

Borough of Dunellen

441 North Avenue

August 4, 2025

Prepared by:



NW FINANCIAL GROUP, LLC
Exceeding Expectations

Proven Reputation . Experienced Professionals . Superior Client Service

- **Three Stories**
- **62 Residential Units**
 - **53 Market-Rate**
 - **9 Affordable (15%)**
- **3,844 SF of Ground-Floor Retail Space**
- **68 Structured Parking Spaces**
- **Estimated Cost: \$18.75 Million**

Project Location



The project will be located on Block 66, Lots 16, 17, and 17.01, totaling approximately 0.90 acres. The lots currently consist of 1- and 2-story commercial buildings.

Sources & Uses

Sources	%	Total Cost
Debt	60%	\$ 11,252,938
Equity	40%	7,501,959
Total Sources	100%	\$ 18,754,897

Uses	Per Unit	Per SF	Total Cost
Construction Cost	\$ 238,910	\$ 155.00	\$ 14,812,420
Land	32,258	20.93	2,000,000
Construction Interest	12,913	8.38	800,583
Soft Cost	11,946	7.75	740,621
Financing Fees	5,275	3.42	327,072
Community Benefit Payment	1,197	0.78	74,200
Total	\$ 302,498	\$ 196.26	\$ 18,754,897

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

Unit Mix and Projected Revenue

Market Rate Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	47	718	\$ 2,150	\$ 2.99	\$ 1,212,600
Two Bedroom	5	929	2,600	2.80	156,000
Three Bedroom	1	1,023	3,200	3.13	38,400
Total	53	744	\$ 2,212	\$ 2.97	\$ 1,407,000

Affordable Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	1	718	\$ 822	\$ 1.14	\$ 9,864
Two Bedroom	5	929	1,513	1.63	90,804
Three Bedroom	3	1,023	2,153	2.10	77,520
Total	9	937	\$ 1,650	\$ 1.76	\$ 178,188

Commercial

Type	SF	Monthly Rent	Monthly PSF	Annual Rent
Retail #1	2,754	\$ 4,590	\$ 1.67	\$ 55,080
Retail #2	1,090	1,817	1.67	21,800
Total	3,844	\$ 6,407	\$ 1.67	\$ 76,880

Based on comparable projects in the surrounding area, NW increased the Developer's market-rate rent assumptions by 5.00%.

Negotiated PILOT Summary

- The negotiated PILOT terms are as follows:

Years	% of Annual Gross Revenue	% of Otherwise Applicable Taxes
1 - 10	10.00%	0%
11 - 15	11.00%	0%
16 - 20	11.00%	20%
21 - 24	12.00%	40%
25 - 27	12.00%	60%
28 - 30	12.00%	80%

- The subject property currently generates \$46,137 in tax revenue, of which the Borough share is \$12,362.
 - Board of Education - 59%
 - Borough - 27%
 - County - 14%
- At stabilization, the Gross PILOT is estimated to be approximately \$175,000 of which the Borough share will be approximately \$158,000, including a 2% Administration Fee.
- Over the 30-year term, the Borough will receive an estimated \$7.28 million. During that same time period, existing taxes would only generate approximately \$502,000, assuming a 2% annual tax increase. **This is an additional \$6.78 million to the Borough.**

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	\$ 1,717,521	Annual Gross Revenue	\$ 1,717,521
Operating Expenses	332,010	Operating Expenses	332,010
Property Taxes	341,000	PILOT + Admin Fee	175,187
Net Operating Income	\$ 1,044,511	Net Operating Income	\$ 1,210,324
Project Value	\$ 18,991,118	Project Value	\$ 22,005,896
Total Project Cost	18,754,897	Total Project Cost	18,754,897
Net Project Value	\$ 236,221	Net Project Value	\$ 3,250,999
IRR - 10 Year Sale	5.14%	IRR - 10 Year Sale	9.73%
Yield on Cost - Year 2	5.57%	Yield on Cost - Year 2	6.45%
Debt Service Coverage Ratio	1.10	Debt Service Coverage Ratio	1.27

A typical Internal Rate of Return for a development such as this is between 10% and 17%, while the Yield on Cost is typically between 5.50% - 7.00%. Lenders typically require a minimum DSCR of 1.2x - 1.3x.

Projected PILOT Over 30-Year Term

<u>PILOT Analysis</u>										<u>Conventional Tax Analysis</u>	
Year	% of AGR	% of OAT	Gross PILOT	Less: Land Tax Credit	Net PILOT	Borough Share of Land Tax Credit	Less: County Share (5%)	Admin Fee (2% of Gross PILOT)	Borough Share	Conventional Taxes	Borough Share
1	10%	0%	\$ 92,912	\$ (12,653)	\$ 80,259	\$ 3,390	\$(4,013)	\$ 1,858	\$ 81,494	\$ 334,314	\$ 89,577
2	10%	0%	171,752	(12,906)	158,846	3,458	(7,942)	3,435	157,797	341,000	91,368
3	10%	0%	175,187	(13,164)	162,023	3,527	(8,101)	3,504	160,953	347,820	93,196
4	10%	0%	178,691	(13,427)	165,264	3,598	(8,263)	3,574	164,172	354,776	95,060
5	10%	0%	182,265	(13,696)	168,569	3,670	(8,428)	3,645	167,455	361,872	96,961
6	10%	0%	185,910	(13,970)	171,940	3,743	(8,597)	3,718	170,805	369,109	98,900
7	10%	0%	189,628	(14,249)	175,379	3,818	(8,769)	3,793	174,221	376,492	100,878
8	10%	0%	193,421	(14,534)	178,887	3,894	(8,944)	3,868	177,705	384,021	102,896
9	10%	0%	197,289	(14,825)	182,464	3,972	(9,123)	3,946	181,259	391,702	104,954
10	10%	0%	201,235	(15,121)	186,114	4,052	(9,306)	4,025	184,884	399,536	107,053
11	11%	0%	225,786	(15,424)	210,362	4,133	(10,518)	4,516	208,492	407,527	109,194
12	11%	0%	230,301	(15,732)	214,569	4,215	(10,728)	4,606	212,662	415,677	111,378
13	11%	0%	234,907	(16,047)	218,861	4,300	(10,943)	4,698	216,915	423,991	113,605
14	11%	0%	239,606	(16,368)	223,238	4,386	(11,162)	4,792	221,254	432,470	115,877
15	11%	0%	244,398	(16,695)	227,703	4,473	(11,385)	4,888	225,679	441,120	118,195
16	11%	20%	249,286	(17,029)	232,257	4,563	(11,613)	4,986	230,192	449,942	120,559
17	11%	20%	254,271	(17,370)	236,902	4,654	(11,845)	5,085	234,796	458,941	122,970
18	11%	20%	259,357	(17,717)	241,640	4,747	(12,082)	5,187	239,492	468,120	125,429
19	11%	20%	264,544	(18,071)	246,473	4,842	(12,324)	5,291	244,282	477,482	127,938
20	11%	20%	269,835	(18,433)	251,402	4,939	(12,570)	5,397	249,168	487,032	130,497
21	12%	40%	300,253	(18,801)	281,451	5,038	(14,073)	6,005	278,421	496,773	133,107
22	12%	40%	306,258	(19,178)	287,080	5,138	(14,354)	6,125	283,990	506,708	135,769
23	12%	40%	312,383	(19,561)	292,822	5,241	(14,641)	6,248	289,669	516,842	138,484
24	12%	40%	318,630	(19,952)	298,678	5,346	(14,934)	6,373	295,463	527,179	141,254
25	12%	60%	325,003	(20,351)	304,652	5,453	(15,233)	6,500	301,372	537,723	144,079
26	12%	60%	331,503	(20,758)	310,745	5,562	(15,537)	6,630	307,400	548,477	146,960
27	12%	60%	338,133	(21,174)	316,960	5,673	(15,848)	6,763	313,548	559,447	149,900
28	12%	80%	456,508	(21,597)	434,911	5,787	(21,746)	9,130	428,083	570,636	152,898
29	12%	80%	465,639	(22,029)	443,610	5,902	(22,180)	9,313	436,644	582,048	155,956
30	12%	80%	474,951	(22,470)	452,482	6,021	(22,624)	9,499	445,377	593,689	159,075
Total			\$7,869,841		\$7,356,539				\$ 7,283,644	\$ 13,562,466	\$3,633,962

Existing Taxes vs. PILOT

Year	Current Taxes	Borough Share	Gross PILOT	Borough Share	Additional Borough Share
1	\$ 46,137	\$ 12,362	\$ 92,912	\$ 81,494	\$ 69,132
2	47,060	12,609	171,752	157,797	145,188
3	48,001	12,862	175,187	160,953	148,091
4	48,961	13,119	178,691	164,172	151,053
5	49,940	13,381	182,265	167,455	154,074
6	50,939	13,649	185,910	170,805	157,156
7	51,958	13,922	189,628	174,221	160,299
8	52,997	14,200	193,421	177,705	163,505
9	54,057	14,484	197,289	181,259	166,775
10	55,138	14,774	201,235	184,884	170,110
11	56,241	15,069	225,786	208,492	193,423
12	57,366	15,371	230,301	212,662	197,291
13	58,513	15,678	234,907	216,915	201,237
14	59,683	15,992	239,606	221,254	205,262
15	60,877	16,312	244,398	225,679	209,367
16	62,095	16,638	249,286	230,192	213,554
17	63,336	16,971	254,271	234,796	217,826
18	64,603	17,310	259,357	239,492	222,182
19	65,895	17,656	264,544	244,282	226,626
20	67,213	18,009	269,835	249,168	231,158
21	68,557	18,369	300,253	278,421	260,052
22	69,929	18,737	306,258	283,990	265,253
23	71,327	19,112	312,383	289,669	270,558
24	72,754	19,494	318,630	295,463	275,969
25	74,209	19,884	325,003	301,372	281,488
26	75,693	20,281	331,503	307,400	287,118
27	77,207	20,687	338,133	313,548	292,861
28	78,751	21,101	456,508	428,083	406,982
29	80,326	21,523	465,639	436,644	415,122
30	81,932	21,953	474,951	445,377	423,424
Total	\$ 1,871,696	\$ 501,507	\$ 7,869,841	\$ 7,283,644	\$ 6,782,137

Residents and Public School Children

Type	# of Units	Residents Multiplier	New Residents	Public School Children Multiplier	New Public School Children
1 BR - Market	47	1.551	73	0.004	0
2 BR - Market	5	2.355	12	0.065	0
3 BR - Market	1	3.289	3	0.245	0
1 BR - Affordable	1	1.392	1	0.088	0
2 BR - Affordable	5	2.511	13	0.408	2
3 BR - Affordable	3	3.591	11	1.087	3
Total	62		113		5

Current Population	8,411
Projected New Residents	113
% Increase	1.34%

2024-2025 Actual Enrollment	1,370
Projected New Residents	5
% Increase	0.36%

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

Budget Category	Appropriations	% of Spending Applied in Municipal Cost Calculation	Resident Portion
General Government	\$ 958,785	10.00%	\$ 95,879
Land-Use Administration	29,200	10.00%	2,920
Uniform Construction Code	202,015	10.00%	20,202
Public Safety	2,843,255	25.00%	710,814
Public Works	781,513	10.00%	78,151
Health and Human Services	65,811	25.00%	16,453
Education (including Library)	299,625	10.00%	29,963
Landfill / Solid Waste Disposal	24,000	10.00%	2,400
Statutory Expenditures	1,076,235	10.00%	107,624
Court and Public Defender	200,950	10.00%	20,095
Total	\$ 6,481,389		\$ 1,084,499
Current Population			8,411
Per Resident Cost			\$ 129
New Resident Cost			\$ 14,570

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

Cost Per Student Calculations	2025-2026 Proposed
Total Budgetary Comparative Per Pupil Cost	\$ 20,984
Total Classroom Instruction	11,205
<i>Classroom-Salaries and Benefits</i>	9,727
<i>Classroom-General Supplies and Textbooks</i>	619
<i>Classroom-Purchased Services</i>	859
Total Support Services	4,064
Support Services-Salaries and Benefits	3,369
Total Administrative Costs	2,296
Administration Salaries and Benefits	1,765
Total Operations and Maintenance of Plant	2,728
Operations and Maintenance-Salaries and Benefits	1,204
Board Contribution to Food Services	-
Total Extracurricular Costs	691
Total Equipment Costs	89
Legal Costs	33
Employee Benefits as a percentage of salaries*	39.37%
Total Cost Per Student for PILOT Analysis	\$ 11,205

The information above comes from the 2025-2026 Dunellen Board of Education User Friendly Budget.

Public School Children Cost Calculation

Board of Education General Fund Revenues	Amount
Local Sources	\$13,654,014
State Sources	19,793,852
Federal Sources	10,818
Other Sources	6,100,399
Total	\$39,559,083
% from Local Sources	34.52%

Total Classroom Instruction	\$ 11,205
Local Revenue Sources	34.52%
Net Cost Per Public School Student	\$ 3,867
New Public School Children	5
New School Costs	\$ 19,337

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	47	73	\$ 9,412	0	\$ -	\$ 9,412
2 BR - Market	5	12	1,547	0	-	1,547
3 BR - Market	1	3	387	0	-	387
1 BR - Affordable	1	1	129	0	-	129
2 BR - Affordable	5	13	1,676	2	7,735	9,411
3 BR - Affordable	3	11	1,418	3	11,602	13,021
Total	62	113	\$ 14,570	5	\$ 19,337	\$ 33,907

Net Benefit to Borough

Year	Borough Share of PILOT	Resident Cost	School Cost	Total Cost	Less: School Share of Land Tax	Net Cost	Net Benefit
1	\$ 81,494	\$ 7,638	\$ 10,136	\$ 17,774	\$ (7,467)	\$ 10,307	\$ 71,187
2	157,797	14,570	19,337	33,907	(7,616)	26,291	131,506
3	160,953	14,861	19,724	34,585	(7,768)	26,817	134,136
4	164,172	15,159	20,119	35,277	(7,924)	27,354	136,818
5	167,455	15,462	20,521	35,983	(8,082)	27,901	139,555
6	170,805	15,771	20,931	36,702	(8,244)	28,459	142,346
7	174,221	16,086	21,350	37,436	(8,409)	29,028	145,193
8	177,705	16,408	21,777	38,185	(8,577)	29,608	148,097
9	181,259	16,736	22,212	38,949	(8,748)	30,201	151,059
10	184,884	17,071	22,657	39,728	(8,923)	30,805	154,080
11	208,492	17,413	23,110	40,522	(9,102)	31,421	177,072
12	212,662	17,761	23,572	41,333	(9,284)	32,049	180,613
13	216,915	18,116	24,044	42,159	(9,469)	32,690	184,225
14	221,254	18,478	24,524	43,003	(9,659)	33,344	187,910
15	225,679	18,848	25,015	43,863	(9,852)	34,011	191,668
16	230,192	19,225	25,515	44,740	(10,049)	34,691	195,501
17	234,796	19,609	26,025	45,635	(10,250)	35,385	199,411
18	239,492	20,002	26,546	46,547	(10,455)	36,092	203,400
19	244,282	20,402	27,077	47,478	(10,664)	36,814	207,468
20	249,168	20,810	27,618	48,428	(10,877)	37,551	211,617
21	278,421	21,226	28,171	49,397	(11,095)	38,302	240,120
22	283,990	21,650	28,734	50,384	(11,317)	39,068	244,922
23	289,669	22,083	29,309	51,392	(11,543)	39,849	249,821
24	295,463	22,525	29,895	52,420	(11,774)	40,646	254,817
25	301,372	22,975	30,493	53,468	(12,010)	41,459	259,913
26	307,400	23,435	31,103	54,538	(12,250)	42,288	265,112
27	313,548	23,904	31,725	55,629	(12,495)	43,134	270,414
28	428,083	24,382	32,359	56,741	(12,745)	43,996	384,086
29	436,644	24,869	33,007	57,876	(13,000)	44,876	391,768
30	445,377	25,367	33,667	59,033	(13,260)	45,774	399,603
Total	\$ 7,283,644	\$ 572,841	\$ 760,274	\$ 1,333,115	\$ (302,906)	\$ 1,030,209	\$ 6,253,435