

# Borough of Dunellen

150 NORTH URBAN RENEWAL LLC

February 22, 2022

Prepared by:



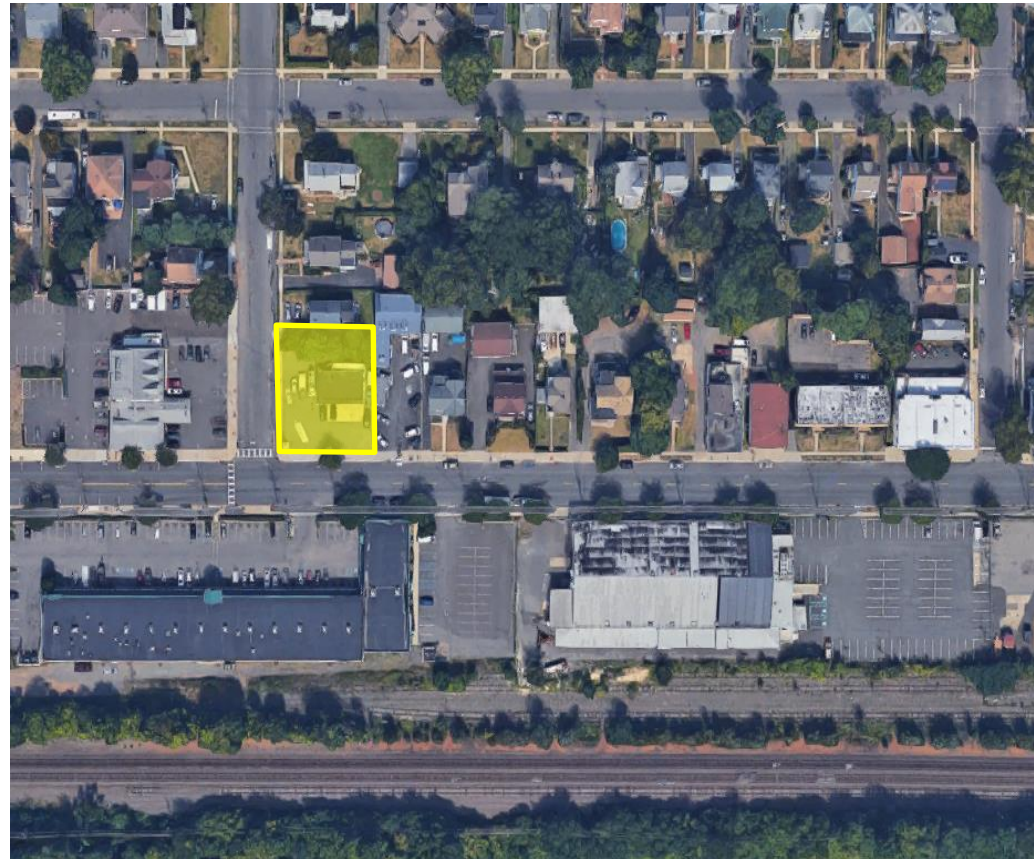
NW FINANCIAL GROUP, LLC  
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# Project Summary

## 150 North Avenue

- 19,000 SF
- Three Stories
- 14 Units (2 Affordable)
- 1,578 SF of Commercial Space
- 17 Parking Spaces
- \$3.9 Million Project Cost



# Unit Mix and Expected Rents

## Market Rate Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	4	954	\$ 1,800	\$ 1.89	\$ 86,400
Two Bedroom	8	1,044	2,100	2.01	201,600
<b>Total</b>	<b>12</b>	<b>1,014</b>	<b>\$ 2,000</b>	<b>\$ 1.97</b>	<b>\$ 288,000</b>

## Affordable Units (50% of AMI)

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
Two Bedroom	1	975	\$ 1,386	\$ 1.42	\$ 16,635
Three Bedroom	1	1,000	1,602	1.60	19,223
<b>Total</b>	<b>2</b>	<b>988</b>	<b>\$ 1,494</b>	<b>\$ 1.51</b>	<b>\$ 35,858</b>

## Commercial

Type	SF	Monthly Rent	Monthly PSF	Annual Rent
Retail #1	789	\$ 1,578	\$ 2.00	\$ 18,936
Retail #2	789	1,578	2.00	18,936
<b>Total</b>	<b>1,578</b>	<b>\$ 3,156</b>	<b>\$ 2.00</b>	<b>\$ 37,872</b>

For purposes of our analysis, we increased the Developer's residential and retail rent assumptions (\$1,300 for one bedrooms, \$1,650 for two bedrooms, and \$1.27/SF for retail).

15% of the units (2.1) will be affordable and developed in accordance with Council on Affordable Housing regulations. The Developer will be required to make a payment-in-lieu to the Borough for the fractional unit of approximately \$11,500.

## Sources & Uses

Sources	%	Total Cost
Debt	70%	\$2,743,202
Equity	30%	1,175,658
<b>Total Sources</b>	<b>100%</b>	<b>\$3,918,860</b>

Uses	Per Unit	Per SF	Total Cost
Hard Costs	\$210,696	\$ 153.52	\$2,949,750
Land	28,571	20.82	400,000
Overhead	15,273	11.13	213,819
Finance Charges/Interest	7,714	5.62	108,000
Commissions	3,693	2.69	51,700
Township Professional/Fees	2,910	2.12	40,745
Cost of Financing	2,743	2.00	38,400
Engineer	2,414	1.76	33,794
Architect	1,786	1.30	25,000
Improvements	818	0.60	11,450
Attorney	818	0.60	11,450
Taxes During Construction	696	0.51	9,744
Insurance	688	0.50	9,635
Closing Costs	661	0.48	9,248
Surveying	254	0.18	3,550
Testing-Environmental	184	0.13	2,575
<b>Total</b>	<b>\$279,919</b>	<b>\$ 203.96</b>	<b>\$3,918,860</b>

The Total Project Costs are based on the pro forma provided by the Developer.

## PILOT Summary

- The Developer originally requested a 30-year PILOT at 10% of Annual Gross Revenue (“AGR”).
- After negotiations, the terms are as follows: Years 1-10: 11% of AGR, Years 11-20: 12% of AGR, Years 21-30: 13% of AGR
- The lot currently generates \$9,324 in tax revenue, of which the Borough receives \$2,472.
- At stabilization in Year 2, the Gross PILOT is estimated to be \$39,600 of which the Borough will receive approximately \$38,500, including a 2% administration fee.
- Over the 30-year term, the Borough will receive an estimated \$1.83 million. During that same time period, existing taxes would only generate \$100,000. **This is an additional \$1.73 million to the Borough.**
- The Developer will also make a \$37,000 community benefit payment to the Borough, which will be used towards pedestrian safety in the form of pedestrian light crossings in downtown Dunellen.

# Developer Returns - Conventional Taxes vs. Negotiated PILOT

<u>Conventional Taxes</u>		<u>PILOT</u>	
	<u>Year 2</u>		<u>Year 2</u>
Annual Gross Revenue	\$ 360,400	Annual Gross Revenue	\$ 360,400
Operating Expenses	68,860	Operating Expenses	68,860
Property Taxes	89,000	PILOT + Admin Fee	40,437
<b>Net Operating Income</b>	<b>\$ 202,539</b>	<b>Net Operating Income</b>	<b>\$ 251,103</b>
Project Value	\$ 3,682,536	Project Value	\$ 4,565,503
Total Project Cost	3,918,860	Total Project Cost	3,918,860
<b>Net Project Value</b>	<b>\$ (236,324)</b>	<b>Net Project Value</b>	<b>\$ 646,643</b>
IRR - 10 Year Sale	7.25%	IRR - 10 Year Sale	13.37%
Yield on Cost - Year 2	5.17%	Yield on Cost - Year 2	6.41%

A typical Internal Rate of Return for a development such as this is between 11% and 14%, while the Yield on Cost is typically between 6% - 7%.

# Projected PILOT Over 30-Year Term

Year	% of AGR	% of OAT	Gross PILOT	Less: County Share (5%)	Admin Fee (2% of Gross PILOT)	Borough Share of PILOT
1	11%	0%	\$ 26,593	\$ (1,330)	\$ 532	\$ 25,795
2	11%	0%	39,644	(1,982)	793	38,455
3	11%	0%	40,437	(2,022)	809	39,224
4	11%	0%	41,246	(2,062)	825	40,008
5	11%	0%	42,070	(2,104)	841	40,808
6	11%	0%	42,912	(2,146)	858	41,625
7	11%	0%	43,770	(2,189)	875	42,457
8	11%	0%	44,646	(2,232)	893	43,306
9	11%	0%	45,538	(2,277)	911	44,172
10	11%	0%	46,449	(2,322)	929	45,056
11	12%	0%	51,685	(2,584)	1,034	50,135
12	12%	0%	52,719	(2,636)	1,054	51,137
13	12%	0%	53,773	(2,689)	1,075	52,160
14	12%	0%	54,849	(2,742)	1,097	53,203
15	12%	0%	55,946	(2,797)	1,119	54,267
16	12%	20%	57,065	(2,853)	1,141	55,353
17	12%	20%	58,206	(2,910)	1,164	56,460
18	12%	20%	59,370	(2,969)	1,187	57,589
19	12%	20%	60,558	(3,028)	1,211	58,741
20	12%	20%	61,769	(3,088)	1,235	59,916
21	13%	20%	68,254	(3,413)	1,365	66,207
22	13%	40%	69,620	(3,481)	1,392	67,531
23	13%	40%	71,012	(3,551)	1,420	68,882
24	13%	40%	72,432	(3,622)	1,449	70,259
25	13%	60%	84,206	(4,210)	1,684	81,680
26	13%	60%	85,891	(4,295)	1,718	83,314
27	13%	60%	87,608	(4,380)	1,752	84,980
28	13%	80%	119,147	(5,957)	2,383	115,573
29	13%	80%	121,530	(6,077)	2,431	117,884
30	13%	80%	123,961	(6,198)	2,479	120,242
<b>Total</b>			<b>\$ 1,882,907</b>			<b>\$ 1,826,420</b>

# Existing Taxes vs. PILOT

Year	Current Taxes	Borough Share	Gross PILOT	Borough Share	Additional Revenue from PILOT
1	\$ 9,324	\$ 2,472	\$ 26,593	\$ 25,795	\$ 23,323
2	9,510	2,521	39,644	38,455	35,933
3	9,701	2,572	40,437	39,224	36,652
4	9,895	2,623	41,246	40,008	37,385
5	10,093	2,676	42,070	40,808	38,133
6	10,294	2,729	42,912	41,625	38,895
7	10,500	2,784	43,770	42,457	39,673
8	10,710	2,840	44,646	43,306	40,467
9	10,925	2,896	45,538	44,172	41,276
10	11,143	2,954	46,449	45,056	42,101
11	11,366	3,013	51,685	50,135	47,121
12	11,593	3,074	52,719	51,137	48,064
13	11,825	3,135	53,773	52,160	49,025
14	12,062	3,198	54,849	53,203	50,006
15	12,303	3,262	55,946	54,267	51,006
16	12,549	3,327	57,065	55,353	52,026
17	12,800	3,394	58,206	56,460	53,066
18	13,056	3,461	59,370	57,589	54,128
19	13,317	3,531	60,558	58,741	55,210
20	13,583	3,601	61,769	59,916	56,314
21	13,855	3,673	68,254	66,207	62,534
22	14,132	3,747	69,620	67,531	63,784
23	14,415	3,822	71,012	68,882	65,060
24	14,703	3,898	72,432	70,259	66,361
25	14,997	3,976	84,206	81,680	77,704
26	15,297	4,056	85,891	83,314	79,258
27	15,603	4,137	87,608	84,980	80,843
28	15,915	4,219	119,147	115,573	111,354
29	16,233	4,304	121,530	117,884	113,581
30	16,558	4,390	123,961	120,242	115,852
<b>Total</b>	<b>\$ 378,257</b>	<b>\$ 100,284</b>	<b>\$1,882,907</b>	<b>\$ 1,826,420</b>	<b>\$ 1,726,135</b>

# Residents and Public School Children

Type	# of Units	Persons Multiplier	New Persons	Public School Children Multiplier	New Public School Children
1 BR - Market	4	1.662	7	0.143	1
2 BR - Market	8	2.359	19	0.196	2
2 BR - Affordable	1	2.511	3	0.408	0
3 BR - Affordable	1	3.591	4	1.087	1
<b>Total</b>	<b>14</b>		<b>33</b>		<b>4</b>

<b>2019 Population</b>	7,252
<b>Increase %</b>	0.46%

<b>2020 Enrollment</b>	1,231
<b>Increase %</b>	0.32%

Multipliers are from “Who Lives in New Jersey Housing – The Profile of Occupants of Residential Development in New Jersey”, a study by the Center for Urban Policy Research at Rutgers University, which was last updated in November 2018.

# Resident Cost Calculation

<b>Budget Category</b>	<b>Appropriations</b>	<b>% of Spending Applied in Municipal Cost Calculation</b>	<b>Resident Portion</b>
General Government	\$ 1,334,715	10.00%	\$ 133,472
Land-Use Administration	26,000	10.00%	2,600
Uniform Construction Code	103,770	10.00%	10,377
Public Safety	2,152,067	25.00%	538,017
Public Works	615,700	10.00%	61,570
Health and Human Services	66,500	25.00%	16,625
Education (including Library)	215,297	10.00%	21,530
Landfill / Solid Waste Disposal	59,434	10.00%	5,943
Statutory Expenditures	760,989	10.00%	76,099
Court and Public Defender	161,900	10.00%	16,190
<b>Total</b>	<b>\$ 5,496,373</b>		<b>\$ 882,422</b>
<b>Population</b>			<b>7,252</b>
<b>Per Resident Cost</b>			<b>\$ 122</b>

The Division of Local Government Services created a PILOT Financial Agreement Forecast model (“PFAF”), which uses budget data provided by the municipality to calculate a baseline cost of services from the municipality associated with a proposed project.

# Public School Children Cost Calculation

<b>Cost Per Student Calculations</b>	<b>2018-19 (Actual)</b>	<b>2019-20 (Actual)</b>	<b>2020-21 (Original Budget)</b>	<b>2020-21 (Revised Budget)</b>	<b>2021-22 (Proposed)</b>
Total Budgetary Comparative Per Pupil Cost	\$ 12,253	\$ 13,011	\$ 12,656	\$ 14,532	\$ 14,730
Total Classroom Instruction	7,047	7,373	7,050	8,069	8,381
Classroom-Salaries and Benefits	6,576	7,030	6,644	7,636	7,932
Classroom-General Supplies and Textbooks	301	104	167	157	197
Classroom-Purchased Services	169	239	239	277	252
Total Support Services	1,819	2,005	2,028	2,347	2,219
Total Administrative Costs	1,767	1,861	1,773	2,061	2,015
Total Operations and Maintenance of Plant	1,248	1,409	1,432	1,621	1,681
Total Extracurricular Costs	372	364	373	434	433
Total Equipment Costs	-	55	51	39	31
Legal Costs	20	28	28	33	39
<b>Total Cost Per Student for PILOT Analysis</b>	<b>\$ 8,866</b>	<b>\$ 9,378</b>	<b>\$ 9,078</b>	<b>\$ 10,416</b>	<b>\$ 10,600</b>

The information above comes from the 2021-2022 Dunellen Board of Education User Friendly Budget.

# Public School Children Cost Calculation

<b>Board of Education General Fund Revenues</b>	<b>Amount</b>
Local Sources	\$ 12,506,844
State Sources	11,315,446
Federal Sources	27,914
Other Sources	3,847,178
<b>Total</b>	<b>\$ 27,697,382</b>
<hr/>	
<b>% from Local Sources</b>	<b>45.16%</b>

Total Cost Per Student	\$ 10,600
Local Revenue Sources	45.16%
<b>Net Cost Per Student</b>	<b>\$ 4,786</b>

# Resident and Public School Children Impact

Type	# of Units	New Persons	New Municipal Costs	New Public School Children	New School Costs	Total New Costs
1 BR - Market	4	7	\$ 852	1	\$ 4,786	\$ 5,638
2 BR - Market	8	19	2,312	2	9,573	11,885
2 BR - Affordable	1	3	365	0	-	365
3 BR - Affordable	1	4	487	1	4,786	5,273
<b>Total</b>	<b>14</b>	<b>33</b>	<b>\$ 4,015</b>	<b>4</b>	<b>\$ 19,146</b>	<b>\$ 23,161</b>

# Net Benefit to Borough

Year	Borough Share of PILOT	Resident Cost	School Cost	Total Cost	Net Benefit
1	\$ 25,795	\$ 2,610	\$ 12,445	\$ 15,055	\$ 10,740
2	38,455	4,015	19,146	23,161	15,293
3	39,224	4,178	19,919	24,097	15,127
4	40,008	4,261	20,318	24,579	15,429
5	40,808	4,346	20,724	25,071	15,738
6	41,625	4,433	21,139	25,572	16,053
7	42,457	4,522	21,561	26,083	16,374
8	43,306	4,612	21,993	26,605	16,701
9	44,172	4,705	22,432	27,137	17,035
10	45,056	4,799	22,881	27,680	17,376
11	50,135	4,895	23,339	28,233	21,901
12	51,137	4,993	23,805	28,798	22,339
13	52,160	5,093	24,282	29,374	22,786
14	53,203	5,194	24,767	29,962	23,242
15	54,267	5,298	25,263	30,561	23,707
16	55,353	5,404	25,768	31,172	24,181
17	56,460	5,512	26,283	31,795	24,664
18	57,589	5,623	26,809	32,431	25,158
19	58,741	5,735	27,345	33,080	25,661
20	59,916	5,850	27,892	33,742	26,174
21	66,207	5,967	28,450	34,416	31,790
22	67,531	6,086	29,019	35,105	32,426
23	68,882	6,208	29,599	35,807	33,075
24	70,259	6,332	30,191	36,523	33,736
25	81,680	6,459	30,795	37,253	44,427
26	83,314	6,588	31,411	37,999	45,315
27	84,980	6,720	32,039	38,759	46,222
28	115,573	6,854	32,680	39,534	76,039
29	117,884	6,991	33,333	40,324	77,560
30	120,242	7,131	34,000	41,131	79,111
<b>Total</b>	<b>\$ 1,826,420</b>	<b>\$ 161,413</b>	<b>\$ 769,627</b>	<b>\$ 931,040</b>	<b>\$ 895,380</b>