Borough of Bernardsville

AR at Bernardsville Urban Renewal LLC

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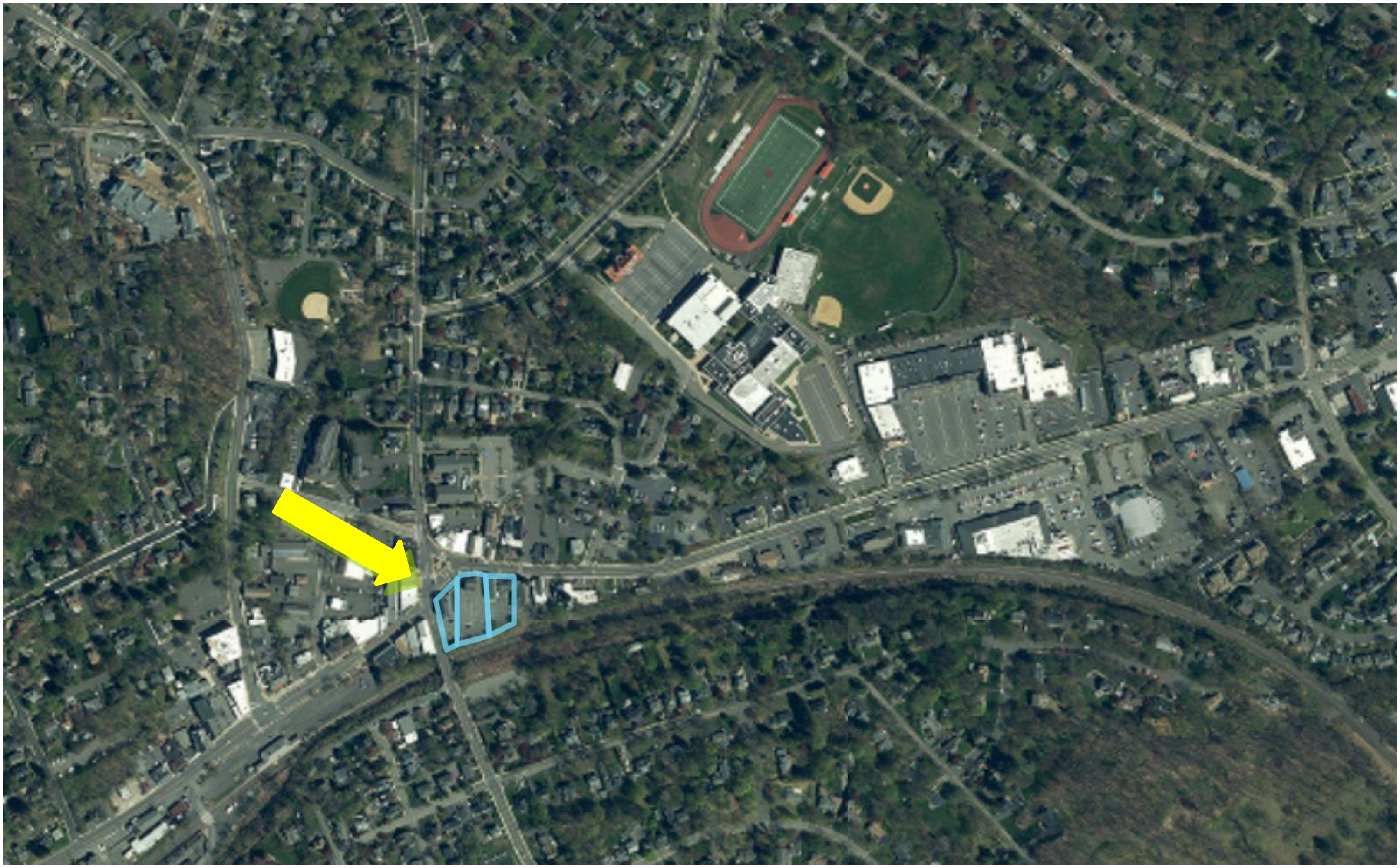
Prepared by:

NW Financial Group, LLC
Exceeding Expectations

Project Location



The project will be located at 35-39 Olcott Square and 5 Morristown Road, which currently contains three commercial buildings and a surface parking lot.

Project Location

Proposed Design

Unit Mix and Expected Rents

Market Rate Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom + Den	12	794	$ 3,040	$ 3.83	$ 437,760
Two Bedroom	16	1,029	4,180	4.06	802,560
Two Bedroom + Den	31	1,244	4,560	3.67	1,696,320
Three Bedroom	9	1,762	6,175	3.50	666,900
Total	**68**	**1,183**	**$ 4,416**	**$ 3.73**	**$ 3,603,540**

Parking

Type	Count	Monthly Rent/Space	Monthly Rent	Annual Rent/Space	Annual Rent
Commercial	37	$ -	$ -	$ -	$ -
Residential	102	125	12,750	1,500	153,000
Total	**139**	**$ -**	**$ 12,750**	**$ -**	**$ 153,000**

Commercial

Type	SF	Monthly Rent	Monthly PSF	Annual Rent
Resi - Retail	4,330	$ 14,433	$ 3.33	$ 173,200
Palmer - Retail	1,897	6,323	3.33	75,880
Palmer - Office	1,897	4,743	2.50	56,910
Total	**8,124**	**$ 25,499**	**$ 3.14**	**$ 305,990**

Sources & Uses

Sources	%	Total Cost
Debt	65%	$ 34,291,821
Equity	35%	18,464,827
Total Sources	**100%**	**$ 52,756,648**

Uses	Per Unit	Per SF	Total Cost
Hard Costs - Residential	$ 349,978	$ 143.52	$ 23,798,500
Hard Costs - Parking	91,985	37.72	6,255,000
Land Acquisition	58,824	24.12	4,000,000
Financing	48,769	20.00	3,316,320
Site Work and Offsite Improvements	44,118	18.09	3,000,000
Contingency	32,830	13.46	2,232,447
Developer Fee	27,577	11.31	1,875,256
Hard Costs - Retail	23,894	9.80	1,624,800
Architectural & Engineering	19,508	8.00	1,326,528
Insurance, Taxes, Admin	17,679	7.25	1,202,166
Permits & Fees	17,069	7.00	1,160,712
Leasing & Marketing	14,997	6.15	1,019,768
AHTFC	14,706	6.03	1,000,000
FF&E	10,120	4.15	688,136
Legal	3,780	1.55	257,015
Total	**$775,833**	**$ 318.16**	**$ 52,756,648**

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

Negotiated PILOT Summary

- The negotiated PILOT terms are as follows:

Year	% of AGR	% of OAT
1 - 10	10%	0%
11 - 15	11%	0%
16 - 20	11%	20%
21	12%	20%
22 - 25	12%	40%
26 - 27	12%	60%
28 - 30	12%	80%

- The lot currently generates $67,622 in tax revenue, of which the Borough receives $17,300.

    - Board of Education – 58%
    - Borough – 26%
    - County – 16%

- At stabilization in Year 2, the Gross PILOT is estimated to be $397,000 of which the Borough will receive approximately $382,000, including a 2% administration fee. This represents over 90% of the Gross PILOT.

- Over the 30-year term, the Borough will receive an estimated $16.9 million. During that same time period, existing taxes would only generate $702,000. **<u>This is an additional $16.2 million to the Borough.</u>**

PILOT Comparison to Original Request

		30-Year Gross PILOT
Original Request	$	15,759,540
Negotiated Terms	$	17,488,012
Increase	**$**	**1,728,472**

The Developer originally requested a 30-Year PILOT starting at 10% of AGR. It also included the best-case phase-in scenario for the Developer.

Developer Returns – Conventional Taxes vs. Negotiated PILOT

Conventional Taxes

	Stabilized Year
Annual Gross Revenue	$ 3,965,584
Operating Expenses	545,622
Property Taxes*	625,333
Net Operating Income	**$ 2,794,628**
Project Value	$ 50,811,426
Total Project Cost	52,756,648
Net Project Value	**$ (1,945,222)**
IRR - 10 Year Sale	4.81%
Yield on Cost - Year 2	5.30%
Debt Service Coverage Ratio	1.06

PILOT

	Stabilized Year
Annual Gross Revenue	$ 3,965,584
Operating Expenses	545,622
PILOT + Admin Fee	404,490
Net Operating Income	**$ 3,015,472**
Project Value	$ 54,826,764
Total Project Cost	52,756,648
Net Project Value	**$ 2,070,116**
IRR - 10 Year Sale	6.88%
Yield on Cost - Year 2	5.72%
Debt Service Coverage Ratio	1.15

***The property taxes are based on input from the assessor**

Even under the proposed PILOT, the Developer's returns are lower than other similar real estate developments. Nonetheless, the Developer has represented that it can successfully finance the cost of the Project.

Projected PILOT Over 30-Year Term

Year	% of AGR	% of OAT	Gross PILOT	LESS: Land Tax Credit	Net PILOT	LESS: County Share (5%)	PLUS: Borough Share of Land Tax Credit	PLUS: Admin Fee (2% of Gross PILOT)	Borough Share of PILOT
1	10%	0%	$ 195,595	$ (3,064)	$ 192,531	$ (9,627)	$ 784	$ 3,912	$ 187,600
2	**10%**	**0%**	**396,558**	**(3,125)**	**393,433**	**(19,672)**	**799**	**7,931**	**382,492**
3	10%	0%	404,490	(3,188)	401,302	(20,065)	815	8,090	390,142
4	10%	0%	412,579	(3,251)	409,328	(20,466)	832	8,252	397,945
5	10%	0%	420,831	(3,316)	417,515	(20,876)	848	8,417	405,904
6	10%	0%	429,248	(3,383)	425,865	(21,293)	865	8,585	414,022
7	10%	0%	437,833	(3,450)	434,382	(21,719)	883	8,757	422,302
8	10%	0%	446,589	(3,519)	443,070	(22,153)	900	8,932	430,749
9	10%	0%	455,521	(3,590)	451,931	(22,597)	918	9,110	439,363
10	10%	0%	464,631	(3,661)	460,970	(23,048)	937	9,293	448,151
11	11%	0%	521,316	(3,735)	517,582	(25,879)	955	10,426	503,084
12	11%	0%	531,743	(3,809)	527,933	(26,397)	975	10,635	513,146
13	11%	0%	542,378	(3,886)	538,492	(26,925)	994	10,848	523,409
14	11%	0%	553,225	(3,963)	549,262	(27,463)	1,014	11,065	533,877
15	11%	0%	564,290	(4,043)	560,247	(28,012)	1,034	11,286	544,555
16	11%	20%	575,575	(4,123)	571,452	(28,573)	1,055	11,512	555,446
17	11%	20%	587,087	(4,206)	582,881	(29,144)	1,076	11,742	566,555
18	11%	20%	598,829	(4,290)	594,539	(29,727)	1,098	11,977	577,886
19	11%	20%	610,805	(4,376)	606,429	(30,321)	1,119	12,216	589,444
20	11%	20%	623,021	(4,463)	618,558	(30,928)	1,142	12,460	601,232
21	12%	20%	693,253	(4,553)	688,700	(34,435)	1,165	13,865	669,295
22	12%	40%	707,118	(4,644)	702,474	(35,124)	1,188	14,142	682,681
23	12%	40%	721,260	(4,737)	716,524	(35,826)	1,212	14,425	696,335
24	12%	40%	735,685	(4,831)	730,854	(36,543)	1,236	14,714	710,261
25	12%	40%	750,399	(4,928)	745,471	(37,274)	1,261	15,008	724,466
26	12%	60%	765,407	(5,026)	760,381	(38,019)	1,286	15,308	738,956
27	12%	60%	780,715	(5,127)	775,588	(38,779)	1,312	15,614	753,735
28	12%	80%	837,155	(5,229)	831,926	(41,596)	1,338	16,743	808,410
29	12%	80%	853,898	(5,334)	848,564	(42,428)	1,365	17,078	824,578
30	12%	80%	870,976	(5,441)	865,535	(43,277)	1,392	17,420	841,070
Total			**$ 17,488,012**		**$ 17,363,721**				**$ 16,877,093**

Projected PILOT vs. Conventional Taxes

			PILOT Analysis		Conventional Tax Analysis		
Year	% of AGR	% of OAT	Gross PILOT	Borough Share	Conventional Taxes	Borough Share	PILOT Gain/Loss
1	10%	0%	$ 195,595	$ 187,600	$ 613,072	$ 156,846	$ 30,754
2	**10%**	**0%**	**396,558**	**382,492**	**625,333**	**159,983**	**222,509**
3	10%	0%	404,490	390,142	637,840	163,183	226,959
4	10%	0%	412,579	397,945	650,597	166,446	231,499
5	10%	0%	420,831	405,904	663,609	169,775	236,129
6	10%	0%	429,248	414,022	676,881	173,171	240,851
7	10%	0%	437,833	422,302	690,418	176,634	245,668
8	10%	0%	446,589	430,749	704,227	180,167	250,582
9	10%	0%	455,521	439,363	718,311	183,770	255,593
10	10%	0%	464,631	448,151	732,677	187,446	260,705
11	11%	0%	521,316	503,084	747,331	191,195	311,890
12	11%	0%	531,743	513,146	762,278	195,018	318,128
13	11%	0%	542,378	523,409	777,523	198,919	324,490
14	11%	0%	553,225	533,877	793,074	202,897	330,980
15	11%	0%	564,290	544,555	808,935	206,955	337,600
16	11%	20%	575,575	555,446	825,114	211,094	344,352
17	11%	20%	587,087	566,555	841,616	215,316	351,239
18	11%	20%	598,829	577,886	858,448	219,623	358,263
19	11%	20%	610,805	589,444	875,617	224,015	365,429
20	11%	20%	623,021	601,232	893,130	228,495	372,737
21	12%	20%	693,253	669,295	910,992	233,065	436,230
22	12%	40%	707,118	682,681	929,212	237,726	444,954
23	12%	40%	721,260	696,335	947,796	242,481	453,854
24	12%	40%	735,685	710,261	966,752	247,331	462,931
25	12%	40%	750,399	724,466	986,087	252,277	472,189
26	12%	60%	765,407	738,956	1,005,809	257,323	481,633
27	12%	60%	780,715	753,735	1,025,925	262,469	491,266
28	12%	80%	837,155	808,410	1,046,444	267,719	540,692
29	12%	80%	853,898	824,578	1,067,373	273,073	551,506
30	12%	80%	870,976	841,070	1,088,720	278,534	562,536
Total			**$ 17,488,012**	**$ 16,877,093**	**$ 24,871,142**	**$ 6,362,948**	**$ 10,514,145**

Existing Taxes vs. Projected PILOT

Year	Current Taxes	Borough Share	Gross PILOT	Borough Share	Additional Revenue from PILOT
1	$ 67,622	$ 17,300	$ 195,595	$ 187,600	$ 170,300
2	**68,974**	**17,646**	**396,558**	**382,492**	**364,846**
3	70,354	17,999	404,490	390,142	372,143
4	71,761	18,359	412,579	397,945	379,586
5	73,196	18,726	420,831	405,904	387,178
6	74,660	19,101	429,248	414,022	394,921
7	76,153	19,483	437,833	422,302	402,820
8	77,676	19,872	446,589	430,749	410,876
9	79,230	20,270	455,521	439,363	419,094
10	80,814	20,675	464,631	448,151	427,476
11	82,431	21,089	521,316	503,084	481,996
12	84,079	21,511	531,743	513,146	491,636
13	85,761	21,941	542,378	523,409	501,468
14	87,476	22,380	553,225	533,877	511,498
15	89,226	22,827	564,290	544,555	521,728
16	91,010	23,284	575,575	555,446	532,162
17	92,830	23,749	587,087	566,555	542,805
18	94,687	24,224	598,829	577,886	553,661
19	96,581	24,709	610,805	589,444	564,735
20	98,512	25,203	623,021	601,232	576,029
21	100,482	25,707	693,253	669,295	643,588
22	102,492	26,221	707,118	682,681	656,460
23	104,542	26,746	721,260	696,335	669,589
24	106,633	27,281	735,685	710,261	682,981
25	108,765	27,826	750,399	724,466	696,640
26	110,941	28,383	765,407	738,956	710,573
27	113,160	28,950	780,715	753,735	724,785
28	115,423	29,529	837,155	808,410	778,881
29	117,731	30,120	853,898	824,578	794,459
30	120,086	30,722	870,976	841,070	810,348
Total	**$ 2,743,288**	**$ 701,833**	**$ 17,488,012**	**$ 16,877,093**	**$ 16,175,260**

Residents and Public School Children

Type	# of Units	Persons Multiplier	New Persons	Public School Children Multiplier	New Public School Children
One Bedroom + Den	12	1.551	19	0.004	0
Two Bedroom	16	2.355	38	0.065	1
Two Bedroom + Den	31	2.355	73	0.065	2
Three Bedroom	9	3.289	30	0.245	2
Total	**68**		**160**		**5**

2021 Population	7,808
Increase %	2.05%

10/15/22 Actual Enrollment	1,722
Increase %	0.29%

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.