 60 percent of the 45-acre site. Two other parcels are in private hands, and the city owns a portion of the eastern sector, which was to have been the Chambersburg Mall.

Obstacles to Urban Redevelopment

The elements for success at the Roebling site are in place: A plan verified by expert review and endorsed by local community groups; a dedicated community-development corporation whose work has been supported by over $170,000 in public and private funding; a principal developer who has committed significant resources to site acquisition, planning, and marketing; and a booming state economy.

Why, then, have there been delays? Why is the project still on the drawing board, and not already in the implementation phase? The answer lies in an understanding of the obstacles to urban redevelopment. These obstacles involve hidden costs, in time and money, which impede the progress of projects, even in the most positive of environments.

Sustained Community Input: Communities, aided by planning, management, and outreach capabilities, are powerful advocates of change. But public funds to sustain these functions are not readily available. The result is that complex planning tasks, hours of negotiations with regulatory and operating agencies, time-consuming searches for financial support, and community outreach must be



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managed with whatever assistance can be obtained from foundations and local government. In the absence of funds, communication with communities withers over time, and development, if it takes place at all, does so without profitable interaction with the local population.

Lack of Coordination among Public Programs: To redevelop a site the size of the Roebling project, private and nonprofit groups must deal with myriad governmental agencies. The TRCDC works with the city and county administrations, the Mercer County Improvement Authority, numerous state departments, and a host of independent and quasi-independent agencies. The fragmentation of authority results, in part, from the dispersion of public programs for economic development and, in part, because a mixed-use development in an urban area requires so many public approvals. It remains to be seen whether the Governor's Urban Affairs Cabinet Council, formed in the spring of 1987, will redress the problems of coordination among state agencies.

Public funds are essential to any large-scale urban project, yet applying for state incentives is time-consuming, expensive, and often not very productive. Each incentive program has its own rules and its own timetable, and each is highly competitive, requiring detailed preparatory work without any guarantee that funds will be forthcoming. New programs are frequently added to the state's arsenal but with powers and purposes not unlike those already in place, thus further fracturing the state's intent.

The Urban Development Corporation (UDC) is a case in point. In 1984, Don Linky, a former director of policy and planning in the Byrne administration, testified on behalf of the New Jersey Business and Industry Association: "UDC offers an opportunity to improve the weak coordination of urban economic development programs and to reduce duplication, the overlap of activities, and the areas of redundance."

The UDC, however, which has yet to fund any projects, is limited in its ability to contribute to urban redevelopment, and has no role in coordinating incentive programs. The UDC's funds derive solely from the 1982 Community Development Bond Act, and federal tax law limits the amount of tax-exempt private-activity bonds a state may issue in any one year. Further, state law requires that the UDC pay back both the principal and interest to the state treasury. In the absence of a state appropriation, the UDC's effort is likely to be modest, and probably duplicative of other programs directed at leveraging private investment.

As one local economic-development official observed, "In spite of the enabling legislation, most of the state programs are intended to reduce the costs of fixed-asset, highly collateralized, long-term financing." The state seems to favor loan programs, with returns to the state treasury.

Land Assemblage and Construction: A developer in New Jersey would not expect to pay more than $200,000 per acre for suburban land. In fact, $200,000 would be considered a very high price. And the land purchased would most likely be farmland, which is flat, empty, large enough to support commercial or residential development, and under the control of one owner.

By contrast, an acre of city land will typically have multiple owners and tenants who must be compensated.

The obstacles to urban redevelopment are not merely imposing; they stand in stark contrast to the relative ease with which suburban development is taking place right next door. This is due, in large part, to biases in government programs.

In addition, there are substantial clean-up costs tied to making older industrial areas environmentally sound. At a seven-acre site in south Trenton, an industrial company paid $1.2 million to comply with the state government's Environmental Clean-up and Responsibility Assessment (ECRA) before the company could sell its property.

Urban land assemblage means delays and the risky holding of one parcel pending the resolution of such issues as condemnation and relocation. Further, the acquisition of even one parcel can fuel speculation, inevitably increasing the value of adjacent parcels in a proposed redevelopment area.

The public sector has the power of eminent domain to help correct some of the problems of land assemblage for a project that will achieve a stated public objective. But eminent domain, a multi-step process, is neither sure nor timely — and both of these variables can be extremely costly. First, a city's planning board must recommend, and the city council must determine, that a site meets the criteria of blight; then the governing body must adopt a redevelopment plan (after review by the planning board and the required number of public hearings) which defines land uses and includes provision for the relocation of persons living and working in the area.

This process is, all along the way, fraught with potential suits. The blight designation is itself open to considerable interpretation. Further, a municipality may be held liable — as, indeed, Trenton was in the early 1980s with the Chambersburg Mall proposal — for the lowering of property values following a declaration of blight.

According to Robert Powell of DKM Properties, property acquisition and relocation in downtown urban areas can run to $2 million an acre, in large part because of the density of ownership.

An urban developer also faces construction costs that can far exceed those associated with the successive layering of steel girders on a suburban potato field. In the first place, demolition costs can be exorbitant due to access constraints and the proximity of other buildings. For example, in the recent Urban Development Action Grant (UDAG) application for the two-acre Capital Center project in Trenton, the developers estimated the demolition budget at $1 million.

Once a site is cleared, the removal of the foundations of earlier buildings can be extremely expensive because of their size and depth. At one site in Trenton, the owner of what appeared to be open land discovered layers of concrete foundation lying underground. (Concrete was a cheap commodity 50 years ago, and was used extensively to support large buildings.) The result was months of expensive effort to cut out the concrete and haul it by truck to a disposal site — and then pay large disposal fees.

An urban project will often involve historic buildings. In order to receive federal funds when excavation is undertaken, developers must undertake archaeological studies to assess the significance of the cultural resources underground. A recent archaeological investigation of an urban site in Trenton cost the developer over $100,000.

There are also significant rehabilitation costs associated with bringing a building into compliance with the building codes, in particular fire-safety regulations.

The federal investment tax credit for historic rehabilitation can help defray these and other costs, but it imposes costs of its own. For example, the reconstruction of just the windows of Trenton's Grand Court Villas to meet the Department of the Interior's standards for historic rehabilitation cost nearly as much as the purchase price of the building, which was approximately $500,000.

Parking and Access: There is probably no issue that is raised more frequently in discussion of urban redevelopment than parking. Intense use of urban land requires considerable parking in a limited area, while competitive suburban sites have plenty of parking at no apparent cost to the user.

Cities, of course, have transportation advantages that the suburbs can never duplicate. Walkways, buses, taxis, and trains move people efficiently and at far less cost than individual car ownership, but we are a nation that moves by car.

Surface parking means costly land acquisition. It also takes up valuable space in a city, and destroys the close interaction of people that is key to urban life. Structured parking, on the other hand, incurs enormous costs. In the suburbs, a developer buys land and spends about $900 per parking space to grade and pave it. The user never sees the charge. By contrast, a structured parking garage costs $8,000 per space, after the land is purchased and assembled, and it is difficult to get financing. A garage is supported by visible user fees. Public subsidies must be significant to keep these fees at a minimum or else the fees will discourage patrons.

Highway construction and improvements are also key elements to success — and in this critical area, Trenton is low man on the totem pole. Trenton lies in the middle of one of the wealthiest suburban areas in the country, an area that demands relief from development that far exceeds the capacity of the existing roadways. The priorities of the state Department of Transportation, determined principally on the basis of demand, favor the suburbs.

For example, in a December 1986 report, the DOT recommended that $750 million in public and private funds be spent to make the Route 1 Corridor a national "showcase of success" — from just south of the city of New Brunswick to just north of the city of Trenton. Clearly, there is pressure on the DOT to design "showcase" roadways that speed people from one suburb to another. But these roadways add little to urban development goals, and may even detract from them.

The DOT's proposed Route 129 would allow motorists to speed their way from one end of Trenton to the other without providing adequate access to the potential redevelopment sites in South Trenton, and without supporting local street improvements. If city officials and/or developers wish to offer alternatives to the DOT's present plans, they must undertake expensive studies to give the city the same benefits of transportation improvements enjoyed by its suburban neighbors.

Ironically, Trenton's train station exacerbates its transportation problems. Currently, some 7,000 suburbanites, encouraged to use mass transit by the proposed expenditure of DOT money for a parking garage, add to the demand for high-speed suburban linkages to the station, congest local streets right around this one facility (which is six blocks from the Roebling site), and park all day, adding nothing except parking receipts to the economy of the city.

Amenities: It is common to find in a suburban site a God-given amenity — woods, a stream, a rolling hill — and then name the project to evoke the beauty of the location — Whispering Woods, Pheasant Run, Quail Ridge. By contrast, redevelopment in an older urban area will require a developer to recreate a pleasing environment in what probably has become a rundown area. This may mean expensive land purchases, or the demolition of buildings for open space, or the creation of a historic district. This, in turn, may mean costly attention to pedestrian walkways, lighting, an urban park, and the like.

The city of Trenton requires developers to provide open space or pay the city 50 cents per square foot of building space. Meeting this requirement will cost DKM Properties $80,000 an acre at its site in downtown Trenton.

Some relief from this financial burden may come from the $100-million 1987 bond act for Green Acres, cultural facilities, and historic structures. But urban acres will still be competing against highly organized and well-funded suburban groups. The bond act has no provision for targeting funds to urban areas for capital development or planning.

Public Services/Taxes: Recognizing the unequal tax burdens between urban and suburban locations, the New Jersey Legislature in 1961 passed the "Fox-Lance" act, providing real property-tax abatement for commercial and industrial properties. This law is one of nine separate enabling acts authorizing municipalities to provide abatement for housing and redevelopment purposes.

An aerial view of the Roebling site (foreground) shows its proximity to downtown Trenton and its complex of state government buildings.

Can the state subsidize urban growth to be competitive with the suburbs? New Jersey may not call it this, but the state already subsidizes suburban development, and does so liberally, through its transportation budget.

In addition, the legislation defining blighted areas was amended in 1985 so that areas designated as urban enterprise zones are considered blighted and, following city approvals, eligible for "Fox-Lance." (One-third of the city of Trenton is in an urban enterprise zone.) State law also encourages the use of property-tax abatement by basing the county tax burden and formulas for state aid, in particular school equalization aid, on equalized assessments, which do not include the full value of abated properties. In short, a municipality which abates local property taxes pays less in county taxes and receives more in state aid than a municipality which requires full property taxation.

The intent of this abatement legislation is noble — to reduce urban taxes, which so often discourage redevelopment of urban areas. For example, Trenton's property-tax rate in 1986 was $14.68 per $100 of assessed valuation, while the average in the rest of Mercer County was $4.66. (The "effective" tax rate, accounting for differences in assessments, was $4.85 in Trenton, compared to the average in the rest of the county of $2.35.)

The "Fox-Lance" law requires that in-lieu-of-tax payments exceed what was paid on the properties before development. In Trenton, the payments, based on 15 percent of rents or 2 percent of construction costs, are estimated by municipal officials to be roughly one-half of full taxation.

Further, "Fox-Lance" abatements last for 15 to 20 years, and, as a result of a 1986 amendment to the law, abatements may be extended for another 15 years with phased-in increases in in-lieu-of-tax payments. The burden of lost revenue falls on the other property owners in a city, and services decline for all. "Fox-Lance," which has become routine in many cities, costs the cities far more in lost property-tax revenue than it costs the state in increased urban aid, because the abatement program barely taps into rich statewide revenue sources.

This loss of full property-tax revenue cannot be made up through other locally generated taxes, because municipalities in the state cannot, by state law, enact income or sales taxes (the exceptions are a payroll tax in Newark and special casino taxes in Atlantic City); the only recourse for cities is federal and state aid, the former slowly eroding and the latter subject to the vagaries of the annual appropriations process.

What has resulted from the combination of high-cost urban services, lack of adequate and dependable aid from the higher levels of government, and "Fox-Lance" and other tax-abatement programs, is fiscal pressure on cities whose operating and capital expenses are projected annually to exceed revenues. In the case of Trenton, this coming year city officials estimate an $11-million deficit — and this takes into account a 5-percent property-tax increase (on the unabated properties, of course).

The State's Role

State government can play an important role in helping to overcome the barriers to urban redevelopment. In so doing, it can also help fulfill the State Planning Commission's avowed goal of intensifying land use where development already exists.

One approach is to make it more difficult and costly to develop in the suburbs through exercising land-use controls, limiting support for roadways and other infrastructure improvements, and legislating developer fees. Another is to fund and organize state incentive programs in such a way that private dollars are leveraged to the maximum, and adequate public dollars support local planning and implementation that leads to urban redevelopment. To succeed, these efforts must ultimately be combined with meaningful property-tax reform.

New Jersey finds itself today in a position not unlike the federal government in the early 1970s, reacting to the hundreds of public programs put in place in the Model Cities days. Federal officials were criticized at that time for scattering money at problems and centralizing decision-making in Washington. One reaction was the block grant program, in particular Community Development Block Grants (CDBG). Federal funds were lumped together, awarded to cities on the basis of need, and dispersed according to the local decision-making processes. Federal funds were also made available to support local planning activities.

Capping these programs was the introduction, under President Carter, of the federal Urban Development Action Grant (UDAG) with its powerful and flexible funding subsidies and a repayment of loans to the *city* treasury. As summarized in 1980 by UDAG's director David Cordish:

We do a cash flow analysis on each project and attempt to tailor the grant or loan to fit the individual project. What will it take to make a deal go, what will it take to make that deal competitive for the urban setting?. . .Our money is very flexible and we can use it for gap financing or for construction financing or for site work or to write down the interest rate.

The lesson for New Jersey is to organize its urban programs so that state funds and required state reviews can be concentrated on specific sites. Further, incentive programs must be flexible instruments to respond to the gap-filling needs of particular projects. Flexible and focused leveraging programs will help overcome such obstacles as land assemblage, structured parking, highway planning, construction or rehabilitation, and the provision of amenities.

Structured parking is so vital that an entire new program may be needed. The state could place a surcharge on gasoline and return these funds to an urban parking authority, or earmark certain of the proposed Transportation Trust funds for this purpose. The funds could be dispersed as competitive categorical grants.

New Jersey's state government should also provide funds for local, nonprofit community groups to support planning and project management. This would allow for essential interaction among community groups, state and local governments, and the private sector.

Author Neal Peirce, in his recent Ford Foundation study, *The Rise of America's Community Development Corporations,* concludes: "Our inherent thesis is that America's government and private leaders should elevate [community development corporations] to a central position in domestic policy making." Boston and Chicago, Peirce continues, boast the most well-developed networks of such corporations, known as CDCs, not only in number but also in the advanced partnership they have forged with local governments and the business community. Boston now has around 70 CDCs, a reflection in part of Governor Michael Dukakis's belief in strong state support. This program has helped make Massachusetts legendary in revitalizing older urban areas; New Jersey could follow the lead by funding community-development initiatives.

No urban redevelopment strategy would be complete without addressing the state's tax policies and the related issue of municipal overburden. For urban redevelopment to succeed, dependable, tax-based revenue from statewide sources must be made available to cities. Or, at the very least, there must be some form of regional tax-based sharing so that businesses and households cannot halve their tax burdens simply by moving beyond city limits. A ceiling on property-tax levies for both residential and commercial properties would end the selective use of property-tax abatement programs. Tax reform would be a far more powerful urban development tool than every existing state loan and grant program combined.

Can the state afford to subsidize urban growth to be competitive with the suburbs? New Jersey may not call it this, but the state already subsidizes suburban development, and does so liberally, through its transportation budget. The state just spent $30 million on one overpass over Route 1. The 1986 DOT study of the Route 1 Corridor concluded that an estimated $155 million from renewal of the Transportation Trust Fund would be made available to improve a 19-mile stretch affecting seven suburban municipalities, whose combined populations are roughly equal to the city of Trenton's.

If a proportional commitment in public dollars were to be made to Trenton, and this commitment could leverage private investment in the conservative ratio of one to two, we are looking at a substantial sum of money, which, combined with proper planning, local participation, and a coordinated state incentive program, would help return Trenton to fiscal health and economic vitality.

One could then imagine that Trenton's waterfront would come alive; cars would go into structured parking, leaving open spaces for parks; the neighborhoods would be strengthened for different income levels; retail stores would return; city services would come closer to matching need. And New Jersey's capital city would once again be a source of statewide pride.