

# Builders see the future, and it's getting more urban

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George Vallone got into construction in 1980, when he and his Gettysburg College buddy, Daniel Gans, paid \$20,000 for a four-unit brownstone in Hoboken. Since then, the two partners in Hoboken Brownstone Co. have built more than 2,000 housing units and obtained the approvals for the redevelopment of the old Maxwell House factory site on the Hoboken waterfront, where Toll Brothers has built luxury housing.



KEVIN R. WEXLER/STAFF PHOTOGRAPHER

Hoboken's old Maxwell House factory has a new life as a development that includes residential, office and retail space. George Vallone, above, who co-planned the project, also leads the New Jersey Builders Association's mixed-use alliance.

They are now planning the redevelopment of the Van Leer Chocolate factory property in Jersey City.

Vallone, who grew up in [Cresskill](#), was recently chosen as the first head of the New Jersey Builders Association's new mixed-use alliance, which represents builders of multi-family and mixed-use developments.

He spoke with The Record recently about builders' concerns, green initiatives, and where baby boomers and their children want to live.

Q. You've been a builder for 30 years. How bad is this downturn compared with others you've seen?

I would say this is the worst, because in the last two downturns, there was still credit available. Now, capital sources have virtually dried up. Very few builders can get bank financing right now.

Q. How are New Jersey's builders coping?

They're scaling back. A lot of people are going into commercial — retail, small office projects. A lot of people went into age-restricted housing. A lot of guys are going out of single-family and into multi-family right now. A lot of guys are going from for sale to for rent.

Q. What are the mixed-use developers' priorities?

The state plan — that's probably our No. 1 priority. The state plan's concept was to discourage growth in the highlands and rural areas and encourage development in growth zones, urban and suburban areas. They were very good at stopping development out where they wanted it stopped, but didn't put a whole lot of emphasis on encouraging it where they wanted it encouraged.

We're hoping for things like fast-track permitting, infrastructure funding and incentives. We're looking for a more regional approach to planning. There are so many different sets of rules going from one town to another. If you look at states where there's more regional planning, such as county planning boards, things happen much faster and there's much more cohesiveness.

The second thing we're looking at is [state regulations on] affordable housing. Right now, it's basically a tax, and taxes make things cost more. They're looking for non-residential developers to add 2.5 percent to their costs for their impact fee, and looking for housing developers to set aside 10 or 20 percent of homes for affordable housing, with neither of those getting an offsetting benefit. There should be a density bonus [allowing builders to construct more units per acre] to help pay for that.

We're looking at the permit extension act. It was a three-year extension enacted in 2009, so whatever permits you had in 2009 automatically got extended to 2012, because there was not a lot of economic activity then. For the very same reasons we wanted a permit extension in 2009, we're looking for another three years, to 2015.

Another issue is the water quality management system. There was a law passed that said any municipalities that didn't upgrade their sewer service plans are not going to be allowed to issue connection permits. Only two counties did it. If something doesn't happen soon a whole bunch of counties are going to get shut down for sewer permits.

Q. Why is mixed-use development becoming more popular?

Over half of the U.S. population is made up of the baby boom generation, which is 78 million people, and their children, which is 82 million people. That's 160 million people who will be on the move over the next two decades. The baby boomers — folks who are my age — are becoming empty nesters. They've got the big homes in the suburbs with the lawns and the five bedrooms and don't want them anymore. They're selling them and moving back to urban areas, more small apartments, transit-oriented neighborhoods where they can walk to restaurants or theater.

Jeff Otteau [an East Brunswick appraiser who tracks the housing market statewide] said he believes that around 2016, the baby boomers' children are going to start buying homes, and there's going to be about \$10 billion of home buying by this generation. They're also going to want urban areas that are transit-oriented, where they can walk to work, walk to fun.

So you've got 160 million people coming at the same market.

Rentals fit the niche. And there are always people who want to buy, so condos are going to do fine. The members of our mixed-use association see a 20-year building boom right now.

Q. That would start when the economy starts to recover?

It's started now. This market has seen tremendous strength on the rental side. The less people can buy, the more they rent. People have to live somewhere.

Q. Tell me a little bit about green building. You put your Van Leer Chocolate factory redevelopment on hold because of the tough economy, but you said that gave you time to make it more green.



We're using an efficient building enclosure, energy recovery ventilation and alternative energy.

Our computer modeling shows that if you put them all together, you can generate demand reduction of 60 percent to 70 percent.

Q. How do those things work?

The No. 1 thing you can do to make a building efficient is to build an energy-efficient enclosure, and that includes windows and doors. We discovered autoclaved aerated concrete. It only weighs 20 percent of the normal weight of concrete. It's filled with air bubbles, and it retains thermal energy. So in summer, it's 90 degrees outside, you cool the inside to 70 degrees, the concrete actually becomes 70 degrees. When the building begins to warm up, it pulls the cool out of the concrete and into the space. In winter, it's the exact opposite.

We're also using energy recovery ventilation. The building codes require you to ventilate bathrooms and kitchens and areas that have furnaces. Conventional ventilation just sucks the [heated or cooled] air right out of the roof and shoots it into the atmosphere.

Energy recovery ventilation has a recovery process where the thermal energy is extracted from the outgoing stale air and exchanged to incoming fresh air. We're also going to be doing geothermal and solar hot water. If you add that up — along with changes such as programmable thermostats, ceiling fans and off-peak rate pricing, so if you use energy at night, you pay less — you could get up to 90 percent less energy use.

Q. How are foreclosures affecting the housing market?

In New Jersey, foreclosure activity has been suppressed because of court action. That is getting resolved, and it's expected that there will be new rules issued by fall. There's the potential for 50,000 more foreclosed homes to hit the market.

Our association is working on a plan to deal with both the affordable housing issue and the big backlog of foreclosed homes that is going to come on the market soon. We're trying to set up a situation where, using the state Housing Mortgage Finance Agency, we can begin to have the foreclosed homes be used by municipalities to fulfill affordable housing obligations, and not have them go on the market.

Q. How would that work? Would towns buy these homes?

The builders association would set up a nonprofit conduit and get a commitment from the Housing Mortgage Finance Agency and say, we'll take all 50,000 affordable homes, and we will work with communities or go to community-based organizations. We'd tell them, for example, we have 50 homes in your town priced at affordable housing limits, and we've got financing, and we'd like you to help us find buyers who would qualify.

Q. You're the head of the new mixed-use council within the New Jersey Building Association. Why does mixed-use development need special attention?

That's where the market is. And the issues are different. Most home builders aren't dealing with environmental issues or the Department of Environmental Protection in terms of open space, such as the Hudson River waterfront walkway. There are building code issues related to high-rises, building safety issues that single-family builders don't have to deal with. There's affordable housing.