

CITY OF ORANGE TOWNSHIP

**REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS
PILOT ANALYSIS**

(PILOT Proposal per Draft Financial Agreement)

DATED: JULY 8, 2020

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

Key Assumptions

1. Term of PILOT Agreement 30 years Per Redeveloper - assumes Year 1 begins 2022

2. Annual Service Charge (aka PILOT) and Administrative Fee

Projected Revenues - Year 1	\$ 1,151,229	
PILOT - % of Revenues	<u>5.00%</u>	
Gross PILOT - Year 1 (before land tax credits)	<u>\$ 57,561</u>	
Year 1 (Fully Stabilized) Begins	1/1/2022	Per Redeveloper Project Schedule
PILOT - % of Revenues	5% / 7% / 9% / 10%	Per Redeveloper - 30 yr. Pro-Forma
Annual Administrative Fee % of PILOT	2%	City Administrative Fee
Vacancy Factor	5%	Per Redeveloper - 30 yr. Pro-Forma
Increase in % of Revenues	3%	Per Redeveloper - 30 yr. Pro-Forma
Annual Increase Operating Expenses	3%	Per Redeveloper - 30 yr. Pro-Forma

See Page 5 for Proposed 30-Year PILOT Schedule

3. Project Sources & Uses

<u>Sources</u>		<u>Uses</u>	
		Land Acquisition	\$ 1,590,394
		Hard Costs*	9,915,565
Permanent Debt Financing	\$ 11,146,440	Soft Costs**	2,128,229
Equity	<u>3,724,608</u>	Interest Reserve	<u>1,236,860</u>
Total	<u>\$ 14,871,048</u>		<u>\$ 14,871,048</u>

* Includes Residential Floors, Parking Structure & System, General Conditions/Site Work, Demolition, General Contractor Fee and Contingency.

** Includes Site Planning, Legal & Administrative, Architectural, Permits & Connection Fees, Marketing, Insurance, Promotion, Loan Closing Fees and Contingency.

4. Property Assessment Values

Projected Redevelopment Assessment	\$ 8,866,474	Based on Developer Projected Taxes - Year 1
Existing Property Value - Land Only	\$ 163,900	Block 2804, Lots 1, 2, 9, 10 and 11
Proposed - Multi-Family Residential Apartments	50 units	

5. Projected Annual Tax Increases 2.5%

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

PROJECTED P&L STATEMENT

<u>Revenues</u>	<u>Year 1</u>	<u># of Units</u>	<u>Notes</u>
<u>Gross Potential Rent - Rentable Space</u>			
Studio Apartments	\$ 90,000	5 units	<i>Avg. \$1,500 / Month</i>
1 Bedroom Apartments	641,880	30 units	<i>Avg. \$1,783 / Month</i>
2 Bedroom Apartments	419,940	15 units	<i>Avg. \$2,333 / Month</i>
Garage Parking	60,000	40 units	<i>\$125 / Month / Space</i>
Total Potential Gross Revenue	1,211,820		
Vacancy Loss (5%)	(60,591)	5%	<i>Per Developer</i>
Effective Gross Revenue	\$ 1,151,229		
<u>Expenses</u>			
		<u>Proj. Cost</u>	
General & Administrative Management	7,500	~0.65% of EGR	<i>Per Developer</i>
Water & Sewer	46,049	~4.00% of EGR	<i>Per Developer</i>
Insurance	8,000	~0.69% of EGR	<i>Per Developer</i>
Super	30,835	~2.68% of EGR	<i>Per Developer</i>
Gas & Electric	47,400	~4.12% of EGR	<i>Per Developer</i>
Parking Maintenance	7,500	~0.65% of EGR	<i>Per Developer</i>
Repairs & Maintenance	7,150	~0.62% of EGR	<i>Per Developer</i>
Other	22,968	~2.00% of EGR	<i>Per Developer</i>
RAB Annual Service Charge	5,000	~0.43% of EGR	<i>Per Developer</i>
Base Annual Service Charge	23,437	1.05263 Annual D.S.	<i>Per Developer</i>
PILOT Administrative Fee	57,561	5% of Revenues	<i>See A.V. Worksheet</i>
	1,151	2% of PILOT	
Total Expenses	264,551		
Net Operating Income	\$ 886,678		
Turnover Reserve	7,500	0.65% of EGR	<i>Per Developer</i>
Cash Flow from Operations	\$ 879,178		
Debt Service on Permanent Financing	718,038	@ 5.0% Int. Rate	<i>Per Developer</i>
Net Cash Flow After Debt Service	\$ 161,140		
Leveraged Return	4.33%		<i>Net CF / \$3,724,608 equity</i>

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

PILOT Proposal - Draft Financial Agreement

<u>Year</u>	<u>Proposed PILOT %</u>	<u>Net PILOT to City</u>	<u>Admin. Fee- 2%*</u>	<u>Projected Net City Revenue**</u>	<u>Developer Net Cash Flow</u>	<u>Developer Leveraged Return***</u>
1	5.00% Rev	\$ 48,410	\$ 1,151	\$ 53,835	\$ 161,140	4.33%
2	5.00% Rev	49,907	1,186	55,460	188,218	5.05%
3	5.00% Rev	51,452	1,221	57,134	216,107	5.80%
4	5.00% Rev	53,043	1,258	58,859	244,832	6.57%
5	5.00% Rev	54,684	1,296	60,636	274,420	7.37%
6	5.00% Rev	56,376	1,335	62,467	304,897	8.19%
7	5.00% Rev	58,118	1,375	64,351	336,288	9.03%
8	5.00% Rev	59,915	1,416	66,293	368,618	9.90%
9	5.00% Rev	61,767	1,458	68,294	401,920	10.79%
10	5.00% Rev	63,676	1,502	70,355	436,222	11.71%
11	5.00% Rev	65,643	1,547	72,478	494,989	13.29%
12	5.00% Rev	67,672	1,594	74,666	531,379	14.27%
13	5.00% Rev	69,762	1,641	76,919	568,865	15.27%
14	5.00% Rev	71,916	1,691	79,240	607,472	16.31%
15	5.00% Rev	74,137	1,741	81,631	647,240	17.38%
16	7.00% Rev	112,296	2,511	118,889	651,611	17.49%
17	7.00% Rev	115,731	2,586	122,469	692,700	18.60%
18	7.00% Rev	119,270	2,664	126,157	735,022	19.73%
19	7.00% Rev	122,919	2,744	129,959	778,613	20.90%
20	7.00% Rev	126,678	2,826	133,873	823,513	22.11%
21	9.00% Rev	172,137	3,743	178,244	827,342	22.21%
22	9.00% Rev	177,376	3,855	183,607	873,705	23.46%
23	9.00% Rev	182,775	3,971	189,133	921,456	24.74%
24	9.00% Rev	188,338	4,090	194,825	970,642	26.06%
25	9.00% Rev	194,069	4,212	200,687	1,021,304	27.42%
26	10.00% Rev	224,079	4,821	230,108	1,048,898	28.16%
27	10.00% Rev	230,885	4,965	237,028	1,101,906	29.58%
28	10.00% Rev	237,898	5,114	244,157	1,156,504	31.05%
29	10.00% Rev	245,124	5,268	251,502	1,212,739	32.56%
30	10.00% Rev	252,569	5,426	259,067	1,270,662	34.12%
		<u>\$ 3,608,622</u>	<u>\$ 80,208</u>	<u>\$ 3,802,323</u>	<u>\$ 19,869,224</u>	

Ref.

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* City Admin. Fee based on 2% of Projected Gross PILOT.

** Projected Net City Revenue includes Net PILOT, 2% Admin. Fee, Township Share of Land Tax net of 5% Due to County of Essex.

***Based on Developer Equity Contribution of \$3,724,608.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

CALCULATION OF DEVELOPER LEVERAGED RETURN

<u>Year</u>	<i>a</i> Effective Gross Revenues*	<i>b</i> Less: Oper. Exp./ Admin. Fee	<i>c</i> Less: Annual Service Charges	<i>d</i> Less: Turnover Reserves	<i>e=a-b-c-d</i> Operating Cash Flow	<i>f</i> Less: Annual Debt Service	<i>g=e-f</i> Net Cash Flow After Debt Service	Developer Leveraged Return**
1	\$ 1,151,229	\$ 183,553	\$ 80,998	\$ 7,500	\$ 879,178	\$ 718,038	\$ 161,140	4.33%
2	1,185,766	189,060	82,725	7,725	906,256	718,038	188,218	5.05%
3	1,221,339	194,733	84,504	7,957	934,145	718,038	216,107	5.80%
4	1,257,979	200,577	86,336	8,196	962,870	718,038	244,832	6.57%
5	1,295,718	206,595	88,223	8,442	992,458	718,038	274,420	7.37%
6	1,334,590	212,793	90,167	8,695	1,022,935	718,038	304,897	8.19%
7	1,374,628	219,178	92,168	8,956	1,054,326	718,038	336,288	9.03%
8	1,415,866	225,755	94,230	9,225	1,086,656	718,038	368,618	9.90%
9	1,458,342	232,528	96,354	9,502	1,119,958	718,038	401,920	10.79%
10	1,502,093	239,504	98,542	9,787	1,154,260	718,038	436,222	11.71%
11	1,547,156	246,690	77,358	10,081	1,213,027	718,038	494,989	13.29%
12	1,593,570	254,091	79,679	10,383	1,249,417	718,038	531,379	14.27%
13	1,641,377	261,711	82,069	10,694	1,286,903	718,038	568,865	15.27%
14	1,690,619	269,563	84,531	11,015	1,325,510	718,038	607,472	16.31%
15	1,741,337	277,647	87,067	11,345	1,365,278	718,038	647,240	17.38%
16	1,793,577	286,693	125,550	11,685	1,369,649	718,038	651,611	17.49%
17	1,847,385	295,294	129,317	12,036	1,410,738	718,038	692,700	18.60%
18	1,902,806	304,153	133,196	12,397	1,453,060	718,038	735,022	19.73%
19	1,959,890	313,278	137,192	12,769	1,496,651	718,038	778,613	20.90%
20	2,018,687	322,676	141,308	13,152	1,541,551	718,038	823,513	22.11%
21	2,079,248	333,189	187,132	13,547	1,545,380	718,038	827,342	22.21%
22	2,141,625	343,183	192,746	13,953	1,591,743	718,038	873,705	23.46%
23	2,205,874	353,479	198,529	14,372	1,639,494	718,038	921,456	24.74%
24	2,272,050	364,082	204,485	14,803	1,688,680	718,038	970,642	26.06%
25	2,340,212	375,004	210,619	15,247	1,739,342	718,038	1,021,304	27.42%
26	2,410,418	386,736	241,042	15,704	1,766,936	718,038	1,048,898	28.16%
27	2,482,730	398,338	248,273	16,175	1,819,944	718,038	1,101,906	29.58%
28	2,557,212	410,289	255,721	16,660	1,874,542	718,038	1,156,504	31.05%
29	2,633,929	422,599	263,393	17,160	1,930,777	718,038	1,212,739	32.56%
30	2,712,947	435,277	271,295	17,675	1,988,700	718,038	1,270,662	34.12%
	<u>\$ 54,770,199</u>	<u>\$ 8,758,248</u>	<u>\$ 4,244,749</u>	<u>\$ 356,838</u>	<u>\$ 41,410,364</u>	<u>\$ 21,541,140</u>	<u>\$ 19,869,224</u>	

*Redeveloper assumes 3% increases in rental rates every year.

**Based on Developer Equity Contribution of \$3,724,608.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

PROPOSED PILOT SCHEDULE

Proposed Percent of Gross Revenues

<u>Year</u>	Proposed PILOT Revenue %
1	5.00%
2	5.00%
3	5.00%
4	5.00%
5	5.00%
6	5.00%
7	5.00%
8	5.00%
9	5.00%
10	5.00%
11	5.00%
12	5.00%
13	5.00%
14	5.00%
15	5.00%
<hr/>	
16	7.00%
17	7.00%
18	7.00%
19	7.00%
20	7.00%
<hr/>	
21	9.00%
22	9.00%
23	9.00%
24	9.00%
25	9.00%
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26	10.00%
27	10.00%
28	10.00%
29	10.00%
30	10.00%

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

PROPOSED PILOT SCHEDULE

Calculation as % of Revenues

<u>Year</u>	<u>Net Potential Rent*</u>	<u>Proposed PILOT %</u>	<u>PILOT as % of Rents</u>	<u>Taxes Otherwise Due*</u>
1	\$ 1,151,229	5.00%	\$ 57,561	\$ 507,517
2	1,185,766	5.00%	59,288	520,205
3	1,221,339	5.00%	61,067	533,210
4	1,257,979	5.00%	62,899	546,540
5	1,295,718	5.00%	64,786	560,203
6	1,334,590	5.00%	66,730	574,208
7	1,374,628	5.00%	68,731	588,563
8	1,415,866	5.00%	70,793	603,277
9	1,458,342	5.00%	72,917	618,358
10	1,502,093	5.00%	75,105	633,817
11	1,547,156	5.00%	77,358	649,662
12	1,593,570	5.00%	79,679	665,904
13	1,641,377	5.00%	82,069	682,552
14	1,690,619	5.00%	84,531	699,616
15	1,741,337	5.00%	87,067	717,106
16	1,793,577	7.00%	125,550	735,033
17	1,847,385	7.00%	129,317	753,408
18	1,902,806	7.00%	133,196	772,244
19	1,959,890	7.00%	137,192	791,550
20	2,018,687	7.00%	141,308	811,338
21	2,079,248	9.00%	187,132	831,622
22	2,141,625	9.00%	192,746	852,412
23	2,205,874	9.00%	198,529	873,722
24	2,272,050	9.00%	204,485	895,566
25	2,340,212	9.00%	210,619	917,955
26	2,410,418	10.00%	241,042	940,905
27	2,482,730	10.00%	248,273	964,427
28	2,557,212	10.00%	255,721	988,537
29	2,633,929	10.00%	263,393	1,013,250
30	<u>2,712,947</u>	10.00%	<u>271,295</u>	<u>1,038,582</u>
	<u>\$ 54,770,199</u>		<u>\$ 4,010,379</u>	<u>\$ 22,281,289</u>

*See key assumptions.

CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

PROJECTED CITY REVENUE GENERATION

Year	<i>a</i> Projected Gross PILOT	<i>b</i> Less: Land Tax Credit	<i>c=a+b</i> Net PILOT to City	<i>d= 2%(a)</i> Admin. Fee - 2%	<i>e</i> City Share of Land Tax	<i>f=c+d+e</i> Net City Receipts	<i>g=5%(c)</i> Less: 5% Paid to Essex Cty.	<i>h=f+g</i> Net City Revenue
1	\$ 57,561	\$ (9,151)	\$ 48,410	\$ 1,151	\$ 6,695	\$ 56,256	\$ (2,421)	\$ 53,835
2	59,288	(9,381)	49,907	1,186	6,862	57,955	(2,495)	55,460
3	61,067	(9,615)	51,452	1,221	7,034	59,707	(2,573)	57,134
4	62,899	(9,856)	53,043	1,258	7,210	61,511	(2,652)	58,859
5	64,786	(10,102)	54,684	1,296	7,390	63,370	(2,734)	60,636
6	66,730	(10,354)	56,376	1,335	7,575	65,286	(2,819)	62,467
7	68,731	(10,613)	58,118	1,375	7,764	67,257	(2,906)	64,351
8	70,793	(10,878)	59,915	1,416	7,958	69,289	(2,996)	66,293
9	72,917	(11,150)	61,767	1,458	8,157	71,382	(3,088)	68,294
10	75,105	(11,429)	63,676	1,502	8,361	73,539	(3,184)	70,355
11	77,358	(11,715)	65,643	1,547	8,570	75,760	(3,282)	72,478
12	79,679	(12,007)	67,672	1,594	8,784	78,050	(3,384)	74,666
13	82,069	(12,307)	69,762	1,641	9,004	80,407	(3,488)	76,919
14	84,531	(12,615)	71,916	1,691	9,229	82,836	(3,596)	79,240
15	87,067	(12,930)	74,137	1,741	9,460	85,338	(3,707)	81,631
16	125,550	(13,254)	112,296	2,511	9,697	124,504	(5,615)	118,889
17	129,317	(13,586)	115,731	2,586	9,939	128,256	(5,787)	122,469
18	133,196	(13,926)	119,270	2,664	10,187	132,121	(5,964)	126,157
19	137,192	(14,273)	122,919	2,744	10,442	136,105	(6,146)	129,959
20	141,308	(14,630)	126,678	2,826	10,703	140,207	(6,334)	133,873
21	187,132	(14,995)	172,137	3,743	10,971	186,851	(8,607)	178,244
22	192,746	(15,370)	177,376	3,855	11,245	192,476	(8,869)	183,607
23	198,529	(15,754)	182,775	3,971	11,526	198,272	(9,139)	189,133
24	204,485	(16,147)	188,338	4,090	11,814	204,242	(9,417)	194,825
25	210,619	(16,550)	194,069	4,212	12,109	210,390	(9,703)	200,687
26	241,042	(16,963)	224,079	4,821	12,412	241,312	(11,204)	230,108
27	248,273	(17,388)	230,885	4,965	12,722	248,572	(11,544)	237,028
28	255,721	(17,823)	237,898	5,114	13,040	256,052	(11,895)	244,157
29	263,393	(18,269)	245,124	5,268	13,366	263,758	(12,256)	251,502
30	271,295	(18,726)	252,569	5,426	13,700	271,695	(12,628)	259,067
	<u>\$ 4,010,379</u>	<u>\$ (401,757)</u>	<u>\$ 3,608,622</u>	<u>\$ 80,208</u>	<u>\$ 293,926</u>	<u>\$ 3,982,756</u>	<u>\$ (180,433)</u>	<u>\$ 3,802,323</u>

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Note: See key assumptions



**SUPPORTING
SCHEDULES**



CITY OF ORANGE TOWNSHIP
PILOT ANALYSIS
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

Projected PILOT Assessment \$ 8,866,474 - *See Page 12*
 Projected Annual Tax Increases 2.50% *(2020 Equalization Ratio - 91.52%)*
 PILOT Year 1 1/1/2022

Projected Taxes Otherwise Due on Redevelopment Parcels				
Yr. 1 - Tax Rate*	4.085	1.024	0.615	5.724
<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>
1	\$ 362,195	\$ 90,793	\$ 54,529	\$ 507,517
2	371,250	93,063	55,892	520,205
3	380,531	95,390	57,289	533,210
4	390,044	97,775	58,721	546,540
5	399,795	100,219	60,189	560,203
6	409,790	102,724	61,694	574,208
7	420,035	105,292	63,236	588,563
8	430,536	107,924	64,817	603,277
9	441,299	110,622	66,437	618,358
10	452,331	113,388	68,098	633,817
11	463,639	116,223	69,800	649,662
12	475,230	119,129	71,545	665,904
13	487,111	122,107	73,334	682,552
14	499,289	125,160	75,167	699,616
15	511,771	128,289	77,046	717,106
16	524,565	131,496	78,972	735,033
17	537,679	134,783	80,946	753,408
18	551,121	138,153	82,970	772,244
19	564,899	141,607	85,044	791,550
20	579,021	145,147	87,170	811,338
21	593,497	148,776	89,349	831,622
22	608,334	152,495	91,583	852,412
23	623,542	156,307	93,873	873,722
24	639,131	160,215	96,220	895,566
25	655,109	164,220	98,626	917,955
26	671,487	168,326	101,092	940,905
27	688,274	172,534	103,619	964,427
28	705,481	176,847	106,209	988,537
29	723,118	181,268	108,864	1,013,250
30	741,196	185,800	111,586	1,038,582
	<u>\$ 15,901,300</u>	<u>\$ 3,986,072</u>	<u>\$ 2,393,917</u>	<u>\$ 22,281,289</u>

*Note: Yr. 1 (2022) Tax Rate is utilized to calculate projected taxes otherwise due for Year 1 of PILOT.

CITY OF ORANGE TOWNSHIP
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS
PILOT ANALYSIS

EXISTING UNDEVELOPED PROPERTY ANALYSIS

<u>2019 Apportionment of Taxes</u>	<u>Rate</u>	<u>%</u>
Municipal	\$ 3.793	71.36%
County	0.571	10.74%
School	<u>0.951</u>	<u>17.89%</u>
Total	<u>\$ 5.315</u>	<u>100.00%</u>

2020 Projected 2.5% 5.448

2021 Projected 2.5% 5.584

2022 Projected 2.5% 5.724

<u>2019 Existing Taxes - Redevelopment Property</u>	
Municipal	\$ 6,217
County	936
School	<u>1,559</u>
2019 Taxes - Redev. Property	<u>\$ 8,711</u>
<u>Breakdown</u>	
Land	\$ 8,711
Improvements	<u>-</u>
	<u>\$ 8,711</u>

<u>Redevelopment Property - Existing Assessed Valuation</u>			
<u>Block, Lot</u>	<u>Land</u>	<u>Impvt</u>	<u>Total</u>
Block 2804, Lot 1	\$ 39,400	\$ -	\$ 39,400
Block 2804, Lot 2	48,400	-	48,400
Block 2804, Lot 9	23,400	-	23,400
Block 2804, Lot 10	31,400	-	31,400
Block 2804, Lot 11	76,100	-	76,100
Less: Exemptions	<u>(54,800)</u>	<u>-</u>	<u>(54,800)</u>
Assessed Value	<u>\$ 163,900</u>	<u>\$ -</u>	<u>\$ 163,900</u>

CITY OF ORANGE TOWNSHIP
REOCK MULTI-FAMILY RESIDENTIAL APARTMENTS

PROJECTED POTENTIAL GROSS INCOME AND ASSESSED VALUE
BASED ON PRO FORMA PROVIDED BY REDEVELOPER

	<u># of Units</u>	<u>Rent</u>	<u>Monthly Avg. Rent</u>	
<i>Residential</i>				
Studio	5 units	\$ 90,000	\$ 1,500/mo.	Per Developer
1 Bedroom	30 units	\$ 641,880	\$ 1,783/mo.	Per Developer
2 Bedroom	15 units	\$ 419,940	\$ 2,333/mo.	Per Developer
<i>Other Income</i>				
Garage Parking	40 spaces	60,000	\$ 125/mo.	Per Developer
Potential Gross Income		\$ 1,211,820		
Less:				
Vacancy Loss	5%	(60,591)		Per Developer Pro-Forma
Effective Gross Income		\$ 1,151,229		Per Developer Pro-Forma
Expenses		\$ 402,930		Estimated @ 35% of EGR
Net Operating Income		\$ 748,299		
Cap Rate		7.72%		Per Developer (Full Taxes)
FMV		\$ 9,688,018		
2019 Assessment Ratio		91.52%		
Assessed Value		\$ 8,866,474		Per Developer (Full Taxes)