Economics Research Associates

DRAFT MATERIALS: FOR DISCUSSION PURPOSES ONLY

Briefing:

Fiscal and Financial Analysis of Princeton Junction Redevelopment Scenarios

Submitted to:

Hillier Architecture

Submitted by:

Economics Research Associates

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Stablized-Year Rental Apartment Income Statement
Development Value

Gross Square Footage		750
Number of Rental Units		1
Revenue from Rental Units		
Average Monthly Rent Per Unit[1]	$	1,255
Potential Cash Flow	$	15,064
Less Vacancy Allowance (5% of Revenue)	$	(753)
Less Unpaid Rent (3% of Revenue)	$	(452)
Less Operating Expenses Incl. Tax, Insurance, Etc. (20% of Revenue)	$	(3,013)
Net Cash Flow		$10,846
Stabilized Year Net Operating Income	$	10,846
Capitalized Value at 7.00%	$	154,941
Less Sales Costs at 4.00%	$	(6,198)
Residual Value Per Residential Unit	**$**	**148,744**
Residual Value Per Gross Square Foot	**$**	**198**

Source: Economics Research Associates

[1] Affordable rent based on HUD guidelines for very low income (50% AMI) and low income (80% AMI) households.

Stablized-Year Retail Income Statement
Development Value

Gross Square Feet		1,000
Loss Factor		10%
Rentable Building Area (90% of Gross)		900
Retail Lease Revenue		
Average Lease Rate (Gross PSF)	$	40
Potential Cash Flow	$	36,000
Less Vacancy Allowance (8% of Lease Revenue)	$	(2,880)
Less Operating Costs Incl. Tax, Insurance, Etc. (20% of Lease Revenue)	$	(7,200)
Net Cash Flow	$	25,920
Stabilized Year Net Operating Income	$	25,920
Capitalized Value at 7.00%	$	370,286
Less Sales Costs at 4.00%	$	(14,811)
Residual Value Per 1,000 SF	**$**	**355,474**
Residual Value Per Gross Square Foot	**$**	**355**

Source: Economics Research Associates

Stablized-Year Office Income Statement
Development Value

Gross Square Feet		1,000
Loss Factor		10%
Rentable Building Area (90% of Gross)		900
Office Lease Revenue		
Average Lease Rate (Gross PSF)		$45
Potential Cash Flow	$	40,500
Less Vacancy Allowance (8% of Lease Revenue)	$	(3,240)
Less Operating Costs Incl. Tax, Insurance, Etc. (30% of Lease Revenue)	$	(12,150)
Net Cash Flow	$	25,110
Stabilized Year Net Operating Income	$	25,110
Capitalized Value at 7.00%	$	358,714
Less Sales Costs at 4.00%	$	(14,349)
Residual Value Per 1,000 SF	**$**	**344,366**
Residual Value Per Gross Square Foot	**$**	**344**

Source: Economics Research Associates

Stablized-Year Rental Apartment Income Statement
Assessed Value

Gross Square Footage		750
Number of Rental Units		1
Revenue from Rental Units		
Average Monthly Rent Per Unit[1]	$	1,255
Potential Cash Flow	$	15,064
Less Vacancy Allowance (10% of Revenue)	$	(1,506)
Less Unpaid Rent (3% of Revenue)	$	(452)
Less Operating Expenses Incl. Tax, Insurance, Etc. (20% of Revenue)	$	(3,013)
Net Cash Flow		$10,093
Stabilized Year Net Operating Income	$	10,093
Capitalized Value at 10.00%	$	100,927
Less Sales Costs at 4.00%	$	(4,037)
Residual Value Per Residential Unit	**$**	**96,890**
Residual Value Per Gross Square Foot	**$**	**129**

Source: Economics Research Associates

[1] Affordable rent based on HUD guidelines for very low income (50% AMI) and low income (80% AMI) households.

Stablized-Year Retail Income Statement
Assessed Value

Gross Square Feet		1,000
Loss Factor		10%
Rentable Building Area (90% of Gross)		900
Retail Lease Revenue		
Average Lease Rate (Gross PSF)	$	40
Potential Cash Flow	$	36,000
Less Vacancy Allowance (10% of Lease Revenue)	$	(3,600)
Less Operating Costs Incl. Tax, Insurance, Etc. (20% of Lease Revenue)	$	(7,200)
Net Cash Flow	$	25,200
Stabilized Year Net Operating Income	$	25,200
Capitalized Value at 10.00%	$	252,000
Less Sales Costs at 4.00%	$	(10,080)
Residual Value Per 1,000 SF	**$**	**241,920**
Residual Value Per Gross Square Foot	**$**	**242**

Source: Economics Research Associates

Stablized-Year Office Income Statement
Assessed Value

Gross Square Feet		1,000
Loss Factor		10%
Rentable Building Area (90% of Gross)		900
<u>Office Lease Revenue</u>		
Average Lease Rate (Gross PSF)		$45
Potential Cash Flow	$	40,500
Less Vacancy Allowance (10% of Lease Revenue)	$	(4,050)
<u>Less Operating Costs Incl. Tax, Insurance, Etc. (30% of Lease Revenue)</u>	$	(12,150)
Net Cash Flow	$	24,300
Stabilized Year Net Operating Income	$	24,300
Capitalized Value at 10.00%	$	243,000
Less Sales Costs at 4.00%	$	(9,720)
Residual Value Per 1,000 SF	**$**	**233,280**
Residual Value Per Gross Square Foot	**$**	**233**

Source: Economics Research Associates

Municipal School Cost (Per RU)

Program Element	Pupils Per RU [1]	Municipal School Cost Per Pupil [2]	Municipal School Cost Per RU
Unrestricted For-Sale Units (Per RU)	0.35	$13,200	$4,620
Age-Restricted For-Sale Units (Per RU)	0.00	$13,200	$0
Affordable Rental Units (Per RU)	0.35	$13,200	$4,620

Source: Hillier Architecture; Economics Research Associates

[1] Assumes 0.35 students per residential unit (Katz).
[2] Assumes a total municipal cost per pupil of $13,200 ($15,000 total per pupil, less State/County/Other funding of 12 percent).

Municipal Service Cost (Per DU/1,000 SF)

Municipal Service Costs	Total Cost	Local Tax-Funded Cost[1]
Current Municipal Costs		
Municipal Budget[2]	$31,405,200	$17,272,860
Costs Impacted by Redevelopment[3]	$22,496,510	$12,373,080
Municipal Costs By Land Use Category[4]		
Residential Share of Variable Municipal Costs		$9,088,030
Commercial Share of Variable Municipal Costs		$3,285,050
Municipal Costs Per Residential Unit		
West Windsor Households		8,483
Residential Share of Variable Municipal Costs Per Household		$1,071
Municipal Costs Per 1,000 Square Feet		
West Windsor Employees		26,324
Commercial Share of Variable Municipal Costs Per Employee		$125
Commercial Share of Variable Municipal Costs Per 1,000 SF of Retail Space (2.5 Employees)		$312
Commercial Share of Variable Municipal Costs Per 1,000 SF of Office Space (4 Employees)		$499

Source: ESRI; US Census Bureau; West Windsor Township; Hillier Architecture; Economics Research Associates

[1] Approximately 55 percent of the municipal budget is funded by local taxes.

[2] The analysis relies on data from the 2006 Township budget.

[3] Variable budget items include public safety, statutory expenses, sewerage, refuse collection, public works, community development, administration, fire hydrant services, utility expenses, health/human services, law, municipal court, capital improvement

[4] Municipal Costs are allocated to land uses based on their respective shares of total Township assessed value.

Municipal Tax Revenue (Per RU/1,000 SF)

Program Element	Assessed Value	Property Tax Rate	Annual Tax Revenue	Remittance to County (5%)	Municipal Tax Revenue
Residential					
Unrestricted For-Sale Units (Per RU)	$350,000	1.91%	$6,685	$334	$6,351
Age-Restricted For-Sale Units (Per RU)	$350,000	1.91%	$6,685	$334	$6,351
Affordable Rental Units (Per RU)	$96,890	1.91%	$1,851	$93	$1,758
Retail (Per 1,000 SF)	$241,920	1.91%	$4,621	$231	$4,390
Office (Per 1,000 SF)	$233,280	1.91%	$4,456	$223	$4,233

Source: West Windsor Township; Economics Research Associates

Fiscal Impact (Per RU/1,000 SF)

Program Element	Municipal Tax Revenue	Municipal School Costs	Municipal Service Costs	Net Municipal Revenue
Residential				
Unrestricted For-Sale Units (Per RU)	$6,351	$4,620	$1,071	$659
Age-Restricted For-Sale Units (Per RU)	$6,351	$0	$1,071	$5,279
Affordable Rental Units (Per RU)	$1,758	$4,620	$1,071	($3,933)
Retail (Per 1,000 SF)	$4,390	$0	$312	$4,078
Office (Per 1,000 SF)	$4,233	$0	$499	$3,734

Source: West Windsor Township; Hillier Architecture; Economics Research Associates

Development Value (Per RU/1,000 SF)

Program Element	Development Value	Vertical Construction Cost	Residual Development Value
Residential			
Unrestricted For-Sale Units (Per RU)	$350,000	$178,200	$171,800
Age-Restricted For-Sale Units (Per RU)	$350,000	$178,200	$171,800
Affordable Rental Units (Per RU)	$148,744	$99,000	$49,744
Retail (Per 1,000 SF)	$355,474	$198,000	$157,474
Office (Per 1,000 SF)	$344,366	$198,000	$146,366
		Less Land Cost	Varies By Scenario
		Less Infrastructure Cost	Varies By Scenario
		Less Developer Profit	Varies By Scenario
		Add Potential Low Income Housing Subsidy	Varies By Scenario
		Potential Amenity Funding	**Varies By Scenario**

Source: Hillier Architecture; Economics Research Associates

Development Program: As-of-Right Scenario

Program Element	Units	Total Square Feet
Residential		
Unrestricted For-Sale Units	0	0
Age-restricted For-Sale Units	0	0
Affordable Rental Units	193	144,750
Residential Total	193	144,750
Retail		68,274
Office		1,657,746
Total	**193**	**1,870,770**

Source: Hillier Architecture; Economics Research Associates

Municipal Tax Revenue and Costs: As-of-Right Scenario

Program Element	Municipal Revenue	Municipal School Cost	Municipal Service Cost	Net Municipal Tax Revenue
Residential				
Unrestricted For-Sale Units	$0	$0	$0	$0
Age-restricted For-Sale Units	$0	$0	$0	$0
Affordable Rental Units	$339,000	$892,000	$207,000	-$759,000
Residential Total	$339,000	$892,000	$207,000	-$759,000
Retail	$300,000	$0	$21,000	$278,000
Office	$7,017,000	$0	$828,000	$6,190,000
Total	**$7,656,000**	**$892,000**	**$1,056,000**	**$5,709,000**
			Low (5.0%)	***High (4.5%)***
		Value of Potential RAB:	**$87,758,000**	**$92,990,000**

Source: West Windsor Township; Hillier Architecture; Economics Research Associates

Amenity Funding Analysis: As-of-Right Scenario

Program Element	Total Market Value [1]	Vertical Construction Cost [2]	Residual Development Value [3] = [1] - [2]
Residential			
Unrestricted For-Sale Units	$0	$0	$0
Age-restricted For-Sale Units	$0	$0	$0
Affordable Rental Units	$28,708,000	$19,107,000	$9,601,000
Residential Total	$28,708,000	$19,107,000	$9,601,000
Retail	$24,270,000	$13,518,000	$10,751,000
Office	$570,871,000	$328,234,000	$242,637,000
Total	**$623,848,000**	**$360,859,000**	**$262,989,000**
		Land Cost	-$128,596,000
		Infrastructure Cost[1]	-$49,000,000
		Developer Profit[2]	-$73,418,000
		Potential Low Income Housing Subsidy[3]	$4,825,000
		Potential Amenity Funding	$16,800,000

Source: Hillier Architecture; Economics Research Associates

[1] Infrastructure cost is assumed to be $49 million under the as-of-right and 1,000 RU scenarios. Infrastructure costs are reduced in proportion to density under other scenarios.

[2] Developer profit is assumed to be 15 percent of development cost, including land and vertical construction costs.

[3] Federal and State funds, including Low Income Housing Tax Credits, are assumed to be $25,000 per affordable unit.

Sources of Funding for Amenities: As-of-Right Scenario

Funding Source	Low	High
Revenue Area Bond	$87,758,000	$92,990,000
Development Value	$16,800,000	$16,800,000
Total	**$104,558,000**	**$109,790,000**

Source: Economics Research Associates

Development Program: 1,000 RU Scenario

Program Element	Units	Total Square Feet
Residential		
Unrestricted For-Sale Units	548	548,000
Age-restricted For-Sale Units	274	274,000
Affordable Rental Units	178	133,500
Residential Total	1,000	955,500
Retail		151,336
Office		802,771
Total	**1,000**	**1,909,607**

Source: Hillier Architecture; Economics Research Associates

Municipal Tax Revenue and Costs: 1,000 RU Scenario

Program Element	Municipal Revenue	Municipal School Cost	Municipal Service Cost	Net Municipal Tax Revenue
Residential				
Unrestricted For-Sale Units	$3,480,000	$2,532,000	$587,000	$361,000
Age-restricted For-Sale Units	$1,740,000	$0	$294,000	$1,447,000
Affordable Rental Units	$313,000	$822,000	$191,000	-$700,000
Residential Total	$5,533,000	$3,354,000	$1,071,000	$1,108,000
Retail	$664,000	$0	$47,000	$617,000
Office	$3,398,000	$0	$401,000	$2,997,000
Total	**$9,596,000**	**$3,354,000**	**$1,519,000**	**$4,722,000**
			Low (5.0%)	***High (4.5%)***
		Value of Potential RAB:	**$72,592,000**	**$76,920,000**

Source: West Windsor Township; Hillier Architecture; Economics Research Associates

Amenity Funding Analysis: 1,000 RU Scenario

Program Element	Total Market Value *[1]*	Vertical Construction Cost *[2]*	Residual Development Value *[3] = [1] - [2]*
Residential			
Unrestricted For-Sale Units	$191,800,000	$97,654,000	$94,146,000
Age-restricted For-Sale Units	$95,900,000	$48,827,000	$47,073,000
Affordable Rental Units	$26,476,000	$17,622,000	$8,854,000
Residential Total	$314,176,000	$164,102,000	$150,074,000
Retail	$53,796,000	$29,965,000	$23,832,000
Office	$276,447,000	$158,949,000	$117,498,000
Total	**$644,419,000**	**$353,016,000**	**$291,404,000**
		Land Cost	-$132,837,000
		Infrastructure Cost	-$49,000,000
		Developer Profit[1]	-$72,878,000
		Potential Low Income Housing Subsidy[2]	$4,450,000
		Potential Amenity Funding	$41,139,000

Source: Hillier Architecture; Economics Research Associates

[1] Developer profit is assumed to be 15 percent of development cost, including land and vertical construction costs.

[2] Federal and State funds, including Low Income Housing Tax Credits, are assumed to be $25,000 per affordable unit.

Sources of Funding for Amenities: 1,000 RU Scenario

Funding Source	Low	High
Revenue Area Bond	$72,592,000	$76,920,000
Development Value	$41,139,000	$41,139,000
Total	**$113,731,000**	**$118,059,000**

Source: Economics Research Associates

Development Program: 750 RU Scenario

Program Element	Units	Total Square Feet
Residential		
Unrestricted For-Sale Units	409	409,000
Age-restricted For-Sale Units	204	204,000
Affordable Rental Units	137	102,750
Residential Total	750	715,750
Retail		113,502
Office		602,078
Total	**750**	**1,431,330**

Source: Hillier Architecture; Economics Research Associates

Municipal Tax Revenue and Costs: 750 RU Scenario

Program Element	Municipal Revenue	Municipal School Cost	Municipal Service Cost	Net Municipal Tax Revenue
Residential				
Unrestricted For-Sale Units	$2,597,000	$1,890,000	$438,000	$270,000
Age-restricted For-Sale Units	$1,296,000	$0	$219,000	$1,077,000
Affordable Rental Units	$241,000	$633,000	$147,000	-$539,000
Residential Total	$4,134,000	$2,523,000	$803,000	$808,000
Retail	$498,000	$0	$35,000	$463,000
Office	$2,549,000	$0	$301,000	$2,248,000
Total	**$7,181,000**	**$2,523,000**	**$1,139,000**	**$3,519,000**
			Low (5.0%)	***High (4.5%)***
		Value of Potential RAB:	**$54,090,000**	**$57,315,000**

Source: West Windsor Township; Hillier Architecture; Economics Research Associates

Amenity Funding Analysis: 750 RU Scenario

Program Element	Total Market Value *[1]*	Vertical Construction Cost *[2]*	Residual Development Value *[3] = [1] - [2]*
Residential			
Unrestricted For-Sale Units	$143,150,000	$72,884,000	$70,266,000
Age-restricted For-Sale Units	$71,400,000	$36,353,000	$35,047,000
Affordable Rental Units	$20,378,000	$13,563,000	$6,815,000
Residential Total	$234,928,000	$122,800,000	$112,128,000
Retail	$40,347,000	$22,473,000	$17,874,000
Office	$207,335,000	$119,211,000	$88,124,000
Total	**$482,610,000**	**$264,484,000**	**$218,126,000**
		Land Cost	-$99,482,000
		Infrastructure Cost	-$36,750,000
		Developer Profit[1]	-$54,595,000
		Potential Low Income Housing Subsidy[2]	$3,425,000
		Potential Amenity Funding	$30,723,000

Source: Hillier Architecture; Economics Research Associates

[1] Developer profit is assumed to be 15 percent of development cost, including land and vertical construction costs.

[2] Federal and State funds, including Low Income Housing Tax Credits, are assumed to be $25,000 per affordable unit.

Sources of Funding for Amenities: 750 RU Scenario

Funding Source	Low	High
Revenue Area Bond	$54,090,000	$57,315,000
Development Value	$30,723,000	$30,723,000
Total	**$84,813,000**	**$88,038,000**

Source: Economics Research Associates

Development Program: 500 RU Scenario

Program Element	Units	Total Square Feet
Residential		
Unrestricted For-Sale Units	270	270,000
Age-restricted For-Sale Units	135	135,000
Affordable Rental Units	95	71,250
Residential Total	500	476,250
Retail		75,668
Office		401,386
Total	**500**	**953,304**

Source: Hillier Architecture; Economics Research Associates

Municipal Tax Revenue and Costs: 500 RU Scenario

Program Element	Municipal Revenue	Municipal School Cost	Municipal Service Cost	Net Municipal Tax Revenue
Residential				
Unrestricted For-Sale Units	$1,715,000	$1,247,000	$289,000	$178,000
Age-restricted For-Sale Units	$857,000	$0	$145,000	$713,000
Affordable Rental Units	$167,000	$439,000	$102,000	-$374,000
Residential Total	$2,739,000	$1,686,000	$536,000	$517,000
Retail	$332,000	$0	$24,000	$309,000
Office	$1,699,000	$0	$200,000	$1,499,000
Total	**$4,770,000**	**$1,686,000**	**$760,000**	**$2,324,000**
			Low (5.0%)	***High (4.5%)***
		Value of Potential RAB:	**$35,730,000**	**$37,860,000**

Source: West Windsor Township; Hillier Architecture; Economics Research Associates

Amenity Funding Analysis: 500 RU Scenario

Program Element	Total Market Value *[1]*	Vertical Construction Cost *[2]*	Residual Development Value *[3] = [1] - [2]*
Residential			
Unrestricted For-Sale Units	$94,500,000	$48,114,000	$46,386,000
Age-restricted For-Sale Units	$47,250,000	$24,057,000	$23,193,000
Affordable Rental Units	$14,131,000	$9,405,000	$4,726,000
Residential Total	$155,881,000	$81,576,000	$74,305,000
Retail	$26,898,000	$14,982,000	$11,916,000
Office	$138,223,000	$79,474,000	$58,749,000
Total	**$321,002,000**	**$176,033,000**	**$144,969,000**
		Land Cost	-$66,169,000
		Infrastructure Cost	-$24,500,000
		Developer Profit[1]	-$36,330,000
		Potential Low Income Housing Subsidy[2]	$2,375,000
		Potential Amenity Funding	$20,345,000

Source: Hillier Architecture; Economics Research Associates

[1] Developer profit is assumed to be 15 percent of development cost, including land and vertical construction costs.

[2] Federal and State funds, including Low Income Housing Tax Credits, are assumed to be $25,000 per affordable unit.

Sources of Funding for Amenities: 500 RU Scenario

Funding Source	Low	High
Revenue Area Bond	$35,730,000	$37,860,000
Development Value	$20,345,000	$20,345,000
Total	**$56,075,000**	**$58,205,000**

Source: Economics Research Associates

Development Program: 250 RU Scenario

Program Element	Units	Total Square Feet
Residential		
Unrestricted For-Sale Units	131	131,000
Age-restricted For-Sale Units	66	66,000
Affordable Rental Units	53	39,750
Residential Total	250	236,750
Retail		37,834
Office		200,693
Total	**250**	**475,277**

Source: Hillier Architecture; Economics Research Associates

Municipal Tax Revenue and Costs: 250 RU Scenario

Program Element	Municipal Revenue	Municipal School Cost	Municipal Service Cost	Net Municipal Tax Revenue
Residential				
Unrestricted For-Sale Units	$832,000	$605,000	$140,000	$86,000
Age-restricted For-Sale Units	$419,000	$0	$71,000	$348,000
Affordable Rental Units	$93,000	$245,000	$57,000	-$208,000
Residential Total	$1,344,000	$850,000	$268,000	$226,000
Retail	$166,000	$0	$12,000	$154,000
Office	$850,000	$0	$100,000	$749,000
Total	**$2,360,000**	**$850,000**	**$380,000**	**$1,130,000**
			Low (5.0%)	***High (4.5%)***
		Value of Potential RAB:	**$17,370,000**	**$18,406,000**

Source: West Windsor Township; Hillier Architecture; Economics Research Associates

Amenity Funding Analysis: 250 RU Scenario

Program Element	Total Market Value *[1]*	Vertical Construction Cost *[2]*	Residual Development Value *[3] = [1] - [2]*
Residential			
Unrestricted For-Sale Units	$45,850,000	$23,344,000	$22,506,000
Age-restricted For-Sale Units	$23,100,000	$11,761,000	$11,339,000
Affordable Rental Units	$7,883,000	$5,247,000	$2,636,000
Residential Total	$76,833,000	$40,352,000	$36,481,000
Retail	$13,449,000	$7,491,000	$5,958,000
Office	$69,112,000	$39,737,000	$29,375,000
Total	**$159,394,000**	**$87,581,000**	**$71,813,000**
		Land Cost	-$32,857,000
		Infrastructure Cost	-$12,250,000
		Developer Profit[1]	-$18,066,000
		Potential Low Income Housing Subsidy[2]	$1,325,000
		Potential Amenity Funding	$9,966,000

Source: Hillier Architecture; Economics Research Associates

[1] Developer profit is assumed to be 15 percent of development cost, including land and vertical construction costs.

[2] Federal and State funds, including Low Income Housing Tax Credits, are assumed to be $25,000 per affordable unit.

Sources of Funding for Amenities: 250 RU Scenario

Funding Source	**Low**	**High**
Revenue Area Bond	$17,370,000	$18,406,000
Development Value	$9,966,000	$9,966,000
Total	**$27,336,000**	**$28,372,000**

Source: Economics Research Associates