

ROSELLE PARK 10 WESTFIELD REDEVELOPMENT PROJECT

March 14, 2019

WORKING GROUP

Administration – Mayor and Council

Redevelopment Attorney - McManimon, Scotland & Baumann

Design Consultant - Cumming Lehrer

Financial Consultant - NW Financial Group, LLC

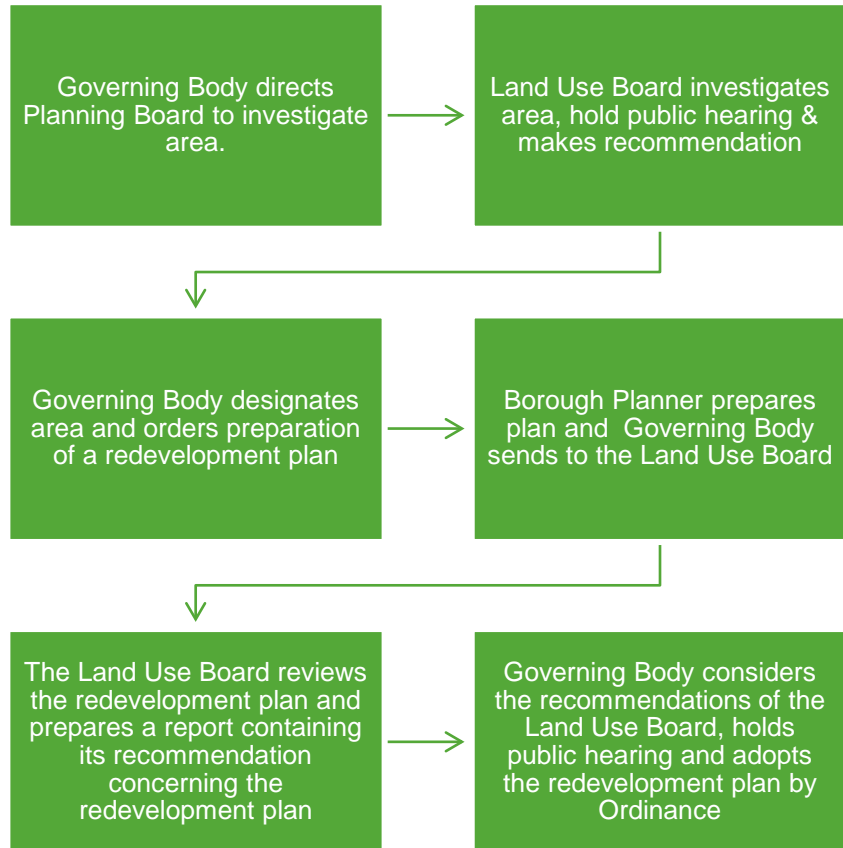
KEY REDEVELOPMENT DOCUMENTS

Redevelopment Plan

Redeveloper Agreement

Financial Agreement

REDEVELOPMENT PLANNING PROCESS



The Redevelopment Process exists to, deliberately and with the input of the public, determine if a property is underutilized and should have new allowable uses that cause the property to be productive.

REDEVELOPMENT PLAN

Redevelopment Plan establishes many things including:

- **Goals of Plan**
- **Boundaries of the Area**
- **Allowable Uses**
- **Lot Coverages**
- **Minimum/Maximum Size of Allowable Uses**
- **Design Requirements**
- **Parking**
- **Streetscape**

REDEVELOPER AGREEMENT

The Redeveloper Agreement identifies a Redeveloper's responsibilities in building in conformance with the Redevelopment Plan:

- **Details the Components that make up the Project**
- **Designates the Redeveloper**
- **Creates Timelines**
- **Limits Transfers**
- **Design Standards**
- **Additional Responsibilities: Maintenance, Green Space, Reporting Requirements, Affordable Housing, Events of Default**

PROJECT

- **Two occupied buildings (max 5 stories)**
- **Minimum 16,000 SF ground floor retail**
- **325 Total Units:**
 - ❖ 50 Studios
 - ❖ 150 One-Bedrooms
 - ❖ 125 Two Bedrooms
- **16 Moderate Units with preference for artists and veterans**
- **500 parking spaces**
- **Off-Site/On-Site Infrastructure**

FINANCIAL AGREEMENT

A Financial Agreement is a document that establishes what an eligible project must pay to the municipality.

A Payment In Lieu of Tax, is an amount that a property owner pays to the Borough pursuant to a financial agreement instead of paying taxes conventionally.

The amounts due on the PILOT are a municipal lien and collected in the same manner as property taxes.

After the expiration of the PILOT Agreement, the property pays conventional taxes.

KEY ITEMS FOR CONSIDERATION

NEED

- ▶ **Effective Tax Rate**
- ▶ **Site Conditions**
- ▶ **Type of Use**
- ▶ **Costs/Revenues**
- ▶ **Competing Locations**

PURPOSE OF PILOTS

PILOTS are used in redevelopment projects in order to attract redevelopers by offering an alternative to conventional ad valorem taxes. This is particularly true in municipalities with high effective tax rates.

Redevelopment projects are frequently unable to attract private investment without assistance from the local government entity in the form of PILOT agreements or, in some cases, bond financing.

The combination of risk associated with redevelopment projects and uncertainty of conventional taxes make marginal projects difficult to finance.

URBAN RENEWAL ENTITY

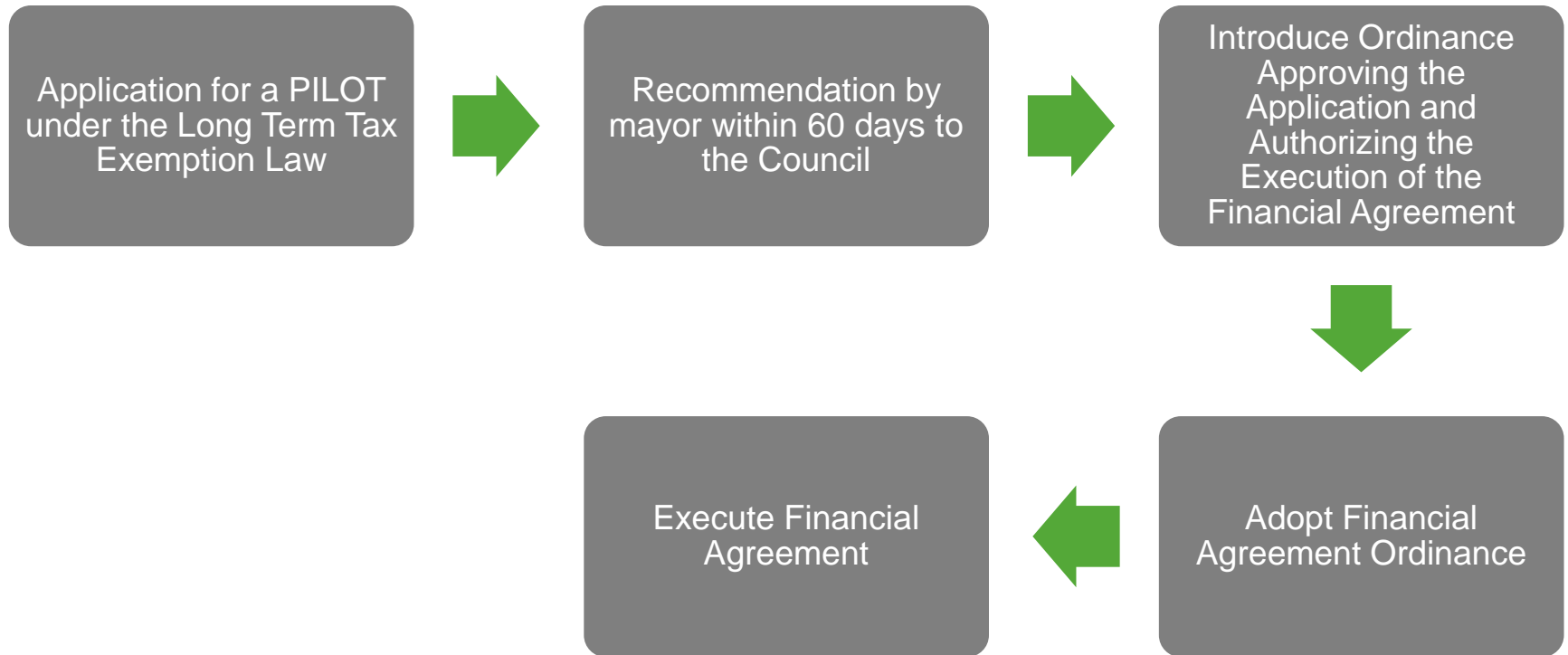
Single purpose entity organized to own, operate and manage the project

Subject to regulation of the municipality

Limited profits

Limited transfer rights

PROCESS



COMMON MISCONCEPTIONS

PILOT = No Taxes

- Under a PILOT agreement the property owner is still paying the municipality.

Under a PILOT, the City receives significantly less revenue than under conventional taxes.

- The amount received by the municipality through the PILOT is sometimes equal or more than the amount the Borough would receive under conventional taxes.

The additional costs of services associated with the project exceed the PILOT revenue.

- In most cases, a PILOT provides a net benefit to the municipality.

PILOTs cause an increase in property taxes for existing residents.

- The revenue generated by the PILOT should exceed the costs associated with new residents. **A PILOT should generate revenue that reduces the burden on existing taxpayers.**

PILOT TERMS

No longer than 30 years from completion of project

No longer than 35 years from execution

5% of PILOT must be paid to County

Land Taxes continue to be paid and credited

❖ **There are exceptions**

Annual Service Charge (ASC) cannot be less than:

❖ **10% aggregate gross revenue or**

❖ **2% of total project costs**

Minimum ASC % of Conventional Taxes	
Year(s)	Percentage
1 - 5	N/A
6 - 10	20%
11 - 15	40%
16 - 20	60%
21 - 30	80%

NEED FOR PILOT

Return Under Conventional Taxes	
Annual Gross Revenue	\$ 7,098,387
Operating Expenses	1,998,700
Property Taxes	1,972,840
Net Operating Income	\$ 3,126,846
<hr/>	
Project Value	\$ 52,114,105
Total Project Cost	69,984,000
Net Project Value	\$ (17,869,895)
<hr/>	
Yield on Cost	4.47%
IRR - Sale	-0.73%

10.5% PILOT	
Annual Gross Revenue	\$ 7,098,387
Operating Expenses	1,998,700
PILOT	745,331
Net Operating Income	\$ 4,354,356
<hr/>	
Project Value	\$ 72,572,602
Total Project Cost	69,984,000
Net Project Value	\$ 2,588,602
<hr/>	
Yield on Cost	6.22%
IRR - Sale	11.25%

STUDENTS & RESIDENTS

Market Rate:

Type	Units	Resident Multiplier	New Residents	Public School Children Multiplier	New Public School Children
Studio	50	1.597	80	0.037	2
1-Bedroom	134	1.597	214	0.037	5
2-Bedroom	125	1.996	250	0.078	10
Total	309		544		17

Affordable:

Type	Units	Resident Multiplier	New Residents	Public School Children Multiplier	New Public School Children
1-Bedroom	16	1.610	26	0.140	3
Total	16		26		3

Type	Current	New	% Increase
Residents	13,709	570	4.16%
Public School Children	2,048	20	0.98%

PILOT

❖ **PILOT give municipality a much greater % of revenue share.**

❖ **Accelerated minimums make total revenue to municipality much greater than conventional taxes in out years.**

❖ **PILOT goes from 10.5% in Years 1 – 10 to 13.0% in Years 11 – 30.**

Type	Rate	Conventional		PILOT	
County Tax	0.544	\$ 269,722		\$ 10,028	
County Open Space	0.015	\$ 7,437		\$ 33,876	
School District	2.124	\$ 1,053,107		\$ 39,154	
Municipal Local Purpose Tax	1.260	\$ 624,725	31.67%	\$661,610	88.77%
Municipal Library	0.036	\$ 17,849		\$ 664	
Total	3.979	\$ 1,972,840		\$745,331	

