

Borough of Rutherford

Native Development Urban Renewal, LLC

15 Sylvan Street & 5 Ettrick Terrace

June 12, 2023

Prepared by:



NW FINANCIAL GROUP, LLC
Exceeding Expectations

Proven Reputation . Experienced Professionals . Superior Client Service

Location



Unit Mix and Expected Revenue

Market Rate Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
Studio	24	509	\$ 1,925	\$ 3.78	\$ 554,400
One Bedroom	35	735	2,500	3.40	1,050,000
Two Bedroom	9	1,067	3,380	3.17	365,040
Total	68	699	\$ 2,414	\$ 3.45	\$ 1,969,440

Affordable Units (50% of AMI)

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	3	635	\$ 958	\$ 1.51	\$ 34,470
Two Bedroom	6	785	1,026	1.31	73,890
Three Bedroom	3	1,067	1,231	1.15	44,325
Total	12	818	\$ 1,060	\$ 1.30	\$ 152,685

Commercial

Type	SF	Monthly Rent	Monthly PSF	Annual Rent
Retail	5,839	\$ 12,165	\$ 2.08	\$ 145,975

Theater

Monthly Revenue	Annual Revenue
\$ 98,800	\$1,185,600

These market-rate residential rents represent a 7.50% increase to the Developer's projected rents.

Sources & Uses

Sources	%	Total Cost
Debt	74%	\$ 22,811,090
Equity	26%	8,085,558
Total Sources	100%	\$ 30,896,648

Uses	Per Unit	Total Cost
Site and Hard Costs	\$234,453	\$ 18,756,250
Theater Construction	67,848	5,427,840
Architect, Engineer, Attorney and Surveying	18,756	1,500,500
Parking Construction	18,750	1,500,000
Retail Construction	14,598	1,167,800
Developer Overhead	12,273	981,862
Commissions	7,807	624,583
Insurance, Interest, and Finance Costs during Construction	7,034	562,688
Interest Reserves	4,689	375,125
Total	\$386,208	\$ 30,896,648

The estimated project cost is approximately \$30.90 million, which includes \$5.4 million in the renovation of the Williams Center and \$1.5 million in upgrades to the existing parking lot located at 5 Ettrick Terrace (Block 145, Lot 10.01).

PILOT Terms

- The Developer originally requested the following PILOT terms:
 - **Years 1 – 30: 10% of Annual Gross Revenue (“AGR”)**
- After negotiations, the PILOT terms proposed are as follows:
 - **Years 1 – 15: 10.00% of AGR**
 - **Years 16 – 30: 11.00% of AGR**
- In addition, an aggressive phase-in of Otherwise Applicable Taxes (“OAT”) is proposed as follows:
 - **Years 1 – 15: 0% of OAT**
 - **Years 16 – 21: 20% of OAT**
 - **Years 22 – 24: 40% of OAT**
 - **Year 25: 60% of OAT**
 - **Years 26 – 30: 80% of OAT**

Developer Returns - Conventional Taxes vs. PILOT

<u>Conventional Taxes</u>		<u>PILOT</u>	
	<u>Year 2</u>		<u>Year 2</u>
Annual Gross Revenue	\$ 3,386,171	Annual Gross Revenue	\$ 3,386,171
Operating Expenses	1,160,951	Operating Expenses	1,160,951
Property Taxes	701,733	PILOT + Admin Fee	345,389
Net Operating Income	\$ 1,523,486	Net Operating Income	\$ 1,879,830
Project Value	\$ 27,699,753	Project Value	\$ 34,178,734
Total Project Cost	30,896,648	Total Project Cost	30,896,648
Net Project Value	\$ (3,196,895)	Net Project Value	\$ 3,282,086
IRR - 10 Year Sale	2.30%	IRR - 10 Year Sale	8.87%
Yield on Cost - Year 2	4.93%	Yield on Cost - Year 2	6.08%
Debt Service Coverage Ratio	0.97	Debt Service Coverage Ratio	1.20

A typical Internal Rate of Return for a development such as this is between 10% and 14%, while the Yield on Cost is typically between 6% - 7%.

PILOT Projection – Borough Share

Year	% of AGR	% of OAT	PILOT Analysis		Conventional Tax Analysis	
			Gross PILOT	Borough Share	Conventional Taxes	Borough Share
1	10.00%	0%	\$ 141,964	\$ 131,354	\$ 687,974	\$ 216,657
2	10.00%	0%	338,617	321,981	701,733	220,990
3	10.00%	0%	345,389	328,420	715,768	225,410
4	10.00%	0%	352,297	334,989	730,083	229,918
5	10.00%	0%	359,343	341,689	744,685	234,517
6	10.00%	0%	366,530	348,522	759,579	239,207
7	10.00%	0%	373,861	355,493	774,770	243,991
8	10.00%	0%	381,338	362,603	790,266	248,871
9	10.00%	0%	388,965	369,855	806,071	253,849
10	10.00%	0%	396,744	377,252	822,192	258,926
11	10.00%	0%	404,679	384,797	838,636	264,104
12	10.00%	0%	412,772	392,493	855,409	269,386
13	10.00%	0%	421,028	400,343	872,517	274,774
14	10.00%	0%	429,448	408,349	889,968	280,269
15	10.00%	0%	438,037	416,516	907,767	285,875
16	11.00%	20%	489,526	466,293	925,922	291,592
17	11.00%	20%	499,316	475,618	944,441	297,424
18	11.00%	20%	509,302	485,131	963,330	303,373
19	11.00%	20%	519,488	494,833	982,596	309,440
20	11.00%	20%	529,878	504,730	1,002,248	315,629
21	11.00%	20%	540,476	514,825	1,022,293	321,941
22	11.00%	40%	551,285	525,121	1,042,739	328,380
23	11.00%	40%	562,311	535,624	1,063,594	334,948
24	11.00%	40%	573,557	546,336	1,084,865	341,647
25	11.00%	60%	663,938	633,805	1,106,563	348,480
26	11.00%	80%	902,955	865,447	1,128,694	355,449
27	11.00%	80%	921,014	882,756	1,151,268	362,558
28	11.00%	80%	939,435	900,412	1,174,293	369,809
29	11.00%	80%	958,223	918,420	1,197,779	377,206
30	11.00%	80%	977,388	936,788	1,221,735	384,750
Total			\$ 15,689,105	\$ 14,960,793	\$ 27,909,778	\$ 8,789,371

Current Taxes vs. PILOT

Year	Current Taxes	Borough Share	Gross PILOT	Borough Share	Additional Revenue from PILOT
1	\$ 70,879	\$ 22,321	\$ 141,964	\$ 131,354	\$ 109,033
2	72,297	22,768	338,617	321,981	299,213
3	73,742	23,223	345,389	328,420	305,197
4	75,217	23,687	352,297	334,989	311,301
5	76,722	24,161	359,343	341,689	317,527
6	78,256	24,644	366,530	348,522	323,878
7	79,821	25,137	373,861	355,493	330,355
8	81,418	25,640	381,338	362,603	336,962
9	83,046	26,153	388,965	369,855	343,702
10	84,707	26,676	396,744	377,252	350,576
11	86,401	27,209	404,679	384,797	357,587
12	88,129	27,754	412,772	392,493	364,739
13	89,892	28,309	421,028	400,343	372,034
14	91,689	28,875	429,448	408,349	379,474
15	93,523	29,452	438,037	416,516	387,064
16	95,394	30,041	489,526	466,293	436,251
17	97,302	30,642	499,316	475,618	444,976
18	99,248	31,255	509,302	485,131	453,876
19	101,233	31,880	519,488	494,833	462,953
20	103,257	32,518	529,878	504,730	472,212
21	105,322	33,168	540,476	514,825	481,656
22	107,429	33,832	551,285	525,121	491,290
23	109,577	34,508	562,311	535,624	501,115
24	111,769	35,198	573,557	546,336	511,138
25	114,004	35,902	663,938	633,805	597,902
26	116,284	36,620	902,955	865,447	828,827
27	118,610	37,353	921,014	882,756	845,404
28	120,982	38,100	939,435	900,412	862,312
29	123,402	38,862	958,223	918,420	879,558
30	125,870	39,639	977,388	936,788	897,149
Total	\$ 2,875,422	\$ 905,530	\$ 15,689,105	\$ 14,960,793	\$ 14,055,262

Residents and Public School Children

Type	# of Units	New Persons	New Municipal Costs	New Public School Children	New School Costs	Total New Costs
Studio - Market	24	37	\$ 14,075	0	\$ -	\$ 14,075
1 BR - Market	35	54	20,541	0	-	20,541
2 BR - Market	9	21	7,988	1	9,058	17,046
1 BR - Affordable	3	4	1,522	0	-	1,522
2 BR - Affordable	6	15	5,706	2	18,116	23,822
3 BR - Affordable	3	11	4,184	3	27,174	31,358
Total	80	142	\$ 54,016	6	\$54,348	\$ 108,364

2021 Population	18,690
Increase %	0.76%

10/15/21 Actual Enrollment	2,488
Increase %	0.24%

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.

Net Benefit to Borough

Year	Borough Share of PILOT		Total Cost			Less: School Share of Land Tax		Net Cost	Net Benefit
			Resident Cost	School Cost	Total Cost	Tax	Net Cost		
1	\$	131,354	\$ 21,944	\$ 22,079	\$ 44,023	\$ (5,894)	\$ 38,129	\$ 93,226	
2		321,981	54,016	54,348	108,364	(6,012)	102,352	219,629	
3		328,420	55,097	55,435	110,531	(6,132)	104,399	224,021	
4		334,989	56,199	56,543	112,742	(6,255)	106,487	228,502	
5		341,689	57,323	57,674	114,997	(6,380)	108,617	233,072	
6		348,522	58,469	58,828	117,297	(6,508)	110,789	237,733	
7		355,493	59,639	60,004	119,643	(6,638)	113,005	242,488	
8		362,603	60,831	61,204	122,036	(6,771)	115,265	247,338	
9		369,855	62,048	62,429	124,476	(6,906)	117,570	252,284	
10		377,252	63,289	63,677	126,966	(7,044)	119,922	257,330	
11		384,797	64,555	64,951	129,505	(7,185)	122,320	262,477	
12		392,493	65,846	66,250	132,095	(7,329)	124,767	267,726	
13		400,343	67,163	67,575	134,737	(7,475)	127,262	273,081	
14		408,349	68,506	68,926	137,432	(7,625)	129,807	278,542	
15		416,516	69,876	70,305	140,181	(7,777)	132,403	284,113	
16		466,293	71,274	71,711	142,984	(7,933)	135,051	331,241	
17		475,618	72,699	73,145	145,844	(8,092)	137,752	337,866	
18		485,131	74,153	74,608	148,761	(8,253)	140,507	344,623	
19		494,833	75,636	76,100	151,736	(8,418)	143,318	351,516	
20		504,730	77,149	77,622	154,771	(8,587)	146,184	358,546	
21		514,825	78,692	79,174	157,866	(8,759)	149,108	365,717	
22		525,121	80,266	80,758	161,024	(8,934)	152,090	373,031	
23		535,624	81,871	82,373	164,244	(9,112)	155,132	380,492	
24		546,336	83,508	84,021	167,529	(9,295)	158,234	388,102	
25		633,805	85,178	85,701	170,879	(9,481)	161,399	472,406	
26		865,447	86,882	87,415	174,297	(9,670)	164,627	700,821	
27		882,756	88,620	89,163	177,783	(9,864)	167,919	714,837	
28		900,412	90,392	90,947	181,339	(10,061)	171,278	729,134	
29		918,420	92,200	92,765	184,965	(10,262)	174,703	743,716	
30		936,788	94,044	94,621	188,665	(10,467)	178,197	758,591	
Total	\$	14,960,793	\$ 2,117,362	\$ 2,130,350	\$ 4,247,713	\$ (239,118)	\$ 4,008,595	\$ 10,952,198	