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**FISCAL IMPACTS OF THE PROPOSED
REZONING OF 750 WALNUT AVENUE
CRANFORD, NJ**

SUMMARY OF KEY FINDINGS

PREPARED BY PHILLIPS PREISS GRYGIEL LLC
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Overview

This memo summarizes the results of our preliminary evaluation of the fiscal impacts of the proposed rezoning of the 750 Walnut Avenue property in Cranford Township. Our analysis is based on a phased build-out of the overall development program as summarized in Tables 1 and 2. The analysis considers the fiscal impacts of the development project on the budgetary finances of the municipality.

Table 1: Summary of Phased Development Program

		Unit Type	Number of Units
PHASE 1	MARKET RATE	1 BR	198
		1 BR w/ den	12
		2 BR	155
		Sub-Total	365
	AFF.	1 BR	14
		2 BR	40
		3 BR	14
		Sub-Total	68
PHASE 1 TOTAL			433
OFFICE-INDUSTRIAL			200,000 sq. ft.
PHASE 2	MARKET RATE	1 BR	154
		1 BR w/ den	16
		2 BR	231
		Sub-Total	401
	AFF.	1 BR	14
		2 BR	42
		3 BR	15
		Sub-Total	71
PHASE 2 TOTAL			472
TOTAL BUILD-OUT			905



Methodology

A fiscal impact analysis evaluates the revenues and costs generated by a proposed development in terms of the anticipated impacts on the budgetary finances of the municipality and the regional school district. If new revenues exceed new costs, the development has a positive fiscal impact. On the other hand, the fiscal impact is negative if new costs exceed the new revenues generated by the project.

There are a number of methods for fiscal impact analysis. We have utilized an average cost analysis, also often called the “per capita multiplier method,” which attributes costs of new development according to the average cost per unit of existing services, multiplied by the number of units the development is estimated to create, based on multipliers derived from the Census and other similar sources. It assumes that current per capita service costs serve as a reasonable estimate of future per capita service costs. The estimates of the anticipated tax revenues as well as the per capita costs to serve the new residential, public school children and employee populations were developed in accordance with the methodology set forth in the *Development Impact Assessment Handbook*, by Burchell, Listokin, et al.

Value Assumptions

The market values of the market-rate and affordable residential components were based on data supplied by Greystar (see Table 2).

Table 2: Anticipated Monthly Rents for Residential Units

		Unit Type	Number of Units	Monthly Rent
PHASE 1	MARKET RATE	1 BR	198	\$2,374
		1 BR w/ den	12	\$2,690
		2 BR	155	\$2,840
		Sub-Total	365	
	AFF.	1 BR	14	\$899
		2 BR	40	\$1,060
		3 BR	14	\$1,240
		Sub-Total	68	
PHASE 1 TOTAL			433	
PHASE 2	MARKET RATE	1 BR	154	\$2,374
		1 BR w/ den	16	\$2,690
		2 BR	231	\$2,840
		Sub-Total	401	
	AFF.	1 BR	14	\$899
		2 BR	42	\$1,060
		3 BR	15	\$1,240
		Sub-Total	71	
PHASE 2 TOTAL			472	
TOTAL BUILD-OUT			905	



The above values were used to estimate a gross market value for the residential components of the project.¹ In Phase 1, the total estimated market value of the residential component is approximately \$125,133,433. Based on Cranford's equalization ratio of 40.99%, the assessed value of the Phase 1 residential is approximately \$51,292,194. The 200,000 sq. ft. of industrial that will be retained in Phase 1 has an assessed value of \$6,710,500. Thus, the total assessed value for Phase 1 is approximately \$58 million. The full build-out of the project (Phase 2) consists of 905 multifamily residential units. The total market value for the full build-out is \$266,174,610; the assessed value is \$109,104,972. The attached worksheets illustrate the annual revenues that would be generated by adding the proposed development to the tax rolls in each municipality based on the respective current tax rates and equalization ratios.

Cost Assumptions

The budgetary finances, tax base, resident and non-resident populations were researched for Cranford in order to estimate current per capita spending levels. For example, according to Cranford Township's adopted 2016 municipal budget, the total appropriations funded by local property taxes was \$24.8 million. The residential tax base represents approximately 89% of the total tax base. Thus, approximately \$21.24 million of the total budgetary appropriations raised by local taxes are allocated to provide services to the Township's resident population. Meanwhile, since non-residential uses constitute approximately 11% of the tax base, it is assumed that approximately \$2.29 million of the total appropriations are allocated to services which support the non-residential tax base. Those assumptions are based on what is known as the "proportional valuation" method which assumes that the allocation of municipal services is roughly proportional to the share of the total tax base represented by residential and non-residential uses in the community.² Based on a population of 23,150, it is estimated that Cranford Township currently spends approximately \$918 per resident from its budgetary appropriations raised by property taxes.³ There are about 14,102 total jobs in Cranford Township.⁴ Thus, the municipality's service expenditures per employee are approximately \$162.

Demographic Multipliers

Demographic multipliers developed by the Center for Urban Policy Research at Rutgers University in 2006 were utilized to estimate the total population and public school children that would reside in the proposed residential community. The Rutgers study provides per unit multipliers for various housing types for the entire state and three regions (i.e., North, Central and South). For this analysis, the North Region multipliers were used in lieu of the statewide set. The Rutgers Multipliers also include a specific set for affordable housing units, which we have applied to the affordable components.

¹ Assumptions included a vacancy rate of 5%, operating costs of 35% of gross annual rents and a cap rate of 6%.

² The proportional valuation method is described in the Development Impact Assessment Handbook, by Burchell, Listokin, Dolphin, et al. (Urban Land Institute, 1994), p. 129.

³ Population estimate from American Community Survey (2010-2014).

⁴ US Census Bureau, Center for Economic Studies, Longitudinal Employment Household Dynamics, 2013.



Key Findings

The main conclusions of the analysis are shown in Table 3. In terms of total net annual revenues, the development is estimated to generate a net positive impact of approximately \$1,035,009 in Phase 1 and \$1,598,962 at full build-out. The fiscal impact calculations for each phase are reflected in the attached worksheets.

Table 3: Summary of Fiscal Impact Analysis

	PHASE 1	FULL BUILD-OUT
Net Fiscal Impact to Municipality	\$6,245	(\$128,363)
Net Fiscal Impact to School District	\$1,028,764	\$1,727,325
Net Fiscal Impact to Municipality and School District	\$1,035,009	\$1,598,962
Total Residential Population	831	1,846
Number of Public School Students	64	136

FISCAL IMPACT ANALYSIS - PHASE 1
RUTGERS MULTIPLIERS - NORTH JERSEY

ANNUAL NET FISCAL IMPACT ON
MUNICIPALITY AND REGIONAL SCHOOL
DISTRICT **\$1,035,008**

UNIT MIX- PHASE 1

<u>Market Rate</u>	
1 BR Multifamily	210
2 BR Multifamily	155
SUB-TOTAL	365

<u>Affordable</u>	
1 BR Multifamily	14
2 BR Multifamily	40
3 BR Multifamily	14
SUB-TOTAL	68
TOTAL UNITS	433

TOTAL POP

<u>Unit Type</u>	<u>Multiplier</u>	<u># of Units</u>	<u>Pop</u>
<u>MARKET-RATE</u>			
1 BR Multifamily	1.597	210	335.37
2 BR Multifamily	1.996	155	309.38
		SUB-TOTAL	644.75
<u>AFFORDABLE</u>			
1 BR Multifamily	1.61	14	22.54
2 BR Multifamily	2.76	40	110.40
3 BR Multifamily	3.82	14	53.48
		SUB-TOTAL	186.42
		TOTAL POPULATION	831.17
		ROUNDED	831.00

TOTAL PUBLIC SCHOOL CHILDREN

<u>Unit Type</u>	<u>Multiplier</u>	<u># of Units</u>	<u>Pop</u>
<u>MARKET-RATE</u>			
1 BR Multifamily	0.037	210	7.77
2 BR Multifamily	0.078	155	12.09
		SUB-TOTAL	19.86
<u>AFFORDABLE</u>			
1 BR Multifamily	0.14	14	1.96
2 BR Multifamily	0.62	40	24.80
3 BR Multifamily	1.27	14	17.78
		SUB-TOTAL	44.54
		TOTAL PSC	64.40
		ROUNDED	64.00

ASSESSED VALUE

<u>Total Market Value</u>	<u>Equalization Ratio</u>	<u>Assessed Value</u>
\$125,337,433	40.99%	\$51,375,813.79
		<u>Phase 1 Industrial</u>
		\$6,710,500.00
		<u>Total Assessed Value</u>
		\$58,086,313.79

TAX REVENUES

<u>Source</u>	<u>Rate</u>	<u>Total Assessed Value</u>	<u>Annual Tax Revenues</u>
School District	3.202	\$58,086,313.79	\$1,859,923.77
Municipality	1.435	\$58,086,313.79	\$833,538.60
County	1.32	\$58,086,313.79	\$766,739.34
Total	5.957	\$58,086,313.79	\$3,460,201.71

COSTS

<u>Annual Municipal Expenditure Per Resident</u>	<u>Number of Residents</u>	<u>Annual Municipal Costs for Project Residents</u>
\$918	831	\$762,584
<u>Annual School Expenditure Per Student</u>	<u>Number of Students</u>	<u>Annual School Costs</u>
\$12,987	64	\$831,160.32

<u>Annual Municipal Expenditure Per Employee</u>	<u>Number of Employees</u>	<u>Annual Municipal Costs for Project Employees</u>
\$162	399	\$64,710

NET FISCAL IMPACT **TOTAL COSTS** **\$1,658,454**

	<u>Annual Tax Revenues Generated</u>	<u>Annual Costs</u>	<u>Net Fiscal Impact</u>
Municipality	\$833,538.60	\$827,293.59	\$6,245.01
School District	\$1,859,923.77	\$831,160.32	\$1,028,763.45
TOTAL			\$1,035,008.46

FISCAL IMPACT ANALYSIS - PHASE 2/TOTAL BUILD-OUT (PHASE 1 + PHASE 2)

RUTGERS MULTIPLIERS - NORTH JERSEY

ANNUAL NET FISCAL IMPACT ON
MUNICIPALITY AND REGIONAL SCHOOL
DISTRICT

\$1,598,963

UNIT MIX- PHASE 1

Market Rate

1 BR Multifamily	380
2 BR Multifamily	386
SUB-TOTAL	766

Affordable

1 BR Multifamily	28
2 BR Multifamily	82
3 BR Multifamily	29
SUB-TOTAL	139
TOTAL UNITS	905

TOTAL POP

<u>Unit Type</u>	<u>Multiplier</u>	<u># of Units</u>	<u>Pop</u>
<u>MARKET-RATE</u>			
1 BR Multifamily	1.555	380	590.90
2 BR Multifamily	2.262	386	873.13
		SUB-TOTAL	1464.03
<u>AFFORDABLE</u>			
1 BR Multifamily	1.61	28	45.08
2 BR Multifamily	2.76	82	226.32
3 BR Multifamily	3.82	29	110.78
		SUB-TOTAL	382.18
		TOTAL POPULATION	1846.21
		ROUNDED	1846.00

TOTAL PUBLIC SCHOOL CHILDREN

<u>Unit Type</u>	<u>Multiplier</u>	<u># of Units</u>	<u>Pop</u>
<u>MARKET-RATE</u>			
1 BR Multifamily	0.037	380	14.06
2 BR Multifamily	0.078	386	30.11
		SUB-TOTAL	44.17
<u>AFFORDABLE</u>			
1 BR Multifamily	0.14	28	3.92
2 BR Multifamily	0.62	82	50.84
3 BR Multifamily	1.27	29	36.83
		SUB-TOTAL	91.59
		TOTAL PSC	135.76
		ROUNDED	136.00

ASSESSED VALUE

<u>Total Market Value</u>	<u>Equalization Ratio</u>	<u>Assessed Value</u>
\$266,174,610	40.99%	\$109,104,972.64

TAX REVENUES

<u>Source</u>	<u>Rate</u>	<u>Total Assessed Value</u>	<u>Annual Tax Revenues</u>
School District	3.202	\$109,104,972.64	\$3,493,541.22
Municipality	1.435	\$109,104,972.64	\$1,565,656.36
County	1.32	\$109,104,972.64	\$1,440,185.64
Total	5.957	\$109,104,972.64	\$6,499,383.22

COSTS

<u>Annual Municipal Expenditure Per Resident</u>	<u>Number of Residents</u>	<u>Annual Municipal Costs for Project Residents</u>
\$918	1,846	\$1,694,019
<u>Annual School Expenditure Per Student</u>	<u>Number of Students</u>	<u>Annual School Costs</u>
\$12,987	136	\$1,766,215.68

<u>Annual Municipal Expenditure Per Employee</u>	<u>Number of Employees</u>	<u>Annual Municipal Costs for Project Employees</u>
\$162	0	\$0

TOTAL COSTS \$3,460,235

NET FISCAL IMPACT

	<u>Annual Tax Revenues Generated</u>	<u>Annual Costs</u>	<u>Net Fiscal Impact</u>
Municipality	\$1,565,656.36	\$1,694,018.82	-\$128,362.46
School District	\$3,493,541.22	\$1,766,215.68	\$1,727,325.54
TOTAL			\$1,598,963.08