

Fiscal Impact Analysis

Revised April 26, 2016

ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™



Methodology: Fiscal Impact Analysis

4ward Planning performed a fiscal impact analysis of the suggested development program at the Main Street Manchester Heritage site, comparing estimated annual local revenues and expenditures associated with the proposed development. At full build-out, the development will contain single- and multi-family residential units, as well as retail, light industrial, restaurant, pharmacy, hotel, fitness center, and medical campus space.

The Preview Fiscal Impact Model (developed by Rutgers University and widely used, nationally), was utilized, incorporating current revenue and expenditure figures provided by Manchester Township. 4ward Planning analyzed inputs to calculate the various service and capital costs associated with the proposed new development as well as revenues relating to local taxes, allowing for an examination of their relationship to existing land-use and population factors. The impact model was then used to evaluate the fiscal impacts associated with the proposed development.

The proposed development is expected to be built in four phases, over 20 years. Fiscal impacts are broken out for residential development, as well as non-residential development.

Development Program: Fiscal Impact Analysis

The planned development at full build-out is summarized in the tables below. Assumptions for bedroom counts, sales prices, and tenure (owner- versus renter-occupied) are provided for residential units. These metrics are incorporated within the fiscal impact analysis.

Residential Development	Type of Unit	Total Units	Bedroom Count	Starting Average Rents/Prices	Tenure
	Garden Apartment	200	60% 1-br, 40% 2-br	\$1,500/mo. rent	Rental
	Town Center Multi-Family	1,080	60% 1-br, 40% 2-br	\$1,500/mo. rent	Rental
	Village Towns	237	100% 2-br	\$200,000	Owner-occupied
	Village Singles	236	100% 3-br	\$240,000	Owner-occupied
	Large Townhouse(age restricted)	1,849	100% 3-br	\$240,000	Owner-occupied
	Small Townhouse	976	50% 2-br, 50% 3-br	\$230,000	Owner-occupied
	5,000 sq ft Single-Family	120	100% 3-br	\$300,000	Owner-occupied
	8,000 sq ft Single-Family	983	100% 3-br	\$330,000	Owner-occupied
	10,000 sq ft Single-Family	862	60% 3-br, 40% 4-br	\$350,000	Owner-occupied

Non-Residential Development	Type of Development	Square Feet	
	Inline and Town Center Retail	57,000	
	Restaurant	22,000	6,543 Housing Units
	Pharmacy	15,000	
	Route 37 Retail Center	200,000	1,530,000 S.F. of Commercial & Light Industrial
	Fitness Center	6,000	
	Medical Campus	80,000	
	Hotel	100,000	
	Wellness Center	50,000	
	Logistics-Light Industrial	1,000,000	

Assumptions and Inputs: Fiscal Impact Analysis

- All residential units will be leased or sold at market rates. Garden apartments and town center multi-family units will be rented (with an average starting rent of \$1,500 per month), and all other housing units will be owner-occupied. Phase I starting prices for owner-occupied units, as well as bedroom counts, are provided on page three. Purchase prices and rents are inflated at a per annum rate of three-percent (3%).
- Population multipliers are applied to prospective new housing units (renter- and owner-occupied units) to estimate the number of new residents and school-age children, all of whom will affect Township expenditures. New Jersey-based residential multipliers are sourced from David Listokin and Robert Burchell (Rutgers University Bloustein School of Planning and Public Policy), who have developed such population multipliers for New Jersey, as well as other states, on behalf of the U.S. Census Bureau. The age restricted housing units in this project (the 1,849 large townhouse units) do not generate any school age children.
- According to Esri Community Analyst, and based on Census data, the estimated 2015 population of Manchester Township is 42,845. Estimated municipal expenditures for the Township are taken from the adopted 2015 budget and calculated on a per capita basis, resulting in estimated 2015 municipal obligations of \$1,012 per person. A 2.6 percent annual budget increase is assumed, thereafter.

Assumptions and Inputs: Fiscal Impact Analysis

- There are currently 2,970 students enrolled in the Manchester Township school district. According to data found within the 2015/2016 school district budget, expenditures amount to approximately \$15,095 per student. For modeling purposes, and based on projected school budget costs and the projected number of public school students, we assume an average annual per pupil school expenditure of \$16,000 at full project build-out.
- Further, and based on interviews with the school district business administrator and superintendent of schools, it is assumed that 20 percent of school children are in need of some sort of special education services. This analysis assumes that for every 100 new students, 20 will be in need of additional services, with an average additional per pupil cost of \$3,000 annually.

Assumptions and Inputs: Fiscal Impact Analysis

- Based on current New Jersey Department of Education school funding formulas, governing school districts such as Manchester Township, as new students enter the district, additional state funding will be provided to the Manchester School District. For purposes of this model, an average per capita amount is applied for each additional student, based on the current per capita value. Current state school funding and Manchester School District enrollment figures suggest that an annual amount of approximately \$516 is provided for each student, currently. For modeling purposes, and based on challenges predicting future school aid funding, we have elected to hold steady this annual per pupil funding amount over the entirety of fiscal impact modeling period (spanning more than 20 years). We believe such an approach is highly conservative and, likely, understates the true amount of state school aid Manchester Township is likely to receive as additional net new school children enroll within the district.
- Finally, to account for a projected regional decline in school age children over the next 20 years (due to delay in household formations by millennials and younger Gen X adults; and documented lower fertility rates among millennials and younger Gen X adults), we have applied a reduction factor of 0.95 to the number of graduating high school seniors in Phase I, to represent the number of incoming elementary school students during Phase II (elementary school students who would attend Manchester District Schools, absent new development). So, for example, for every 100 students who graduate from high school during the Phase I five-year period, we assume only 95 new students enter elementary school during the Phase II five-year period (thus, mimicking a slight decline in student enrollment over time).

Assumptions and Inputs: Fiscal Impact Analysis

- It is assumed that the Township will build a new elementary school in Phase II of development to accommodate new students. This analysis assumes a school facility of 70,000 square feet, with construction costs of \$200 per square foot (inclusive of furniture, fixtures and equipment), resulting in total costs of \$14 million. It is further assumed that the land for the new school facility will be donated by the developer.
- Starting in Phase II, it is assumed that this development will require additional emergency services personnel as well as a new police department building. It is assumed that the additional personnel required will be: Two full-time police officers per 1,000 new residents;
- It is assumed that the Township will spend an additional \$125,000 per newly hired police officer for salary and benefits in the second phase, and \$150,000 per newly hired police officer in the third and fourth phases. Additionally, for every 10 new officers hired, additional capital costs of \$500,000 are assumed.
- It is assumed that the Township will build a new police department in Phase II of development. The building is assumed to be 10,000 square feet, with construction costs of \$300 per square foot, resulting in total costs of \$3 million.
- It is assumed that the expansion of EMT, fire and public works facilities will be funded through municipal surplus revenues. Land for expansion of said facilities will be contributed by the developer.

Assumptions and Inputs: Fiscal Impact Analysis

- Non-residential uses will generate full- and part-time employment and all net new jobs created are projected to be filled by persons not now currently working in Manchester Township.
- Average employment figures (derived from Urban Land Institute reports) are based on the number of employees per 1,000 square feet or per hotel room. Employment multipliers used in this analysis are:
 - Retail and pharmacy: 3.5 employees per 1,000 square feet
 - Restaurant: 4.5 employees per 1,000 square feet
 - Fitness center: 2 employees per 1,000 square feet
 - Lodging: 0.75 employees per room
 - Medical campus: 2.7 employees per 1,000 square feet
 - Logistics – Light Industrial: 0.25 employees per 1,000 square feet
- There will be an assumed average vacancy rate of five-percent for all non-residential uses.
- Annual rents for commercial and industrial uses are modeled as follows, in Phase I, and assumed to increase at an annual average rate of two-percent: Retail/Entertainment/Dining - \$20.00/s.f.; Office - \$22.00/s.f.; Lodging - \$15.00/s.f.; \$8.00/s.f.

Assumptions and Inputs: Fiscal Impact Analysis

- In addition to New Jersey Department of Education state aid, development-related revenues to Manchester Township and the school district will accrue from local real property taxes. A breakdown of 2015 taxes collected is shown in the chart below and summarized here:
 - Manchester Township real estate: 0.662%
 - School district real estate: 1.358%
 - Hotel tax: 3%

The 2015 Township assessment ratio is 89.36, per on-line data.

Breakdown of Local Taxes

Tax Purpose	Rate	Collecting Jurisdiction	Calculated On
Municipal Purpose	0.652%	Manchester Township	Value of real estate
Municipal Open Space	0.010%	Manchester Township	Value of real estate
Local School District	1.358%	School District	Value of real estate
Hotel	3.0%	Manchester Twp	Room charge revenue

Projected Township Costs: Phase IV (Full Build-Out)

4ward Planning analyzed inputs to calculate the various service and capital costs associated with the proposed new development. Analysis is cumulative for Phases I through IV.

Service Costs

- Per capita spending on residents of the Township is approximately \$1,050. Township spending, however, also applies to those who work in Manchester but do not live there, and it is assumed that 67 percent of the spending is attributed to residents, whereas 33 percent is attributed to non-residents. This means that there will be a service cost of approximately \$703 for each new resident and \$346 for each new employee.
- At full build-out (across all Phases), the development is estimated to generate approximately 15,757 residents.

Police

- At full build-out, the development is estimated to require approximately 28 new police officers.

Primary and Secondary Public School Costs

- At full build-out, the development is estimated to generate approximately 1,91 students. Estimated cumulative new student annual costs are approximately **\$26,599,869**.

Projected Township Costs: Phase IV

Capital Costs

Street/Roadway Maintenance

- Based on an estimated 54 linear miles of cumulative local streets/roads, associated with Phases I through IV development and dedicated to Manchester Township, it is projected that \$2,498,184 in annual maintenance (\$12,645 per mile) and capital reserve funding (\$1,810,278 annually) will be required.

Municipal and School District Buildings

- It is assumed there will be new development-related capital costs for:
 - A new 70,000 s.f. school building (\$200 p.s.f. total construction cost = \$14,000,000)^a
 - A new 10,000 s.f. police station (\$300 p.s.f. total construction cost = \$3,000,000)^b

Summing these costs results in **\$40,765,906** in new Township spending annually associated with Phases I through IV development, in addition to **\$17 million** in one-time capital costs, associated with the development of a new elementary school and construction of a new police station (it is assumed that the capital cost will be financed through issuance of bonds and debt service covered by net new development revenues).

Sources:

^a 2011 Annual School Construction Report, School Planning and Management

^b RS Means, 2014

Projected Township Cost Summary: Phase IV Cumulative

Development Generated Estimated Service Costs: Phase IV Cumulative

	Resident Percent	Worker Non-Resident Percent	Estimated Per Resident Service Cost	Est. per Worker Non-Resident Service Cost		
Estimated 2015 Per Capita Municipal Service Cost:	\$1,050	67%	33%	\$703	\$346	
Estimated 2015 Per Pupil Public School Expenditure:	\$15,000					
		Estimated Percent New	Number New	Est. New Service Costs	New School Expenditures	Sub Totals
Development Generated Population:	15,757	100%	15,757	<u>\$11,083,885</u>		<u>\$37,683,754</u>
Total Public School Age Children:	1,791	100%	1,791		<u>\$26,599,869</u>	
Total Public Elementary School Children:	1,074	100%	1,074		\$25,525,127	
Total Public Junior High School Children:	382	100%	382			
Total Public High School Children:	335	100%	335			
Total Special Needs Children:	358	80%	358		\$1,074,742	
		Non-Resident Jobs Factor	Estimated Non-Resident Jobs	Est. New Service Costs		
Development Generated Employment:	1,686	1.00	1,686	<u>\$583,967</u>		<u>\$583,967</u>
Retail/Dining/Entertainment:	1,057	1.00	1,057	\$366,214		\$366,214
Office:	229	1.00	229	\$79,167		\$79,167
Industrial:	250	1.00	250	\$86,616		\$86,616
Lodging:	150	1.00	150	\$51,970		\$51,970
			New Const. Cost/Mile/SF	Maintenance Cost/Mile/SF	Annual Capital Reserve	
Development Generated Infrastructure	Miles	S.F.				
Roads:	54			\$12,645	\$1,810,278	\$2,498,184
Water & Sewer:						
Parks:						
Projected Total New Public Costs:						\$40,765,906

Projected Revenues: Phase IV Cumulative

New revenues for Manchester Township and the school district consist of taxes levied on property and aid from the New Jersey Department of Education.

Projected cumulative revenues (Phases I through IV) associated with the development amount to **\$45,108,994** annually, broken down as follows:

- Manchester Township: \$14,555,195
- School District: \$30,553,799

Net Fiscal Impacts: Phase IV

Based on the foregoing analysis, and shown in the table at right, at full build-out, there is expected to be a positive annual net fiscal impact of approximately **\$4.3 million** related to the proposed development.

Summary of Annual Net Fiscal Impact Findings: Phase IV

Net Annual Fiscal Impacts	\$4,343,088
Projected Service Costs	\$40,765,906
Public Schools	\$26,599,869
Township Services	\$11,667,852
Roads, Sewers & Parks	\$2,498,184
Projected Net New Revenues	\$45,108,994
Tax Revenues (Township)	\$14,555,195
Tax Revenues (School District)	\$30,553,799

4ward Planning Inc., 2015

Appendices

ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™



Heritage Fiscal Impact Analysis Population Projections: Phase IV

Renter-Occupied Units	Totals	Renter-Occupied Units	Total Persons	Total PSAC	K-6	7-9	10-12
Garden Apartment	200	Garden Apartment	376	33	22	6	5
1 br	120	1 br	186	7	5	1	1
2 br	80	2 br	190	26	17	5	4
3 br	-	3 br	-	-	-	-	-
TC Multi-Family	1,080	TC Multi-Family	2,033	177	117	32	28
1 br	648	1 br	1,004	39	26	6	6
2 br	432	2 br	1,028	138	91	26	22
3 br	-	3 br	-	-	-	-	-
	1,280		2,409	210	138	38	33
Owner-Occupied Units	Totals	Owner-Occupied Units	Total Persons	Total PSAC	K-6	7-9	10-12
Village Towns and Singles	473	Village Towns and Singles	1,097	125	73	28	24
Towns:2 br	237	Towns:2 br	471	33	21	5	7
Singles:3 br	237	Singles:3 br	627	92	52	24	17
Large Townhouse	1,849	Large Townhouse	3,458				
3 br	1,849	3 br	3,458				
4 br	-	4 br	-	-	-	-	-
Small Townhouse	976	Small Townhouse	2,733	356	190	78	88
2 br	488	2 br	971	68	44	10	15
3 br	488	3 br	1,762	288	146	68	73
Single-Family	1,965	Single-Family	6,060	1,100	672	237	191
3 br	1,620	3 br	4,812	810	486	178	146
4 br	345	4 br	1,248	289.63	186	59	45
	5,263		13,348	1,581	936	343	302
TOTAL*	6,543		15,757	1,791	1,074	382	335

Commercial Rent Assumptions: Phase I

<u>Category</u>	<u>Annual NNN Rent/S.F.</u>	<u>Cap Rate</u>
Retail/Entertainment/Dining	\$20.00	8.5%
Office	\$22.00	8.0%
Lodging	\$15.00	9.0%
Logistics/Light Industrial	\$ 8.00	8.0%
Multi-family Rental	NA	7.0%

Note: For simplicity, estimated annual net operating income (NOI) is derived by using a 0.65 factor multiplied against gross annual rents. The resultant value is then divided by the appropriate capitalization (CAP) rate to arrive at an estimated market value, against which a real property tax levy can be calculated.

Commercial Rent Assumptions: Phase II

<u>Category</u>	<u>Annual NNN Rent/S.F.</u>	<u>Cap Rate</u>
Retail/Entertainment/Dining	\$22.00	8.5%
Office	\$24.20	8.0%
Lodging	\$16.50	9.0%
Logistics/Light Industrial	\$ 8.80	8.0%
Multi-family Rental	NA	7.0%

Note: For simplicity, estimated annual net operating income (NOI) is derived by using a 0.65 factor multiplied against gross annual rents. The resultant value is then divided by the appropriate capitalization (CAP) rate to arrive at an estimated market value, against which a real property tax levy can be calculated.

Commercial Rent Assumptions: Phase III

<u>Category</u>	<u>Annual NNN Rent/S.F.</u>	<u>Cap Rate</u>
Retail/Entertainment/Dining	\$24.20	8.5%
Office	\$26.62	8.0%
Lodging	\$18.15	9.0%
Logistics/Light Industrial	\$ 9.68	8.0%
Multi-family Rental	NA	7.0%

Note: For simplicity, estimated annual net operating income (NOI) is derived by using a 0.65 factor multiplied against gross annual rents. The resultant value is then divided by the appropriate capitalization (CAP) rate to arrive at an estimated market value, against which a real property tax levy can be calculated.

Commercial Rent Assumptions: Phase IV

<u>Category</u>	<u>Annual NNN Rent/S.F.</u>	<u>Cap Rate</u>
Retail/Entertainment/Dining	\$26.62	8.5%
Office	\$29.28	8.0%
Lodging	\$19.97	9.0%
Logistics/Light Industrial	\$10.65	8.0%
Multi-family Rental	NA	7.0%

Note: For simplicity, estimated annual net operating income (NOI) is derived by using a 0.65 factor multiplied against gross annual rents. The resultant value is then divided by the appropriate capitalization (CAP) rate to arrive at an estimated market value, against which a real property tax levy can be calculated.



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