

ECONOMIC & MARKET ASSESSMENT

01/22/2021 DRAFT





BOROUGH OF RARITAN



The preparation of this report has been financed in part by the U.S. Department of Transportation, North Jersey Transportation Planning Authority, Inc., Federal Transit Administration and the Federal Highway Administration. This document is disseminated under the sponsorship of the U.S. Department of Transportation in the interest of information exchange. The United States Government assumes no liability for its contents or its use thereof.

Report prepared for the North Jersey Transportation Planning Authority and the Borough of Raritan by:

Phillips Preiss Grygiel LLC with the support of Fitzgerald & Halliday, Inc.



INTRODUCTION

This technical memorandum provides an overview of relevant economic and market conditions in Downtown Raritan as part of the North Jersey Transportation Authority (NJTPA) sponsored Downtown Raritan Sustainable Economic Development Plan. For more details about the plan please see the Existing Conditions Report that was developed in conjunction with this memorandum. The Downtown Study Area is bounded by First Avenue to the west; the Raritan River to the south; Route 206 to the east; and Fifth Street and Sherman Avenue to the north as illustrated below.

Figure 1. Study Area



In connection with the review of demographic trends, the built environment and regulatory conditions, this assessment is intended to provide a summary of the Borough's economic activity at the present and provide a baseline for preparing market-based recommendations as part of the Sustainable Economic Development Plan. Understanding the existing conditions with the Study Area – as well as the Borough of Raritan and greater Somerset County – will assist in determining the relative viability of various types of development, including but not limited to single- or multi-family residences, retail and commercial space, and recreation uses. Further, this analysis will situate sustainable economic growth in context of existing organizations and capacity for the Borough of Raritan to pursue its economic development goals.

Market demand for housing, retail space, and office space is dependent on local and regional trends in the population, including income growth, household size, and age distribution, as well as employer and employee data. These trends are further expanded in the Existing Conditions Memorandum which has also been submitted as part of this project and the findings in this report in that demographic analysis.

This report was initially drafted over July and August 2020 amid the ongoing COVID-19 pandemic. While New Jersey was an early epicenter of the crisis, the public health and economic effects continue to grow nationwide as the national gross domestic product shrunk by nearly 10% from March to June 2020. Locally, the impacts have been felt across every sector of the economy in Raritan and beyond. Long-term economic

impacts are likely to extend over the next decade, during which there will potentially be transformative changes to work environments, personal mobility, and retail spending. This market analysis has been informed by ongoing national, statewide and local recovery efforts and the experiences of Borough residents and business owners as shared through stakeholder interviews. The overall methodology was predicated on the understanding that this assessment would serve as both a future demand analysis and a snapshot in time.

The basic methodology for this assessment was inclusive of the following steps:

- An analysis of the existing economic base in the Borough by sector, including physical characteristics, tax impacts, and overall strengths and weaknesses;
- A delineation of primary and secondary market areas within which Study Area may compete, which have been defined, respectively, as a 15-minute drive time from the intersection of Somerset Street and Thompson Street and Somerset County;
- A review of demographic trends and projections within the Borough and the market areas that directly influence the demand for housing, specifically with regards to household ages and household sizes and their impact on unit typologies and sizing;
- An assessment of existing commercial uses within the Borough and market areas that may compete with or may relate to the demand for commercial uses within the Study Area, specifically focusing on local downtown centers and regional shopping destinations in context of the existing business mix within the Study Area;
- Consideration of stakeholder interviews held in June and July 2020;
- Finally, an analysis of opportunities and challenges within the Study Area with respect to a variety of economic sectors, including retail, industrial, office, residential, and tourism, in association with local, regional, and national demographic, housing, and commercial trends.

The following sections expand on this methodology:

- Section 2 provides a summary background of the Borough and Study Area's land uses and economic development context
- Section 3 provides an overview of existing economic conditions by land use sector within the Borough of Raritan, with a focus on the Study Area
- Section 4 presents an analysis of commercial and residential opportunities in the Study Area in the context of its surrounding trade areas and overall market conditions
- Section 5 offers a summation of the findings and recommendations.

BOROUGH OVERVIEW

As indicated in the Existing Conditions Technical Memorandum, Raritan is a compact, developed municipality. Early development was driven by river, then rail access. More recently, interstate and state highways connect this small town to regional destinations. Raritan's character reflects its history, where Somerset Street has historically functioned as a mixed-use residential and commercial area, with surrounding residential neighborhoods further radiating to lower-density housing to the west and north, and commercial and employment centers along the highways.

STUDY AREA CONTEXT

The Study Area includes the Somerset Street corridor and its vicinity, where 19th- and early-20th century development patterns are evident in the existing development patterns of small residential and commercial lots and a highly connected street grid. Residential uses in the Study Area are representative of the mixture of single-family, small multi-family (2-4 units), and larger apartment buildings seen throughout the Borough, but with a plurality of 2- to 4-unit buildings, as will be discussed later in this section. Many of the commercial and mixed-use buildings on Somerset Street also retain the characteristics of pre-World War II construction, including small leasable spaces (most under 2,000 square feet) and low floor-to-ceiling clearance as compared to modern retail spaces and a lack of on-site parking areas. The southernmost portion of the Study Area is bounded by the Raritan River and includes legacy manufacturing uses and an increasing amount of dedicated open space areas and connections to regional destinations like Duke Farms.

U.S. Highway 206 forms the easterly boundary of the Study Area. U.S. Highway 202 and State Route 28 also serve as major corridors within the Borough, with between 50,000 and 70,000 vehicles per day traversing the Borough on Highway 202 (ESRI 2020 traffic counts). Residential development to the west and north of the Study Area is generally located on larger lots and consists primarily of single-family residential dwellings. The Borough's major industrial properties are located to the west and northwest of the Study Area, principally along Johnson Drive and U.S. Highway 202.

BOROUGH ECONOMIC DEVELOPMENT COMMITTEE

Recently, **Raritan's Economic Development Committee has taken a proactive role in supporting and sustaining businesses, particularly on and around Somerset Street.** The establishment of an Economic Development Committee (EDC) is regulated by Borough Ordinance in Chapter 5, Article V; however, the previous iteration disbanded in the early 2010s. The EDC was re-formed in January 2019 with the mission of promoting Raritan's small business community by supporting existing businesses, attracting shoppers and welcoming new restaurants, stores, and professional office users by serving as a bridge between businesses and residents.

The EDC, which consists of 7 full members and 2 alternates, immediately focused on increasing the online visibility and social media presence

of businesses and the Committee itself, including the creation of a new economic development-focused website, “Make Raritan Yours,” and consistent engagement through posting on their Facebook page. In their first year, the EDC created the Discovering Raritan event, which was held in August 2019. On a summer Saturday, Somerset Street was closed to vehicular traffic and served as an outdoor showcase for Raritan’s businesses, which attracted several hundred visitors from within the Borough and nearby municipalities.

In 2020, the EDC secured a budget of approximately \$10,000 to continue this work. Following the onset of COVID-19, plans for additional events in 2020 were postponed as the **EDC prioritized their role as a communication channel between residents and businesses in a rapidly changing environment**. They have had success promoting businesses through their established social media channels and are seeking to engage more existing businesses as they pursue alternative investments for their 2020 budget.

OVERVIEW OF EXISTING ECONOMIC BASE

Raritan's compact development patterns over the past century have fostered a diverse mix of uses throughout the Borough, and particularly within in the Study Area. This overview provides a baseline of information related to existing economic assets and opportunities within the Study Area and the overall Borough that will be used to support findings and recommendations in the SEDP to better position the Borough for continued economic success through retention of existing businesses, encouraging new context-sensitive residential and commercial growth, and redevelopment of certain underutilized lands.

This overview utilizes a combination of quantitative data acquired from a number of public and private data sources (such as the New Jersey Department of Community Affairs, the Census Bureau, and ESRI); interviews with a range of local and regional elected and appointed officials, Borough business owners and residents, real estate and development professionals active in the Borough and Somerset County; visits to the Study Area and surrounding region; and a review of existing Borough and County planning and zoning material. This chapter begins with an analysis of land uses and tax classifications in the Borough and Study Area, using this as a baseline for assessment and discussions of a variety of existing residential and non-residential land uses.

LAND USE AND TAX BASE DISTRIBUTION

A review of Borough property tax data reveals how different economic sectors are distributed throughout the Borough in terms of their land areas, taxable valuations, and proportions of each. The data can then be

analyzed to understand the impact of each land use type, or classification, on the Borough's economy. Data was gathered using the Borough's tax records and assessment information from the New Jersey Department of Community Affairs. The statewide property tax classification system, known as MOD-IV, categorizes each tax parcel under broad land use categories, including industrial, commercial, farm, apartment building, one- to four-family residences, and tax-exempt properties such as schools, publicly owned facilities, and non-profit or religious organizations. This analysis will focus on assessments of industrial, commercial and residential properties that form the Borough's tax base.

Parcels are classified as industrial property if they are utilized for assembling, processing, or manufacturing services. The commercial classification includes all non-industrial, non-residential properties in the Borough, including retail, services, offices, and mixed-use structures that include residential uses above the first floor. Residential parcels are classified as either one- to four-family dwellings or multi-family (5 or more units) apartments.

This type of analysis highlights existing economic strengths by enumerating which types of uses are disproportionately represented in Raritan as compared to larger geographic areas – in this case, Somerset County – and how the Study Area relates to the overall Borough. As a quantitative analysis, reviewing property tax data does not directly consider the local characteristics and amenities that help define Raritan. However, the benefits provided by the Borough's transit access, open

space, and community organizations are inherent in the relative valuations undertaken by the Borough's tax assessor.

Table 1 summarizes the proportions of taxable land uses by property classification within the Borough as of 2019.

Table 2 shows the same for the specific Study Area.

Table 3 provides a summary of similar assessment data in Somerset County as a point of comparison between the Borough/Study Area and the larger region.

Key Findings – Land Use and Tax Base Distribution

- The Borough's tax base is comprised of a healthy balance of residential, commercial, and industrial properties that reflect the Borough's history and present as a compact community with varied housing choices, major industrial employment centers, and a traditional mixed-use downtown.
- Industrial properties comprise nearly one-quarter of Raritan's tax base, driven by major research and production facilities within the life science sector.
- The Study Area forms the core of the Borough's downtown, which is reflected in the higher proportions of multi-family and commercial properties and their respective proportionate valuations as compared to the overall Borough.
- Raritan has adapted to changing real estate market trends and preferences through the development of multi-family residential properties, particularly within the Study Area.
- Highway commercial corridors outside the Study Area provide additional options for national or regional retailers that require building typologies not found in a traditional downtown.

Table 1. Summary of Somerset County Tax Assessment by Property Class, 2019

Classification	# of Parcels	% of Taxable Parcels	% of Taxable Value
Industrial	674	0.59%	4.53%
Commercial	3,841	3.36%	13.5%
Apartment	258	0.23%	2.71%
Residential (1 to 4 units + Farm Homes)	103,813	90.7%	78.1%
Farmland	1,540	1.35%	0.03%
Vacant	4,286	3.75%	1.1%
Vacant	38	1.8%	2.35%
Totals	2,119	100%	100%

Source: New Jersey Department of Community Affairs, Property Value Classification Tables, 2019.

Table 2. Borough of Raritan Tax Assessments by Property Class, 2019

Classification	# of Parcels	% of Borough Area	% of Taxable Parcels	% of Taxable Value
Industrial	12	22.72%	0.6%	22.65%
Commercial	167	14.87%	7.9%	15.26%
Apartment	7	3.53%	0.3%	9.27%
Residential (1 to 4 units)	1,895	36.73%	89.4%	50.47%
Vacant	38	6.90%	1.8%	2.35%
Totals	2,119	84.6%*	100%	100%

Source: New Jersey Department of Community Affairs, Property Value Classification Tables, 2019 and Borough of Raritan Tax Assessor.
 Area percentages do not add up to 100%; exempt parcels (government, nonprofit, or other exempt land) are not included in this table, but their area is reflected in the total overall land area.

Table 3. Study Area Tax Assessment by Property Class, 2019

Classification	# of Parcels	% of Borough Area	% of Taxable Parcels	% of Taxable Value
Industrial	3	2.4%	0.5%	0.7%
Commercial	86	17.7%	13.5%	20.2%
Apartment	6	6.8%	0.9%	19.9%
Residential (1 to 4 units)	482	37.0%	75.8%	48.0%
Vacant	9	2.2%	1.4%	3.3%
Totals	586	66.1%*	100%	100%

Source: New Jersey Department of Community Affairs, Property Value Classification Tables, 2019 and Borough of Raritan Tax Assessor.
 *Area percentages do not add up to 100%; exempt parcels (government, nonprofit, or other exempt land) are not included in this table, but their area is reflected in the total overall Study Area land area.

INDUSTRIAL BASE

Raritan has historically benefited from a strong tax base due to the presence of private industry with a disproportionately high impact as a tax ratable. As shown in Table 1, **there are 12 industrial parcels in the Borough, or just 0.6% of all taxable parcels. These 12 sites comprise 23% of the Borough's taxable valuation and total land area.** Across all of Somerset County, industrial parcels comprise about the same percentage of total parcels but represent only 4.5% of total taxable valuation.

Where there were previously mills and traditional heavy riverfront industry, the current generation of industry in Raritan is primarily research and production related to the pharmaceutical and health care industries. As of 2019, Janssen Pharmaceuticals, a subsidiary of Johnson and Johnson, had approximately 2,000 employees on their campus on U.S. Route 202. LabCorp has approximately 1,200 employees at their site on Johnson Drive. Both companies have made strides towards additional investment at their sites. Janssen received approval from the Raritan Planning Board in September 2019 related to a proposal to demolish, renovate, and reconstruct portions of the site to meet modern needs. LabCorp also recently expanded and upgraded their site to add approximately 280,000 square feet of space. Though both LabCorp and Janssen are located outside of the Study Area, their employment density results in a significant daytime and evening population increase in the Borough that can impact businesses in the Study Area. This is further discussed in CHAPTER IV.

While statewide industrial growth has been focused on warehousing and distribution – which requires large tracts of land and easy highway access for truck traffic - industrial uses in Raritan are more closely aligned with the Life Sciences sector. Life Science, which encompasses pharmaceuticals, biotechnology research, and medical device research and manufacturing, has long had a presence in the region and currently employs nearly 9,000 people in Somerset County. The pharmaceutical industry in New Jersey has experienced numerous

corporate reorganizations and restructurings over the past decade, which led to closures of production facilities and office campuses and the relocation of thousands of positions out of state. However, employment in the Life Science sector has generally stabilized statewide since 2014, particularly driven by growth in biotechnology and new small and mid-tier establishments. In 2020, many companies statewide are involved in COVID-19 response, including both LabCorp and Janssen in Raritan.

The market for wider industrial uses – including warehouse and distribution - has been stable in Somerset County, as vacancy rates decreased to less than 4% by the end of 2019. As market rents have increased accordingly, so has the amount of space under construction County-wide. Pre-COVID, vacancy rates were projected to increase slightly through 2020¹.

Current conditions indicate that the industrial businesses will remain stable as important contributors to the Borough's economy. The sustainability of the Borough's industrial base is dependent on the continued success of existing large Life Science establishments, with the potential to attract small- or mid-size startup companies. New industrial construction outside of the Life Science sector is unlikely to occur in Raritan based on existing zoning, road networks and parcel availability.

This strong industrial tax base will be key to revitalization efforts and economic sustainability, despite its lack of physical presence in the Downtown. As previously mentioned, these users provide a substantial tax base that will allow the Borough the flexibility it will need to investigate incentives for other uses that will support economic growth in the downtown. Moreover, as major job centers, they bring in employees to the Borough to naturally creates opportunities for local businesses to market to regional audiences. Jobs also serves as a potential attraction to future residents. LabCorp, for example, has approximately 100 employees who live in the Borough and has expressed a desire to know more about

¹ Commercial Real Estate Market Analytics, Fall 2019; Somerset County Business Partnership/Costar Realty Information Inc.

“live-where-you-work” programs and similar efforts to better support work-live communities.

COMMERCIAL BASE

Commercial properties in Raritan range from small-lot downtown mixed-use properties to car-oriented highway retail centers and small office buildings. The Study Area includes the Borough’s core downtown, which is reflected in the higher proportions of multi-family and commercial properties and their respective proportionate valuations as compared to the overall Borough as shown in Tables 1 and 2. The following analysis evaluates the Borough’s commercial base within the separate office and retail/services sectors.

Office

Outside of space associated with pharmaceutical companies, **there is not a significant corporate office (i.e. Class A) footprint within the Borough.** The Raritan Valley Professional Center, located on Route 28 at the Borough’s northwestern boundary, includes 82,000 square feet in three buildings and represents the largest professional/medical office space. The Centre at Raritan is located on Route 202 and consists of 16 office condos, which average approximately 1,000 square feet per unit. Professional offices are sporadically located along Somerset Street in converted single-family residences and in retail spaces, including dentists, accountants, and insurance offices. Regionally, larger office uses are located in Bridgewater to the north, while lawyers and associated services are centered in Somerville, the county seat.

The suburban office market in Somerset County has stagnated since 2018, with vacancy rates stabilizing at approximately 13% prior to the COVID-19 pandemic. In 2020, available office space has surged as leases expire and companies reevaluate their facility needs². While there is evidence that office users will be interested in moving from dense urban

areas to suburban markets to allow for social distancing, **there is unlikely to be significant corporate office growth in Raritan given the lack of available land.** Moreover, Raritan lacks the major institutional employer – like a County seat or major medical center – that can create high demand for professional office space. Nonetheless, growing and promoting the Borough’s amenities – such as restaurants, the riverfront, and public spaces – will help support existing small office users and may make it more attractive if there is a surge in demand for suburban offices in a post-pandemic real-estate market. .

Retail and Services

The Borough’s retail and commercial areas are clustered near Somerset Street and along the Route 206 and 206 corridors. The Borough’s downtown hub of retail, dining, and non-office commercial activity is concentrated along the western end of Somerset Street in the Study Area. Somerset Street functions as a traditional civic and business core area, where commercial uses consist almost entirely of small, local businesses. QuickChek and TD Bank anchor the east and west ends of the Somerset Street corridor at 1st Avenue and Codington Street, respectively. The blocks in between are generally filled with one- and two-story commercial and mixed-use buildings. Per Township tax records, the average lot size for a commercial or mixed-use property on the corridor is ±7,267 square feet, or 0.17 acres; the median year of construction is 1940.

Downtown Retail Mix

The downtown retail environment is characterized by service establishments and small retail goods. Most properties are under local ownership, including a number of the corridor’s business proprietors who own their buildings. Representative establishments on the Somerset Street corridor include limited-service food and beverage stores (e.g., Italian Bakery, Bibingkafe Filipino Bakery, Core Juice Bar), service and repair shops (e.g., Scott’s Florist, Palace Shoe Repair, Lamp Doctor), and personal care establishments (With Style + Grace, El Patio Barber Shop). There are also several full-service restaurants, including Uncle Vinnie’s Clam Bar. A significant number of businesses in the Study Area cater to the needs of the Borough’s diverse immigrant communities, which includes

² JLL Office Insight: New Jersey, Q2, 2020

proportionally large populations of Filipino, Central American, and South Asian birth or descent.

Local Servicing Retail

The nature of existing downtown businesses reflects customer-oriented stores and services that are a crucial component to the vitality of a successful downtown. Many of these stores service the fundamental needs of residents: banking, hair and beauty, computer repair, coffee, florists, dental services. These tend to be the types of services that people look for when moving to historic or traditional downtowns because they provide urban-style convenience that is missing in more suburban areas. As a result, Raritan has a relatively strong retail foundation that could be seen as attractive to new potential residents.

Regional Draws

Nonetheless, the Downtown does not have any major commercial tenants that serve as regional draws. In several interviews, stakeholders reiterated their desire for expanded retail and dining options downtown – that is, the type of places that can serve as a destination for a regional customer base, including restaurants or “experiential” retailers aimed towards visitors spending a day casually browsing or window shopping. In light of the limited amount of developable land downtown, stakeholders expressed interest in streetscape improvements, parking management, and marketing efforts to boost visibility and perception of the downtown area for potential visitors and business owners.

Retail Space

As noted previously, the average size of retail establishments in the Study Area is relatively small, even in comparison to other historic downtowns in the region. Although lot sizes average approximately 7,000 square feet, the mixed-use nature of the Somerset Street corridor has resulted in many lots with older residential homes where small retail spaces have been added to the front of the building, presumably replacing a front yard and a porch. These small retail spaces are both an asset and an obstacle to economic growth. Because of they are small, they are affordable and provide low barriers to entry and low cost to maintain. This allows for the types of

local servicing retail that is a major asset to residents, as discussed above. However, these spaces do not meet the needs of retailers that might serve as more regional draws: they are smaller, have lower ceilings, and have not been substantially upgraded in quite some time. As the Borough looks to support economic revitalization, a key balance will need to be struck between maintaining these smaller footprints to ensure the area continues to be local servicing while simultaneously identifying locations for larger commercial spaces that will help attract visitors and residents.

Shopping Centers

Three shopping centers are located at the edge of the Study Area and outside of its boundaries that supplement downtown commercial options.

Somerville Circle

The Somerville Circle Shopping Center, operated by Levin Management, is located at the junction of Routes 28, 202, and 206 and has a gross leasable area of approximately 149,000 square feet. The center is anchored by P.C. Richard & Son, with Burlington Stores as a secondary anchor. Retail tenants include Staples, Five Below, Petco, Harmon Face Values, and Carter’s. Food service tenants include Panera, Burger King, and Jersey Mike’s. There are no vacancies in the center as of the opening of Burlington in September 2020.

Raritan Mall

The Raritan Mall shopping center is located at the intersection of Orlando Drive and Route 206 in the southeastern portion of the Borough. The one-story shopping center measures approximately 110,000 square feet, plus a 10,000 square foot pad site. Initially constructed in 1985, the property is outmoded and has suffered from a high vacancy rate and poor property maintenance as its ownership has shuffled; the previous owner defaulted in 2016 and the mortgage transferred to RAIT Financial Trust, which has since declared bankruptcy. The center was previously anchored by a Stop and Shop grocer, which closed in 2017. As of July 2020, nearly 80% of the center is vacant. The property was auctioned online in June 2020; its owner and future plans are not known at this time. However, the mall has been the focus of previous planning efforts. The Supporting Priority

Investment in Somerset County Phase III Study (2017) identified three potential development scenarios that range from using existing zoning to developing as mixed-use center. The 2017 Master Plan Re-Examination Report also identifies the mall as a potential redevelopment area and suggest that it could be an important gateway into a re-imagined Orlando Drive.

Raritan Crossing

Raritan Crossing, owned and managed by Larken Associates, consists of 3 buildings on Route 206, just north of the Raritan Mall. With a gross leasable area of approximately 63,000 square feet, the property is the smallest of the three highway commercial centers. The largest tenants are Retro Fitness and Dollar Tree, with the remainder of the tenants consisting of personal service and take-out restaurant uses (i.e. dry cleaners, nail salon, Domino's). Tenants also include certain office uses, such as Allstate Insurance and Fast Signs. As of July 2020, five in-line tenant spaces are available at a posted lease of \$24 per square foot per year.

Conclusion

With a lack of large developable parcels, a sustainable retail future for Raritan will depend on stabilizing existing opportunity sites like the Raritan Mall and promoting the advantages of a downtown retail environment. Meanwhile, small parcels like those along Somerset Street can offer a lower barrier to entry for new businesses that may not need a

typical retail footprint. An in-depth review of the retail sector is provided in the Section 4 of this report.

D. RESIDENTIAL BASE

The Borough's housing stock is diverse and includes high proportions of rental housing and non-single-family dwellings relative to its regional context in Somerset County. Census data provides supplementary information that further breaks down the general property classifications shown in Tables 1 through 3. Single-family detached dwellings comprise less than 50% of Raritan's existing housing units; approximately 6% of units are attached single-family dwellings, and an additional 30% are within 2 to 4-unit dwellings. Apartment buildings with 5 or more dwelling units represent 15.5% of the Borough's housing stock and are primarily located within the Study Area. This section will explore Raritan's existing niche in the regional housing market, with a discussion of further opportunities in the next chapter.

Table 4 provides a summary of housing typologies in the Study Area, **Table 4. Proportion of Housing Typologies**

Type of Structure	Study Area*	Borough of Raritan	Somerset County
Single-family detached	31.4%	48.7%	58.7%
Single-family attached	3.5%	6.1%	15.3%
2 to 4 Units	37.9%	29.8%	9.68%
5 to 19 Units	4.31%	2.44%	10.12%
20+ Units	22.97%	13.04%	6.05%
Other	-	-	0.17%
Total	100%	100%	100%

Source: 2018 ACS 5-Year Estimates. Study Area is estimated based on Census Tract 505, Somerset County, New Jersey.

Raritan, and Somerset County.

Single-Family Dwellings

Few new single-family dwellings have been constructed in Raritan since 2000. However, **the Borough remains relatively accessible to a variety of home buyers, particularly in comparison to the overall Somerset County market.** Approximately 40% of owner-occupied dwelling units in Raritan were valued between \$300,000 and \$400,000 per 2018 Census estimates, where only 20% of Somerset County units were in this middle range. Further, Raritan consistently has some of the lowest property tax bills in Somerset County; in 2020, it ranked as the fourth lowest³. **While Borough's tax rate is comparable to surrounding municipalities, the generally small lot sizes and home sizes keep tax bills low,** as the average size of a residential property is approximately 0.20 acres.

The Study Area comprises 57% of the Borough's overall housing stock, but only 37% of its single-family dwellings. The average lot size for a single-family home in the Study Area is 0.14 acres – a small but significant difference that reflects the change in character between the north and south sides of Route 202 in Raritan. As will be discussed in the next section, the Study Area is home to the Borough's more concentrated and dense housing.

Multi-Family & Rental Housing

The Borough generally has a relatively high proportion of rental housing and multi-unit dwellings as compared to much of the surrounding market area, and specifically Somerset County as a whole. Where approximately 74% of Somerset County's housing units are single-family dwellings (either detached or attached), this proportion is 55% in Raritan as of 2019. This figure is comparable to the proportions in Somerville and Bound Brook, the Borough's neighbors to the east along the railroad line and is consistent with conditions typical of historic centers.

The type and quantity of multi-family housing within the Borough has further diversified over the past 15 years following targeted redevelopment of underutilized properties. Per 2019 estimates, 91% of larger multi-family dwellings have been constructed since 2000. A multi-year redevelopment effort for the historic former Raritan Woolen Mills site, located in the southeastern portion of the study area, was the subject of a multi-year environmental cleanup and redevelopment effort that resulted in the 2007 opening of a 224-unit luxury rental building now known as The Lena. Stone Bridge at Raritan, a rental development located northwest of the Study Area, was constructed in 2014 on the site of the Federal Steel factory between Route 202 and the Railroad tracks. The project includes 38 semi-detached single-family units, 252 market-rate apartments, and 73 income-restricted affordable and veterans' housing units. Both projects also include recreation amenities. **Gross rents for units constructed since 2000 average approximately 40% more than older multi-family units.** The Borough has continued this push towards redevelopment; at present, a 276-unit transit-oriented development is nearly constructed on a site adjacent to the train station.

The "Missing Middle": 2-4 Family Units

Approximately 30% of housing units in Raritan are located in dwellings containing two to four units. There is an even greater concentration in Census Tract 505, which roughly corresponds to the Study Area. In this Census Tract, **2 to 4-unit dwellings comprise nearly 40% of all units.** This type of lower-density multi-family housing takes various forms as duplexes, small apartment buildings, or upper-floor apartments, which are especially present along Somerset Street and its environs. Each of these small, multi-family dwellings are examples of a building typology that is described as "Missing Middle Housing" in architecture and urban planning literature. The "Missing Middle" refers to residential development in a walkable area that is denser (e.g., contains multiple units) but compatible with the height, scale and overall physical form of single-family residential homes. While this type of housing was once prevalent in towns and cities nationwide, it is no longer common in new suburban development and is often discouraged in favor of detached single-family and large multi-family

3 NJ Department of Community Affairs 2020 property tax data

construction. This type of housing represents approximately 10% of all units in Somerset County.

Raritan's existing residential fabric includes a full continuum from single-family detached residences to large multi-story apartments, particularly within the Study Area, where a variety of housing options, price points, and amenity levels are available. However, the Borough's 2017 Master Plan identified that there were approximately 220 fewer two- to four-family units in 2015 than in 2010, potentially due to zoning regulations that sought to control the intensity of development by encouraging homeowners to convert two-family dwellings into single-family structures. **New two- to four-family dwellings are not currently permitted by-right anywhere in the Borough except as upper floor apartments in the Central Business District, where residential density is limited 15 units per acre. Given the small lot sizes prevalent along Somerset Street, construction of more than one or two units would not be permitted on many properties.**

Despite this an increased regulatory burden, according to the 2019 Land Use and Zoning Board Annual Report, **there is an interest by owners and developers in construction new two- to four-family dwellings, including mixed-use commercial and residential units.** This type of housing is relatively unique to Raritan in its surrounding area and may represent a

potential opportunity for future residential growth, as discussed in the following Market Supply & Demand Analysis section.

E. ANCHOR INSTITUTIONS AND REGIONAL ASSETS

1. Duke Farms

Located directly south of the Study Area in the Township of Hillsborough, Duke Farms consists of a 2,700-acre property that serves as a regional center for environmental stewardship, with over 1,000 acres of land open to the public. Programs at Duke Farms are focused on native habitat restoration, sustainability, and environmental preservation, with the goal of inspiring visitors to become informed stewards of the land. The visitor experience attracts people from across the region by offering the opportunity for passive enjoyment of open space combined with high-quality education programs for children and adults. Recent improvements to the Raritan River Greenway have upgraded pedestrian and bicycle connections from Raritan to Duke Farms via a connector trail to the Nevius Street Bridge; further streetscape improvements are planned between the bridge and the Borough's NJ TRANSIT station.

As a foundation with an operating budget of more than \$10 million per year, the Duke Farms Foundation plays a substantial role in the economy of the region. In the past several decades, the role anchor institutions in local economic development has become increasingly clear. Anchor institutions are long-standing and deeply rooted organizations that significantly contribute to their communities' continued economic stability and strength. They can be any large organization or entity, including hospitals, universities, or cultural institutions. The key is that their presence in the community is established by their physical space, economic and financial assets, and impacts on human resources and regional spending patterns

These institutions can be valuable to local communities looking to support economic development for several reasons. First and foremost, they are often physically rooted in their communities and unlikely to want or able to leave. As a result, they have vested interest in the success of the

community. They also often have long-term investment horizons that allow them to see past short-term market demands. Finally, they are often at the forefront of evolving markets and contribute to economic growth by generating new ideas that can become the seeds for business development. Duke Farms, while located in a neighboring municipality, has a long-established and strong working relationship with the Borough of Raritan and a large potential role in Raritan's sustainable economic future.

2. Open Space Assets

As detailed in the Open Space section of the Existing Conditions report, the Borough is located in close proximity to a number of significant regional open space assets including direct access to the Raritan River Greenway. Moreover, Downtown Raritan is the only downtown along the Raritan Valley Line with unobstructed access to the river. This natural amenity is a major asset that could form the foundation for substantial economic development. There are numerous cases of communities, both large and small, that have leveraged their waterfront to drive economic development. Regional examples include New Hope, PA and Lambertville, NJ, which are across the Delaware River from one another, as well as Keyport, NJ, which has made substantial improves to its waterfront to support economic development. Nationally, places like Richmond, VA, Durango, CO and Missoula, MO all provide examples of places that have oriented much of their communities economic, social and recreation along their riverfronts.

MARKET SUPPLY & DEMAND ANALYSIS

OFFICE

Office space in the Study Area is generally limited to small professional offices, including dentists, and insurance agents, and financial professionals. Given the market conditions described in Section III.C.1, **there is unlikely to be space or demand for corporate office space in the Study Area.** However, the Borough has the opportunity to sustain and grow their small office community by encouraging flexible zoning in mixed-use areas and attracting and promoting amenities like restaurants and public open spaces. In the context of the Study Area's scale, there is the possibility for demand from small users who are looking for such walkable, amenity-rich locations and do not require Class A or other traditional office space.

Encouraging residential conversions can provide locations for small offices in transitional or former residential areas, while retaining the development patterns and building characteristics that define the area. The eastern side of Somerset Street is a transitional area, where single-family residential properties give way to small businesses, civic institutions, and highway commercial properties. The area's R-4 Zone permits professional offices as a conditional use for properties with frontage along Somerset Street, with the option to retain an upper floor apartment.

INDUSTRIAL OPPORTUNITIES

Creative industrial or flex facilities can provide an alternative to traditional office and industrial development by offering opportunities for fabrication, light manufacturing, artisan workshops, or high-tech entrepreneurs. There are potential sites located within the OMR Office Light Manufacturing & Recreation District that is located east of Thompson Street between Somerset Street and Orlando Drive. This district permits office, research laboratories, and certain light manufacturing uses in addition to restaurants, museums, and commercial recreation activities and is meant to serve as a transition between the RC Riverfront Commercial District to the south and the downtown.

The RC District contemplates certain artisan uses and permits "Artisan studios for the on-site production of goods and the direct sale of those goods to consumers," with typical production indicated as custom furniture, ceramics, glass blowing, candlemaking, custom jewelry, stained and leaded glass, woodworking, custom textile manufacturing and crafts production. Certain fabrication uses may not be appropriate nor feasible in the RC district given environmental constraints and the existing condition of buildings in this area. As such, it will be important for the Borough to consider what uses are most appropriate for this area, particularly given current market conditions.

RETAIL ANALYSIS

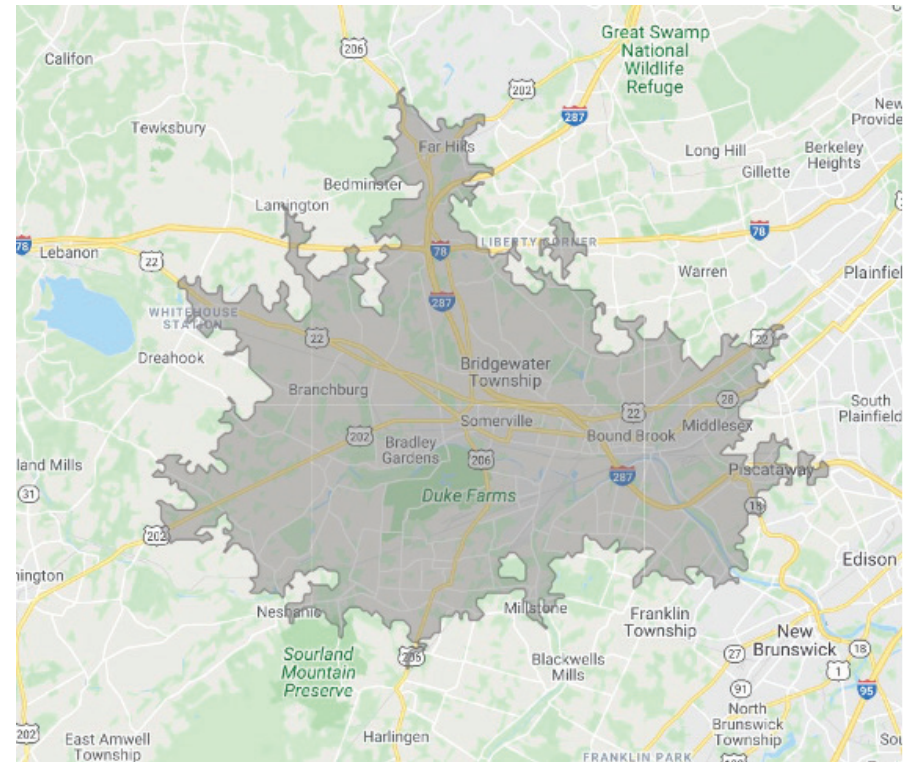
Due to the limited geography of the Study Area and accompanying issues related to small sample sizes, market analysis data was collected and analyzed at three levels: the Borough of Raritan; a Primary Trade Area consisting of a 15-minute drive time from the center of the study (see Figure 2), and a Secondary Trade Area consisting of Somerset County. These trade areas help to define where retailers in the Downtown are likely to generate the majority of their customers.

The Primary Trade Area consists largely of Somerset County municipalities, with portions of Readington Township (Hunterdon County), Piscataway Township (Middlesex County), and Middlesex Borough (Middlesex County). Interstate 287 and U.S. Routes 22, 202, and 206 provide access to Raritan from elsewhere in the primary market area. While the primary market area consists generally of suburban neighborhoods and highway-oriented commercial areas (with the exception of Duke Farms and its surrounding area), wider Somerset County includes a mix of rural, suburban, and downtown environments. For a more detail discussion of these areas, please see the Regional Context section of the Existing Conditions Technical Memorandum.

Identifying the Primary and Secondary Trade Areas

The largest downtown within the Primary Trade Area is the Borough of Somerville, Raritan's neighbor to the east. Somerville's growth over the last 20 years is a result of wide-ranging redevelopment planning. The Borough established 3 redevelopment areas within its downtown, all of which were established to be walkable with easy access to transit. Somerville leveraged underutilized properties, including an outdated strip shopping center and commercial area, its train station, and a decommissioned landfill to create targeted plans for each area. The subsequent redevelopment, centered on multi-family residential development and retail amenities – including a new ShopRite grocery store – have resulted in a vibrant, walkable downtown area. There is a strong core of local restaurants and retailers, which have been supported in part by a large daytime population related to Somerville's role as the County Seat. The Borough is preparing

Figure 2. Primary Trade Area



to realize its redevelopment plan for the landfill site, which includes the area that serves as the shared municipal border with Raritan and provides opportunities for open space and pedestrian connections.

Other downtowns in greater Somerset County are generally much smaller in scale than Somerville. Bound Brook's downtown has seen investment in multi-family residential development but lacks a strong retail or employment element. In the far north of Somerset County, Bernardsville has some retail and restaurant development clustered around its train station. However, given its location and small size, there is little market overlap anticipated.

The principal daily retail trade in Raritan and its vicinity is concentrated in larger highway-oriented shopping centers located on US-202/206 and US-22

and smaller strip retail on NJ-28. The largest retail presence in the area is Bridgewater Commons, a regional mall located less than 3 miles north of Raritan's downtown. The national retail presence within the Borough was previously described in the Overview of Existing Economic Base section.

The following analysis leverages the Retail MarketPlace database produced by ESRI. The database is produced by ESRI Business Analyst to attempt to quantify consumer demand and its relationship to existing retail supply in a given geographic area using information from the Census of Retail Trade and Monthly Retail Trade Surveys as conducted by the Census Bureau and the national Consumer Expenditure Survey prepared by the U.S. Bureau of Labor Statistics. This database is considered an industry standard for market analysis. The resulting figures generally provide a macro-scale depiction of consumer spending and existing supply for large retail trade areas. For downtown retailers with smaller footprints, the figures can be useful for understanding where there may be opportunities at this scale for retailers to fill supply gaps in underserved sectors.

However, there are limitations to this type of supply and demand analysis. Retail market categories are based on NAICS (North American Industry Classification System) codes, which can apply to hundreds of business types within a single category. Certain types of pharmaceutical sales, for example, are classified as retail Health & Personal Care Stores, while the category of Electronic Shopping and Mail-Order Houses encompasses all online sellers without a brick and mortar presence, regardless of what is being sold. The following retail analysis provides a starting point for identifying potential market sectors that may be appropriately located in Downtown Raritan. Further recommendations will entail understanding the potential matches between retailer needs and available spaces; anticipated growth of the market area; and consideration of the uncertain future of physical retailers.

Demand Analysis – Borough & Trade Areas

Per the most recently available data, the potential total retail demand from

Borough of Raritan households is approximately \$128 million per year⁴. Table 5 (following page) provides a breakdown of key market categories as well as the degree to which they are over or under supplied to meet the needs of Borough residents. “Retail demand” includes all retail spending by Borough households at Raritan-based businesses, outside the Borough and region, and online. “Supply” is calculated as the sum of all actual sales at retail businesses within the Borough, to both residents and non-residents. The “retail gap” is supply subtracted from demand. A positive dollar amount indicates that demand exceeds supply, while a negative figure indicates supply exceeds demand and customers are coming from outside the Borough to purchase goods.

As illustrated, **categories with the largest retail gaps (or market potential) tended to be those that are regional in nature and require large footprints that are uncommon in the Borough and unlikely to be established** (e.g., Automobile Dealers with a \$16 million gap and General Merchandise/Department Stores with a \$10.6 million gap). In the same vein, those categories with the largest surpluses are those that are overrepresented in the Borough as compared to its population (e.g., Office Supplies, Stationery & Gift Stores have a \$10.2 million surplus, which is nearly entirely attributable to the Staples location on Route 202). Generally, businesses that are overrepresented in Raritan (i.e., high supply related to demand) align with the historic service- and goods-oriented nature of the Borough's retail environment, including aforementioned office supplies, appliances, and specialty retail goods (hobby & sporting goods).

Applying this analysis to the Primary (15-minute drive) and Secondary (Somerset County) Trade Areas provides a better understanding of the regional retail marketplace. Overall retail, food & beverage demand is approximately \$4.5 billion in the Primary Trade Area and \$7.9 billion in the Secondary Trade Area. In terms of retail gaps as a percentage of overall demand (and where an opportunity exists), there are several categories that are common in both Trade Areas. Jewelry, Luggage, and Leather

⁴ Retail MarketPlace Profile for Total Retail Trade and Food & Drink for the Borough of Raritan, ESRI Business Analyst, 2020

Table 5. Borough of Raritan Retail Demand and Supply

2017 Industry Group	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Opportunity)
Motor Vehicle & Parts Dealers	\$22,605,097	\$6,571,179	\$16,033,918
Furniture & Home Furnishings Stores	\$4,567,942	\$-	\$4,567,942
Electronics & Appliance Stores	\$4,497,667	\$19,987,183	\$(15,489,516)
Sporting Goods, Hobby, Book & Music Stores	\$3,675,241	\$7,978,984	\$(4,303,743)
General Merchandise Stores	\$17,467,566	\$6,874,595	\$10,592,971
Food Services & Drinking Places	\$12,659,635	\$10,465,555	\$2,194,080
Office Supplies, Stationery & Gift Stores	\$1,227,948	\$11,464,747	\$(10,236,799)

Goods Stores show a retail gap of approximately 64% of their potential out of the Primary Trade Area and 70% out of the Secondary Trade Area, while Home Furnishings and Book, Periodical and Music Stores leak approximately 55% from each Trade Area. Food Services and Drinking Places, a category that includes restaurants, bars, caterers, and food trucks, continues to show opportunity across both Trade Areas.

Conclusions

In broad strokes, this analysis shows that some of the markets with the largest regional financial opportunities - based exclusively on supply and demand figures - require land that is not available within the Study Area, while many of the Borough's existing successful retailers are not in high demand. That said, there may be targeted retail opportunities in the categories with a retail gap that fit the Borough's available land and zoning, but they will not necessarily come knocking on the door without the underlying building or land space. Instead, successful revitalization of the Downtown will require the Borough to create the economic development infrastructure necessary to identify, attract, market and sustain the types of business residents and stakeholders would like to see.

As a result of this, the Borough should not expect there to be substantial new commercial development as the result of regulatory changes. Instead, starting with this Economic Development Plan, the Borough will have to identify a vision for the downtown that takes into consideration the opportunities and constraints identified herein and work to make that vision a reality. As the Borough undertakes this effort, it is recommended that it look to prioritizing the categories of businesses tend to be successful in traditional downtown environments, including dining, specialty goods, and experiential retail that capitalizes the physical and historic assets in the area.

Recommendations

The national retail environment is rapidly changing, a decade-long trend that has been accelerated by the COVID-19 crisis. Over two dozen large national retailers have filed for bankruptcy as of July 2020, including many traditional department stores and mid-size mall retailers. Small business retailers have struggled with regulatory changes due to the pandemic and subsequent loss of revenue. A supply and demand analysis also cannot account for the proportion of spending via e-commerce. For certain

categories – like electronics, clothing, general merchandise and home furnishings – e-commerce now accounts for ±10% of all sales nationwide. With the notable exception of Food Services/Drinking Places, each of these “opportunity” categories involves goods that are subject of relatively high proportions of e-commerce sales. E-commerce sales continue to increase, even before COVID-19 closed many retailers; as of the end of the fourth quarter of 2019, e-commerce accounted for 11.3% of all retail sales, up from 10.5% in the first quarter of that year⁵.

In this context, national retailers are likely to continue struggling through the COVID-19 recovery period, and the tenuous overall economic conditions may not be conducive to new investment in less-established downtowns. It is not likely – or desirable – for Raritan to directly compete with Downtown Somerville for retail shoppers or restaurant crowds. Amid these uncertainties, a sustainable retail future for Raritan will depend on stabilizing existing opportunity sites like the Raritan Mall and promoting the advantages of the Borough’s specific downtown retail environment.

The Borough’s short- and mid-term growth opportunities are tied more closely to capturing growth attractions like Duke Farms and the Raritan River Greenway rather than major increases in retail floor area. As annual visitors to Duke Farms have grown to over 250,000 per year, the Borough should continue pursuing efforts to provide identifiable, exciting connections between the Raritan River and Somerset Street. There is a lack of retail continuity between the River and Somerset Street that would complement the connections to the Nevius Street Bridge and ongoing streetscape improvements in the Borough. As existing residential development patterns on these connector streets have endured, development should be context-sensitive to its neighbors while continuing as gateway to Somerset Street.

Somerset Street’s existing base of personal service establishments is a reflection both historic uses in the Borough and changing preferences,

⁵ Supplemental Estimated Quarterly U.S. Retail Trade Sales, 2020Q1. Retail Indicators Branch, U.S. Census Bureau, May 19, 2020

demographics and business patterns affecting consumers and retailers. Per a March 2020 JLL report, the first quarter of 2020 represented the first time that the number of service-oriented establishments overtook traditional retailers in the United States. Service tenants, including restaurants, salons, and fitness centers, comprised 52.6% of retail tenants. **This pattern is likely to continue favoring businesses that provide in-person services that are not replaceable via online shopping. Zoning within the Study Area should be reviewed to ensure that certain businesses are not excluded due to outdated or overly specific zoning.** Presently, the B-1 Central Business District permits only the retail and personal service uses that are specifically listed in the ordinance. Any use not falling under a specific category would potentially have to seek a use variance, which can serve as an expensive deterrent to doing business in town.

Meanwhile, small retail spaces like those along Somerset Street can offer a lower barrier to entry for new businesses. A 2019 study prepared by New Jersey Policy Perspective (a Trenton-based think tank) determined that immigrants comprise 47% of “Main Street” business owners throughout the state while representing just 22% of the overall population. Raritan is one of many municipalities in the state that have seen a diversifying population as New Jersey’s immigrant population has doubled since 1990, which is reflected in existing downtown retailers and restaurants. By encouraging and supporting businesses that are operated by and serve immigrants, the Borough has an opportunity to fill vacant stores while fostering a culturally diverse community that can attract visitors and shoppers of all backgrounds.

Small spaces also provide an opportunity for non-traditional retailers, like showrooms or client-based services. However, the Borough’s ability to accommodate non-traditional businesses downtown must be balanced with recommendations that encourage street activity and enhance the character of Somerset Street.

As national retailers close their stores by the hundreds and struggle to “right-size” their business operations, marketing the small footprints and unique building typologies of sites in the Study Area will require a different

approach. Downtown Raritan is a **place of opportunity**, where visitors to the Raritan River Greenway and Duke Farms can choose from a dozen restaurants to choose from for a post-hike meal, potential business owners and tenants can find modest, affordable space in a traditional downtown, and local employers and employees can take clients to dinner or drop off dry-cleaning on their lunch break. The sustainability and growth of Raritan's retail sector will not depend on large-scale or transformative redevelopment efforts, but rather promoting its existing character to visitors who may already be passing through.

RESIDENTIAL ANALYSIS

As described in the previous section, the Borough and particularly the study area include a diverse mix of housing typologies that is unique to the Somerset County area. Many municipalities to the north, west, and south of Raritan are characterized almost exclusively by large-lot single-family dwellings and a historic dearth of multi-family residential housing.

However, there are potentially changes on the horizon in many surrounding communities. If residential market conditions remain stable, **there is likely to be an influx of housing units coming on the market in Primary Trade Area over the next 5 to 10 years, most of which will be in the multi-family sector.** In December 2019, Bridgewater Township's Planning Board approved a project known as the Center of Excellence, to be located on the now-vacant former Sanofi-Aventis pharmaceutical headquarters on US-202/206. This mixed-use project includes several hundred thousand square feet of retail space, a hotel, and 400 luxury apartments. Hillsborough Township is currently pursuing several large-scale residential projects, many of which are inclusionary projects designed to meet their statewide affordable housing requirements. Ground was recently broken on a 191-unit apartment development at Hillsborough Village Center, and a 175-unit project is under construction on Route 206. There is also a proposal for over 400 single- and multi-family units at the former Glen-Gery brick quarry.

As discussed in the previous section, **the "missing middle" small multi-family residences present a potential opportunity that will distinguish**

the Borough within a crowded housing marketplace. There is little available land for large-scale redevelopment in the Borough, but if even half of the projected units in the surrounding area are developed, they are likely to absorb nearly all projected growth over the next 5 years. Notwithstanding affordable housing set-asides (which are competitive and heavily regulated), most rental units are anticipated to be "luxury" in nature. Promotion of "missing middle" housing centers any increased density on the Study Area's downtown, where the transit connections and existing development patterns can support additional population and provide housing options at attractive price points.

In addition to duplexes and triplexes, accessory dwelling units (ADUs) provide mid-density housing opportunities in residential neighborhoods. ADUs are secondary housing units that can be within or detached from the principal structure on a lot, which is typically a single-family dwelling. Several municipalities in New Jersey have adopted or considered adding these provisions to their zoning ordinances to address housing demand. ADUs can be constructed within an existing dwelling or detached garage, with new constructed sometimes permitted. Consideration of proposing ADUs in Raritan should include a zoning analysis to determine whether conversions and/or new construction would be feasible based on the existing small residential lot sizes in the Study Area.

Rehabilitation or construction of mid-density dwellings provides economic opportunities for residents to both live and lease their properties. The Borough should consider reviewing existing zoning to balance the development of mid-density, sustainable housing with the need for parking and consideration of the overall neighborhood fabric.

CONCLUSIONS & RECOMMENDATIONS

- While significant growth in office or industrial square footage is unlikely, sustaining small office users will depend on attracting and promoting existing and new amenities like restaurants and public open spaces while considering new zoning provisions in key areas.
- Market supply and gap data does not tell the full story with reference to small downtowns like Raritan, particularly in uncertain times and given the mismatch between the floor area required for highway-style development and Raritan's existing downtown retail spaces.
- Retail growth is dependent on high-quality, cohesive connections from attractions like Duke Farms, targeted redevelopment of sites like the Raritan Mall, and active promotion to the regional community.
- The Borough's housing stock includes a diverse selection of single-family and two- to four-family dwellings both detached and above commercial spaces that have been supplemented by recent multi-family development.
- In light of forthcoming multi-family development in the study area and beyond, there is unlikely to be a market for large-scale residential projects in the next 5 years.
- The Borough should consider zoning that encourages “missing middle housing” that aligns with its existing character by considering permitting duplexes and accessory dwellings units to provide both housing and economic opportunities for residents.

