



Planning & Real Estate Consultants

Memorandum

To: Janice Talley, AICP, PP

From: Keenan Hughes, AICP, PP

Date: October 6, 2023

Re: Fiscal Impact Analysis - Lackawanna Plaza Redevelopment Plan

This memo summarizes our fiscal impact analysis of the proposed redevelopment project that is pursuant to the Lackawanna Plaza Redevelopment Plan. The Redevelopment Plan is applicable to an approximately 8-acre site consisting of Block 3213, Lot 2 and Block 4202, Lots 4.01 and 4.02 (the “subject property”). A fiscal impact analysis is “[a] projection of the direct, current and public costs and revenues associated with residential or non-residential growth to the local jurisdiction(s) in which the growth is taking place.”¹ The following evaluates whether the revenues generated by the proposed redevelopment project will exceed the municipal service costs.

I. Proposed Redevelopment Project

The proposed redevelopment project consists of a mix of residential, commercial and open space uses. The residential component includes a total of 300 units. At least 20% of the total units will be restricted to low- and moderate-income households. In addition, at least 10% of the total residential units will be restricted to workforce housing, which means the units will be affordable to households earning between 80 percent and 120 percent of the area median income (AMI). The commercial component includes a supermarket, office space, retail and restaurant space, arts space and parking facilities. The property owner is the prospective redeveloper of the subject property. The anticipated development program is summarized in Table 1.

Table 1: Anticipated Program for Redevelopment Project

Residential	300 dwelling units
Retail	50,000 square feet (approximate)
Supermarket	40,000 square feet (approximate)
Office	100,000 square feet (approximate)
Arts	5,500 square feet (approximate)
Parking	365,000 square feet (approximate)

¹ Development Impact Handbook, Burchell et al, Urban Land Institute (1994).

II. Estimated Annual Revenues

It is anticipated that the proposed redevelopment project will be subject to a Long-Term Tax Exemption pursuant to N.J.S.A. 40A:20-1, et seq. The statute allows a municipality to impose a “payment in lieu of taxes” (“PILOT”) on redevelopers in lieu of paying property taxes for a term of up to 30 years from the completion of the project. The PILOT is in the form of an Annual Service Charge (“ASC”) that is paid to the municipality. The statutory minimum ASC is 10% of annual gross revenue.² In addition, the redeveloper is required to submit an annual administrative fee equal to 2% of the ASC. The Township retains 95% of the ASC and 5% is allocated to Essex County.

The owner/prospective redeveloper of the subject property provided a breakdown of the anticipated gross revenue of the proposed project by component (see Table 2). As shown, the estimated gross revenue upon completion of the project, inclusive of a 5% vacancy loss, is approximately \$15 million.

Table 2: Estimated Gross Revenue of the Proposed Redevelopment Project

Project Component	Estimated Gross Revenue
Residential	\$6,584,343
Office	\$3,937,080
Retail	\$3,703,938
Parking	\$1,560,000
POTENTIAL GROSS REVENUE	\$15,785,361
Vacancy Loss (5%)	(\$789,268)
TOTAL EFFECTIVE GROSS REVENUE	\$14,996,093

As illustrated in Table 3, the total annual revenue to the Township would be approximately \$1.23 million based on an initial ASC of 10% of annual gross revenue (approximately \$1.5 million). This equates to approximately \$36.9 million in ASC payments, \$900,000 in administrative fees and \$2.5 million in land taxes (as explained in the following paragraph) to Montclair Township over the full 30-year term of the PILOT.

Table 3: Summary of Estimated Annual Revenues

ASC (PILOT Payment)	\$1,500,000
Land Tax Credit	(\$323,645)
Subtotal	\$1,176,355
Township Percentage (95%)	\$1,117,537
Plus Township Portion of Land Tax	\$83,497
Plus Administrative Fee (2% of ASC)	\$30,000
Total Township Annual Revenue	\$1,231,034

Redevelopers subject to a PILOT arrangement continue to pay property taxes on the assessed value of the land to the county, school district and municipality. As of 2023,

² Gross revenue is documented in audited financial statements submitted to the municipality on an annual basis.

the total land tax payment to the Township generated by the subject property is \$83,497.³ As shown in Table 3, the total land tax payment is credited against the ASC. However, the taxing jurisdictions (i.e., Township, County and School District) would continue to receive land taxes. Based on the Township’s current tax rate as applied to the assessed land value of the subject property, the annual land tax payment to the Township would be approximately \$83,497. The school district would receive approximately \$183,367 and approximately \$56,782 would accrue to Essex County. Meanwhile, the County would also receive 5% of the ASC, which is approximately \$58,818.

A comprehensive summary of the estimated annual revenues to be generated by the proposed redevelopment project is provided in Table 4.

Table 4: Summary of Annual Revenues Generated by Proposed Redevelopment

Township	\$1,231,034
School District	\$183,367
County	\$115,600

As noted, the above analysis is based on the statutory minimum ASC of 10% of annual gross revenue. However, the statute permits the Township and redeveloper to agree to a higher initial ASC as well as incremental increases in the ASC over the term of the PILOT (typically 30 years) up to 15% of annual gross revenue. Therefore, the above analysis – based on the statutory minimum ASC – is a conservative estimate of annual revenues.

III. Population Estimates

Residential

Demographic multipliers were used to estimate the population generated by the residential component of the proposed redevelopment project. In 2018, the Center for Urban Policy Research (CUPR) at the Bloustein School of Planning & Public Policy at Rutgers University published a study, entitled Who Lives in New Jersey Housing, of the occupants of newly occupied housing units in New Jersey. The study provides demographic multipliers for a variety of housing types. For this analysis, the multipliers for apartment buildings built between 2000-2016 with 50 or more units were utilized. The demographic projections are shown in Table 5. The anticipated breakdown for residential units was provided by the property owner/prospective redeveloper based on the requirements set forth in the proposed Redevelopment Plan. Based on this analysis, it is estimated that the proposed redevelopment project will add approximately 569 residents to the Township, which represents a roughly 1% increase in the population.

³ Based on the 2023 total assessed land value of \$9,575,300.

Table 5: Estimated Residential Population

Unit Type	Number	Multiplier	Estimated Population
Market Rate Units			
Studio	21	1.551	32.571
1 BR	102	1.551	158.202
2 BR	80	2.355	188.4
3 BR	7	3.289	23.023
Low/Mod Income Units			
Studio	12	1.236	14.832
1 BR	18	1.236	22.248
2 BR	18	2.134	38.412
3 BR	12	3.627	43.524
Workforce Units			
Studio	4	1.236	4.944
1 BR	16	1.236	19.776
2 BR	9	2.134	19.206
3 BR	1	3.627	3.627
Total	300		568.765

Employees

The number of employees that will be generated by the retail and office components of the proposed redevelopment project will be dependent on the specific end users that occupy the space. However, it is possible to reasonably estimate the total employee population based on average employee-per-square-foot multipliers. In this case, an average multiplier of 4 employees per 1,000 square feet was utilized for the office space and 2.5 employees per 1,000 square feet was used for the retail space. As shown below, it is estimated that the proposed project will generate approximately 625 full-time equivalent jobs.

100,000 square feet of office = 400 employees
 90,000 square feet of retail space = 225 employees
 TOTAL: 625 employees

Public School Children

The public school children ("PSC") population was estimated based on two multiplier sets. The first method projected the population based on the aforementioned Who Lives in New Jersey Housing study. Specifically, the multiplier set for PSC residing in apartment buildings with 50 or more units constructed between 2000-2016 was utilized. As illustrated in Table 6, this analysis estimated a total PSC population of approximately 26 students.

Table 6: Estimated PSC – CUPR Multipliers

Unit Type	Number	Multiplier	Estimated Population
Market Rate Units			
Studio	21	0.004	0.084
1 BR	102	0.004	0.408
2 BR	80	0.065	5.2
3 BR	7	0.245	1.715
Low/Mod Income Units			
Studio	12	0.032	0.384
1 BR	18	0.032	0.576
2 BR	18	0.193	3.474
3 BR	12	0.896	10.752
Workforce Units			
Studio	4	0.032	0.128
1 BR	16	0.032	0.512
2 BR	9	0.193	1.737
3 BR	1	0.896	0.896
Total	300		25.866

The second method used to estimate the population of PSC was based on a multiplier set derived from Montclair Township School District data. The School District has developed a database of the number of students residing in various multifamily buildings located throughout the community. For this analysis, an average multiplier was developed based on comparable newer large multifamily buildings (roughly defined as constructed since approximately 2000). Older walk-up, garden apartment and small buildings were excluded. As illustrated in Table 7, this analysis yielded an average multiplier of 0.088 public school students per unit.

Table 7: PSC Multipliers for Comparable Montclair Developments

Project	Total Units	Number of PSC	Multiplier
2 South Willow	200	5	0.03
45 Church Street	84	1	0.01
34 Valley Road	258	21	0.08
48 S. Park Street	101	3	0.03
125 Bloomfield Ave	40	3	0.08
147 Bloomfield Ave	40	6	0.15
11 Pine Street	163	27	0.17
6-7 Bell Street	70	7	0.1
10 Pine Street	56	16	0.29
TOTAL AVERAGE MULTIPLIER			0.088

Source: Montclair School District student address information as of June 2023.

As shown in Table 8, the multiplier of 0.088 PSC per unit as applied to the proposed residential development yields an estimate of 26 PSC – which is identical to the estimate provided by the CUPR study multiplier set (see Table 6). In other words, population estimates based on both statewide and local multipliers show that approximately 26 PSC would be generated by the proposed redevelopment project.

Table 8: PSC Estimate per Local Multiplier

Units	PSC Multiplier	Total PSC
300	0.088	26.4

In summary, the proposed redevelopment is estimated to generate the following:

- 569 residents
- 625 employees
- 26 public school children

The next step in the fiscal impact analysis is to allocate service costs to each segment of the estimated population.

IV. Estimated Service Costs

There are several cost allocation methods to determine the impacts of new development on the budgetary finances of a municipality. The tax-supported marginal cost approach is particularly appropriate for mixed-use development projects on previously developed sites in built-out communities. This method identifies the municipal services that may be impacted and assigns per capita costs only to the budget categories associated with those services. The premise of the tax-support marginal cost approach is that certain budget categories, such as general government, insurance and municipal facility maintenance and utility bills, are essentially fixed costs that would not be impacted by the proposed redevelopment project. However, other categories, such as police, fire, community services, parks maintenance and recreation programs, could potentially be impacted by the increased resident and employee population.⁴ It is assumed that the per capita cost of providing those services to the existing Montclair community would be the same for the residents and employees generated by the redevelopment project. In reality, the proposed redevelopment project include apartment and commercial uses where many services, such as snow removal, road maintenance, open space maintenance and operations and garbage collection, are provided by the property owner as opposed to the municipality. Therefore, it is likely that the actual service costs will be lower than the average per capita costs.

Table 9 shows the budget categories in the 2023 Adopted Budget and highlights (in grey shading) the services that could be impacted by the proposed redevelopment project. The total amount allocated for the impacted budget categories is \$37,824,223.

⁴ Based on conversations with Police Chief Conforti and Fire Chief Herrmann, the proposed project will not create any extraordinary service demands that would necessitate new equipment or operations. Therefore, it is reasonable to assume that fire and police services will be provided to the residents and employees of the proposed redevelopment project in a similar manner and at the same average cost as the existing population. Both officials noted that their respective departments have existing and ongoing staffing issues, but that those issues would not be significantly exacerbated by the proposed Lackawanna Plaza Redevelopment Project.

Table 9: Budget Categories Potentially Impacted by the Proposed Project

Budget Category	Appropriation
General Government	\$2,414,884.00
Township Attorney	\$545,246.95
Municipal Court	\$751,725.75
Postage	\$70,000.00
Financial Administration	\$179,184.80
Accounting & Treasury	\$307,167.73
Tax Assessor	\$752,367.93
Tax Collection	\$275,548.31
Auditing	\$43,000.00
Planning Administration	\$458,531.75
Planning Board	\$48,400.00
Board of Adjustment	\$18,800.00
Rent Control Administration	\$187,000.00
Dept of Admin & Code Enforcement	\$635,143.92
Police Department	\$17,139,440.46
Fire Department	\$11,231,633.00
Community Services Admin	\$857,656.23
Engineering	\$225,000.00
Street Repair & Maintenance	\$401,436.46
Storm Sewers Repairs and Maintenance	\$237,256.34
Refuse Collection & Disposal	\$1,292,315.99
Storm Clearance	\$100,000.00
Traffic	\$244,644.14
Central Garage Operations	\$630,635.91
Building Maintenance	\$518,747.46
Parks Maintenance	\$516,239.28
Shade Trees	\$389,140.54
Refuse Tipping Fees	\$1,470,000.00
Mandatory Recycling Act	\$1,728,427.64
Recreation Programs	\$842,024.49
Parks, Rec & Cultural Affairs	\$183,000.00
Health Services	\$799,511.48
Nursing Services	\$299,876.94
Senior Services	\$293,197.38
Animal Control	\$564,197.64
Insurance	\$8,454,955.42
Construction Official	\$986,731.90
Utilities	\$2,425,000.00
Operating Lease: Ladder Truck	\$212,576.53
M.E.C.C.	\$278,000.00
TOTAL	\$59,008,647.00
TOTAL FOR IMPACTED BUDGET CATEGORIES	\$37,824,223.61

Source: 2023 Montclair Township Adopted Budget

The municipal service costs were allocated to the residential and non-residential populations based on the “proportional valuation” method, which assumes that the allocation of service costs is roughly proportional to the share of the total tax base represented by residential and non-residential uses. According to information obtained from the Township Tax Assessor’s Office, Montclair currently has a residential ratable base of 9,771 parcels valued at \$6,416,486,200, which accounted for 87% of all parcels and 80% of total assessed value. The non-residential (commercial and industrial) ratable base includes 609 parcels valued at \$702,829,700, which accounted for 5% of total parcels and 9% of total assessed valuation. Therefore, approximately 83.5% of the property tax base is attributable to residential uses and approximately 7% of the property tax base is attributable to non-residential uses (see Table 10).

Table 10: Summary of Montclair Township Real Property Tax Base, 2023

	Parcels	Percentage of Total	Value	Percentage of Total
Residential	9,771	87%	\$6,416,486,200	80%
Commercial/Industrial	609	5%	\$702,829,700	9%
Other	842	8%	\$871,266,300	11%
TOTAL	11,222	100%	\$7,990,582,200	100%

Source: Montclair Township Tax Assessor

Therefore, it is assumed that 83.5% of the total appropriations for potentially impacted budget categories would be allocated to the residential population ($\$37,824,224 \times .835 = \$31,583,227$). Based on Montclair’s current population of 39,821, it is estimated that the per capita cost per resident is approximately \$793 ($\$31,583,227 / 39,821 = \793).⁵

For the non-residential uses, it is assumed that 7% of the budget appropriations would be allocated to the employee population ($\$37,824,224 \times .07 = \$2,647,696$). There are approximately 15,366 total jobs in Montclair, which means that the average per capita cost for employees is approximately \$172 ($\$2,647,696 / 15,366 = \172).⁶

As for the PSC population, it is notable that the Montclair Township School District enrollment has actually decreased by approximately 511 students since the 2018-2019 school year (from 6,453 in 2018-2019 to 5,942 in 2023-2024).⁷ Consequently, it can be assumed that the school district could absorb 26 students without incurring any demand for expanded facilities or significant new operating costs. Based on the School District Adopted Budget for 2023-2024 indicates that the total budget appropriations raised by local taxes is \$128,008,540. This equates to an average of \$21,543 per student ($\$128,008,540 / 5,942 = \$21,543$). This figure likely overestimates the actual marginal costs for new students and should be viewed as a very conservative estimate of per capita costs for PSC.

⁵ Population based on Census Bureau Estimate for 2022.

⁶ U.S. Census Bureau Longitudinal Employer-Household Dynamics data for 2020.

⁷ Enrollment figures from the Montclair School District. Excludes the relatively new and expanding public pre-K enrollment, which is largely funded by State aid.

Given the population projections and per capita costs outlined above, it is possible to derive an estimate of the total service costs generated by the proposed redevelopment project. As shown in Table 11, the total estimated municipal service costs would be approximately \$1.12 million.

Table 11: Total Estimated Service Costs

Population	Per Capita Cost	Total Cost
569 residents	\$793	\$451,217
625 employees	\$172	\$107,500
26 PSC	\$21,543	\$560,118
TOTAL		\$1,118,835

V. Net Fiscal Impact

The estimated net fiscal impacts of the proposed redevelopment project are summarized in Table 12. The project will generate an annual fiscal benefit of approximately \$295,000 upon completion. As noted, the projected annual revenue is based on the statutory minimum ASC of 10% and therefore reflects a very conservative estimate of potential annual revenue. Moreover, it is likely that the ASC percentage will incrementally increase over the 30-year term of the PILOT. Meanwhile, the per capita costs to serve the residential, employee and public student populations have been conservatively estimated.

Table 12: Summary of the Net Fiscal Impact of the Proposed Development

	Annual Revenue	Annual Cost	Net Fiscal Impact
Municipality	\$1,231,034	\$558,717	\$672,317
School District	\$183,367	\$560,118	(\$376,751)
	\$1,414,401	\$1,118,835	\$295,566