

TOWNSHIP OF BERKELEY HEIGHTS

ESTIMATED TAX IMPACT OF
REDEVELOPMENT OF MUNICIPAL COMPLEX,
KINGS, MOVIE THEATER, LOCUST AVE AND SPATZ
PROPERTIES

REVISED JULY 10, 2018
(Originally presented June 26, 2018)

Update:

- ▶ Revise the January 2017 estimated average homeowner property tax impact analysis based upon new information re:
 - ▶ Estimated Municipal Complex costs and Hamilton Avenue sale price
 - ▶ Borrowing Assumptions
 - ▶ PILOT information (relating to other major projects)
 - ▶ Ratable base and Township tax revenues due to Toll Brothers development at Hamilton Ave
 - ▶ Potential additional ratables

Note: The January 10, 2017 Presentation is available on the Township website (www.berkeleyheightstwpnj.gov) under the "Redevelopment" tab and labeled "Municipal Redevelopment Presentation Overview - Part 3"

Revised Estimated Average Tax Impact:

- ▶ Estimated Average Tax impact on average assessed residence:
 - ▶ Estimated average increase of approximately:
 - ▶ January 2017 - \$136/year (revised from \$78/year as presented on June 26, 2018)
 - ▶ **June 2018 - \$3/year**
 - ▶ This represents a reduction of approximately \$133 per year from the revised January 10, 2017 number

Note: Based upon average assessed home value of \$312,196. This represents a corresponding equalized assessed value or “fair market value” of \$570,221.

To calculate your individual tax impact, multiply your “fair market value” by 54.75% to get your assessed value. Then, multiply your assessed value by a factor of 0.00000711 (i.e. - a home with a “fair market value” of \$500,000 has an assessed value of $\$273,750 \times 0.00000711 = \1.94)

What has changed?

I. Project Costs for the Municipal Complex Have Increased

► Revised Municipal Complex Costs:

	Jan 2017	Jun 2018	
Cost of Land Purchase	\$ 3,000,000	\$ 2,900,000	
Cost of Park Ave Project	28,000,000	32,000,000	1
Less Hamilton Ave Sale Price	(10,000,000)	(10,500,000)	
Net Project Cost / Borrowing	\$ 21,000,000	\$ 24,400,000	

1 - As a result, the Township must increase the appropriation from \$28M to \$32M. The Township is required by State law to appropriate the total estimated project cost in order to certify available funds for the two projects. However, the Township is not required to fund the total estimated project costs through the issuance of bonds and notes.

II. Borrowing Assumptions:

- ▶ Will the Township issue Serial Bonds or Bond Anticipation Notes (BANs)?
 - ▶ Most likely Bond Anticipation Notes (BANs) followed by Serial Bonds
 - ▶ Currently issued \$2M BANs out of the \$28M ordinance for soft costs
- ▶ What will be the term (duration or life) of the instruments?
 - ▶ Variable, but for this exercise:
 - ▶ BANs - 7 years Bonds - 20 years
- ▶ What are the estimated interest rates of these instruments?
 - ▶ Variable, but for this exercise:
 - ▶ BANs - 2017 - 0.95% Bonds - 2017 - 3.75%
 - ▶ BANs - 2018 - 1.80% Bonds - 2018 - 3.75%

III. PILOTs/Service Charges:

▶ Approximate and Estimated PILOT Information

	Jan 2017	Jun 2018	
Stratton House (Kings)	N/A	\$ 407,862	1
Woodcrest at BH (Locust Ave)	N/A	560,372	2
The Terraces at BH (Movie Theater)	N/A	74,818	3
Millcreek (Spatz Property) ESTIMATED	N/A	225,000	4
		<u>\$ 1,268,052</u>	

- 1 - Executed Financial Agreement dated September 08, 2017
- 2 - Executed Financial Agreement dated November 27, 2017
- 3 - Executed Financial Agreement dated July 5, 2018
- 4 - Redeveloper Pro Forma dated May 29, 2018 (\$455,632)

IV. Ratable Base Has Changed:

► Toll Brothers Development of Hamilton Avenue Project Info

	Original Est. Jan 2017	Toll Brothers Jun 2018	
Number of Market Rate Units	80	47	
Number of Affordable Units	20	20	
Average Developers Price per Unit	\$ 100,000	\$ 223,404	
Anticipated Land Sale Price	10,000,000	10,500,000	
Avg Market Value per Market Rate Unit	\$ 850,000	\$ 950,000	*
Avg Assessed Value per Market Rate Unit	476,000	520,125	*
Avg Market Value per Affordable Unit		95,000	*
Avg Assessed Value per Affordable Unit		52,013	*
Total Assessed Value	47,600,000	25,486,125	*

* - Toll Brothers RFP dated March 6, 2018, page 32

Toll Brothers Development of Hamilton Ave - Cont'd

▶ Assessed Values and Estimated Tax Revenue

	Jan 2017	Jun 2018
Total Township Assessed Value	\$ 1,769,461,250	\$ 1,826,907,220
New Toll Brothers Assessed Value	47,600,000	25,486,125
	<u>\$ 1,817,061,250</u>	<u>\$ 1,852,393,345</u>
<u>Estimated New Municipal Tax Revenues:</u>		
Municipal Purpose Tax	\$ 328,916	\$ 185,284

Why Township Council Voted for Toll Brothers Development at Hamilton Ave:

- ▶ Less density
- ▶ High quality building materials and aesthetics
- ▶ More green space
- ▶ Affordable Housing in two buildings and integrated into the property
- ▶ \$100K of off-site traffic improvements; not included in \$10.5M purchase price

V. Potential Additions to Ratables (not currently included in estimate)

- ▶ Elite Properties
 - ▶ Former Berkeley Florist Site
 - ▶ 45 Rental Units
- ▶ Elite Properties
 - ▶ Former Mondelli Property
 - ▶ 10 Rental Units
- ▶ Connell Corporation
 - ▶ 328 Rental Units
 - ▶ 85,000 Square Feet of Retail Space

VI. Summary

- ▶ Including the additional \$4M appropriation and the increase in BANs interest rates, the estimated average annual debt service increased by approximately \$279,632 (\$1,358,677 - \$1,079,045)
- ▶ Annual Township tax revenues from the Toll Brothers development at Hamilton Avenue and various redeveloper PILOT payments increased by \$1,124,420 (\$1,453,336 - \$328,916)
- ▶ Anticipated terms of the BANs and Bonds and the terms of the various redeveloper PILOT payments are closely aligned
- ▶ Estimated average tax increase due to the Municipal Complex is now estimated at approximately \$3 per year per average assessed household

QUESTIONS

ADDENDUM

June 2018 Estimated BANs Amortization:

► As of June 26, 2018

Total Project Cost		\$ 24,400,000		
Estimated Interest Rate		1.80%		
Useful Life		30 Years		
Minimum Pay Down		\$ 413,559 *		
Year	Balance	Principal	Interest	Total
2018	\$ 4,900,000		\$ 88,200	\$ 88,200
2019	24,400,000		439,200	439,200
2020	24,400,000	\$ 1,010,000	439,200	1,449,200
2021	23,370,000	1,030,000 *	420,660	1,450,660
2022	22,320,000	1,050,000	401,760	1,451,760
2023	21,250,000	1,070,000	382,500	1,452,500
2024	20,160,000	1,090,000	362,880	1,452,880

Note: Jan 2017 Schedule available on Township website

June 2018 Estimated Serial Bonds Amortization:

► As of June 26, 2018

		Year	Total	Principal	Interest
Total Debt Authorized	\$20,160,000	2025	\$ 1,456,000.00	\$ 700,000.00	\$ 756,000.00
Estimated Interest Rate	3.75%	2026	1,454,750.00	725,000.00	729,750.00
		2027	1,457,562.50	755,000.00	702,562.50
		2028	1,474,250.00	800,000.00	674,250.00
		2029	1,469,250.00	825,000.00	644,250.00
		2030	1,463,312.50	850,000.00	613,312.50
		2031	1,466,437.50	885,000.00	581,437.50
		2032	1,473,250.00	925,000.00	548,250.00
		2033	1,468,562.50	955,000.00	513,562.50
		2034	1,467,750.00	990,000.00	477,750.00
		2035	1,470,625.00	1,030,000.00	440,625.00
		2036	1,467,000.00	1,065,000.00	402,000.00
		2037	1,462,062.50	1,100,000.00	362,062.50
		2038	1,470,812.50	1,150,000.00	320,812.50
		2039	1,462,687.50	1,185,000.00	277,687.50
		2040	1,458,250.00	1,225,000.00	233,250.00
		2041	1,428,821.47	1,250,000.00	178,821.47
		2042	1,365,437.50	1,225,000.00	140,437.50
		2043	1,319,500.00	1,225,000.00	94,500.00
		2044	1,343,562.50	1,295,000.00	48,562.50

Note: Jan 2017 Schedule available on Township website

June 2018 Municipal Debt Information:

- ▶ Municipalities are permitted 3.5% of 3 year average equalized property valuation
- ▶ Local Finance Board may approve exceeding this limit based upon request by municipality
- ▶ Current Township debt ratio: 1.629% (includes \$28M previously authorized)
- ▶ Township debt ratio with \$4M supplemental ordinance: 1.753%

January 2017 Estimated BANs Amortization:

SCENARIO #1 ASSUMPTIONS:

► Bond Anticipation Notes

Total Project Cost	\$ 21,000,000			
Estimated Interest Rate	95.00%			
Useful Life	30 Years			
Minimum Pay Down	\$ 355,933 *			
Year	Balance	Principal	Interest	Total
2016	\$ 21,000,000		\$ 199,500	\$ 199,500
2017	20,650,000	\$ 350,000	196,175	546,175
2018	20,300,000	350,000	192,850	542,850
2019	19,575,000	725,000 *	185,963	910,963
2020	18,475,000	1,100,000	175,513	1,275,513
2021	17,350,000	1,125,000	164,825	1,289,825
2022	16,225,000	1,125,000	154,138	1,279,138

January 2017 Estimated Serial Bond Amortization:

SCENARIO #1 ASSUMPTIONS:

Serial Bonds

Total Debt Authorized		\$ 16,225,000	
Estimated Interest Rate		3.75%	
Year	Total	Principal	Interest
2023	\$ 1,258,437.50	\$ 650,000.00	\$ 608,437.50
2024	1,234,062.50	650,000.00	584,062.50
2025	1,234,687.50	675,000.00	559,687.50
2026	1,209,375.00	675,000.00	534,375.00
2027	1,209,062.50	700,000.00	509,062.50
2028	1,182,812.50	700,000.00	482,812.50
2029	1,181,562.50	725,000.00	456,562.50
2030	1,179,375.00	750,000.00	429,375.00
2031	1,151,250.00	750,000.00	401,250.00
2032	1,173,125.00	800,000.00	373,125.00
2033	1,193,125.00	850,000.00	343,125.00
2034	1,161,250.00	850,000.00	311,250.00
2035	1,179,375.00	900,000.00	279,375.00
2036	1,145,625.00	900,000.00	245,625.00
2037	1,136,875.00	925,000.00	211,875.00
2038	1,102,187.50	925,000.00	177,187.50
2039	1,094,321.47	950,000.00	144,321.47
2040	1,056,875.00	950,000.00	106,875.00
2041	1,021,250.00	950,000.00	71,250.00
2042	985,625.00	950,000.00	35,625.00

January 2017 Municipal debt Information:

MUNICIPAL DEBT RATIO

- ▶ Amount of Debt Permitted
 - ▶ Municipality: 3.5% of 3 year average equalized property valuation
 - ▶ Local Finance Board may approve exceeding this limit based upon request by municipality
 - ▶ Current Township debt ratio: 0.731%
 - ▶ Township debt ratio with \$31M ordinance: 1.707%