INDUSTRIAL ZONES COMMITTEE ACTIONS

MARCH 17, 2005

ATTENDANCE: Mayor Alex Knopp; Walter Briggs, Chairman; Paul Littell; Robert Keyes; Paul Kuehner; Tim Massad; Neal Konstantin (8:55 a.m.)

STAFF: Dorothy Wilson; Michael Greene

OTHERS: Beth Chappel; Rocco Romeo; Kim Morque; Jerry McCabe; David Genovese; Andy Glickson, Attorney

CALL TO ORDER

The meeting was called to order at 8:35 a.m. by the Chairman.

INTRODUCTION OF SPEAKER: KIM MORQUE, SPINNAKER COMPANIES
PRESENTATION BY INTERESTED INDUSTRIAL PROPERTY OWNERS

The Chairman introduced Mr. Morque, who gave an overview of his background and a general overview of the market. Mr. Morque reported that the manufacturing sector in the U.S. had lost 3 million jobs over the last 4 years. This change in the economy is different from downturns. It appears to be permanent; it does not appear that the economy will bounce back. The decline is expected to continue. Property owners have difficulty keeping land that doesn't attract a market due to the way it is zoned. Norden Park's experience over the last 5 years was a short term lease with a series of 2 year options that gave them flexibility. There were four prospective tenants for various properties throughout Norwalk that decided not to buy or lease, due to several factors, including I-95 traffic, zoning restrictions, building preparation, etc. He made mention of the "Joyless Recovery" article in the Wall Street Journal a year ago where Greg Mackow, Chairman of WHC Advisors, stated that manufacturing jobs were 40% in the 1950's; today they are 20%.

Mr. Morque introduced the next speaker, David Genovese, CEO of Baywater Properties. Mr. Genovese reported on his company and his experience with the area. He has worked with his father for the past 3 years, and they represent office, industrial, and retail tenants throughout Fairfield County. He stated that there are several challenges for prospective buyers, including costs and timing, special permit processing, and timing for building preparation, which can take 3-5 months. The prospective buyer often waits too long and finds that the deal can't be made due to timeframe issues. He outlined the following scenarios:

a) Landlords keep rents low, which lowers property values.
b) Landlords lose tenants. The building remains vacant. Income is low, and the same

situation occurs as (a) above.
c) Permitting process is handled for tenants and they are charged a higher rent.

He stated that he has made a significant effort to compete against neighboring towns and improved property values.

Mr. Morque then introduced the next speaker, Jerry McCabe, Executive VP of TMC Properties.

Mr. Morque stated that he wanted to echo Mr. Genovese's comments. They had put in a tremendous amount of work and investment into Norden Park and it wouldn't be where it is today if Mr. Greene, the Zoning Department and the leadership of the City didn't have flexibility.

Mr. McCabe stated that his background has been in corporate real estate for 31 years. He has owned the building at 345 Ely Avenue since 2000. After the tenant left in 2003, and after extensive building renovations, he had retained CB Ellis to find tenants but to date they haven't had any success. The reason for not finding a tenant could be due to the Restricted Industrial Zoning. It is an inflexible zoning classification. The only as-of right uses are manufacturing, research & development, and public utility uses. Warehousing and distribution uses are permitted with a special permit process, but not all warehousing uses are viewed equally. Office type uses are not permitted at all. The process involved with permits and building preparation is lengthy. Large manufacturing firms are fleeing the U.S. and the Northeast and new plants are being built in the South and West. Connecticut is at an extreme competitive disadvantage because of high costs of labor, real estate, utilities, and taxes. Imagination and flexibility are needed in order to re-utilize these facilities. There was a 27% decline in manufacturing jobs from 1990-2004. In the Stamford/Norwalk area, there was a 36% decline in manufacturing jobs during the same period. Mr. McCabe quoted the following from the CB Ellis Market Outlook 2005, "One challenge in 2005 will be finding a way to strengthen and revitalize the manufacturing sector in Connecticut. Bic, a Milford-based manufacturer, laid off close to 500 employees in 2004 and may completely discontinue its Connecticut operation within the next one to two years. Bayer, with facilities in both West Haven and Orange, has recently laid off over 400 employees and plans to relocate most of its operations back to Germany, where the Company is headquartered". This indicates how difficult it can be for some of the most stable manufacturing companies to maintain and grow in Connecticut. Mr. McCabe summarized that the Industrial Zone Committee should broaden the permitted uses in the Restricted Industrial Zone. Distribution and office uses should be allowed as-of right, and multi-tenant mixed use needs to be allowed Flexibility creates jobs. Property values will fall, and taxes will go up. Jobs will go to neighboring communities.

Mr. Morque introduced Andy Glickson, Attorney for WR Associates.

Mr. Glickson stated that he represents the former Guard-All property at 350 Ely Avenue. The tenant there is a small business and they are scrambling to reuse a property that's been out of service for 7 years. Mr. Glickson stated his client is not in the real estate business. The property does not support major efforts, such as Spinnaker has undertaken at Borden, to reposition the site. We just want to put this site back into use. His client wrote to Mayor Knopp in January regarding being approached by a number of people for a variety of uses. This is what tenants are looking for; they have employees and taxable personal property. They need the space.

Mr. Konstantin arrived at 8:55 a.m.

If the purpose of the Restricted Industrial Zoning was to create a critical mass of properties to sustain our manufacturing sector, obviously there is no more critical mass. If the purpose was to protect the light industrial users from higher paying competitors, that might not have been a legitimate zoning objective. That would have been designed to depress values rather than to enhance values. All we have left are the higher paying competitors. If the Restricted Industrial Zoning was intended to protect the area from infiltration by non-industrial users, it has not succeeded. The City has to adapt to this economic news constructively. There is not a lot of opposition to change the Restricted Industrial Zoning.

Mr. Morque thanked his associates for coming and for bringing new insights to issues. He wanted to mention two things in closing. What we're seeing at Norden is a move toward GEM space, government, educational and medical. The main tenant at Norden is a defense contractor and their sole customer is the U.S. Government. We have Gibbs College, and we have another educational client that wants to come to the site to do high-end automotive training. We have medical uses as well. The GEM space seems to be a trend. Spinnaker is fortunate in keeping Norden Systems as an anchor tenant and offering them a long-term lease. We brought our own economic development to the table to keep them in place, and made a significant, multi-million dollar contribution to Norden to keep them in place. We did that privately. It's not a land use issue but an economic issue. He stated from the report three of the four action steps that need to be taken. They are barriers should be reduced, there should be a better balance between zoning and demand, and the City should make taking more of an active role in marketing the City and coming to the table with whatever resources they could provide to help reposition industrial properties.

QUESTIONS/COMMENTS OF COMMITTEE

Mayor Knopp reported that the speakers offered good insight into what recommendations need to be made. He felt that the issue was distribution, and that was one area where he couldn't agree. The location of these industrial properties makes it difficult to see an intensive distribution effort making sense. If the industrial property where Reed Putnam is along I-95 was going to be a distribution/warehouse facility, that would make sense due to it's proximity to I-95. Along Wilson Avenue and Martin Luther King Drive, where trucks would be on residential streets, and especially through Rowayton, that would be problematic. So the issues being raised about more flexibility, increasing the decision making of special permits, adding to as of right uses that reduce the need for special permit procedures, or dividing up larger properties into other uses, do make sense but the distribution use is going to be a problem. Being more flexible doesn't necessarily mean allowing distribution.

Mr. Littell asked how to prioritize value for different kinds of business that the City should be going after? Mr. McCabe responded that the high cost of living area means high value jobs. In terms of area, he suggested to go after a variety of users. The property shouldn't be restricted to only one kind of user. There are plenty of opportunities, and the Northeast is still attractive, but it doesn't attract large scale production operations or single distributors. Larger buildings could be divided up to accommodate 4 or 5 smaller manufacturers.

Mr. Massad thanked all of the presenters and stated that he agreed with the Mayor on the distribution issue. As a resident of Rowayton, he has an issue with truck traffic. He agreed with Mr. Glickson that there is not much opposition to Restricted Industrial Zoning. He asked if anyone had any specific suggestions as to the types of changes the Committee should be making. He suggested the Committee focus on the details to make it right so they can make things more flexible without making distribution a problem.

A woman from the audience who represents 345 Ely Avenue reported that they lost Federal Express as a tenant due to traffic issues. She stated the traffic has increased incredibly in several areas of Norwalk. Regarding her particular building, she asked if a deal could be made for a distribution company to possibly divert traffic down to I-95 via Martin Luther King Drive.
Mr. Briggs stated that there was an arrangement made with UPS to divert traffic to I-95 via Martin Luther King Drive, as opposed to using Exit 12, and it worked for a while. The woman also stated that Huffman Koos wanted to take the building but the deal couldn't be made due to timing issues and the permit process taking as long as 90 days. Mayor Knopp agreed, but felt that he didn't want to people to assume that flexibility was somehow a sheep's clothing for what he regarded as the wolf of distribution.

Mr. Glickson reported that there are a lot of contractor yards that don't involve rock crushing. There seems to be an insatiable demand for yards to serve landscaping companies. When the Trend District facility was under construction, it was a central element of the contractor's engagement that the trucks not be allowed to use Exit 12 in Rowayton. There were some violations.

APPROVAL OF MINUTES

The minutes were not discussed.

SET FUTURE MEETING DATE

The next meeting will take place on April 21st.

ADJOURNMENT

The Chairman adjourned the meeting at 9:35 a.m.

Respectfully submitted,

Carolyn Marr
Telesco Secretarial Services