Peter G. Steck
Community Planning Consultant
P. O. Box 306, 80 Maplewood Avenue, Maplewood, New Jersey 07040
(973) 762-6568
Fax 762-5457
Steckplan@AOL.COM

FISCAL IMPACT ANALYSIS
PROPOSED REZONING FOR COMMERCIAL DEVELOPMENT
LOTS 2 & 3 IN BLOCK 2802
GRAND AVENUE WEST, MERCEDES DR. & PHILLIPS PKWY.
AND FOR MT. LAUREL HOUSING
LOTS 3 & 5 IN BLOCK 1002
SUMMIT AVENUE
BOROUGH OF MONTVALE

Prepared on behalf of:

Montvale Development Associates, LLC

At the request of:

Antimo A. DelVecchio, Esq.
Beattie Padovano, LLC
50 Chestnut Ridge Road, Suite 208
Montvale, New Jersey 07645-0244
(201) 799-2149

Peter G. Steck, P.P.
N. J. Planner License No. 1776
April 5, 2013

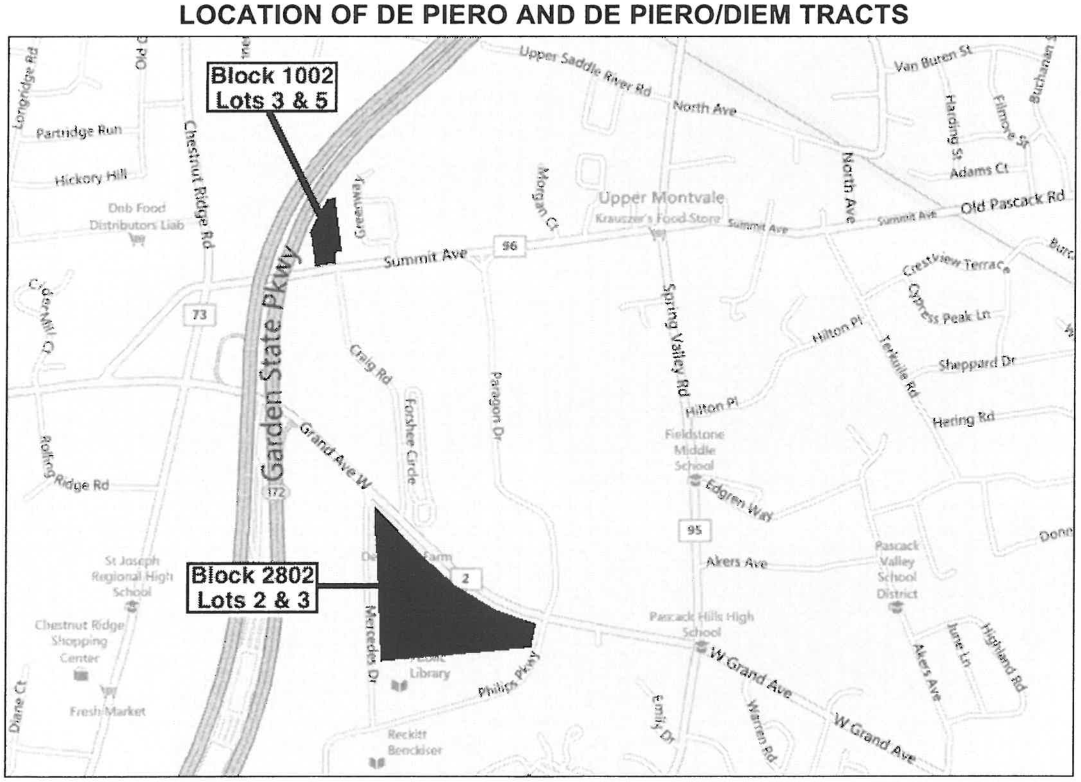
INTRODUCTION AND SUMMARY OF CONCLUSIONS

A request is being made to rezone two tracts in the Borough of Montvale to accommodate new commercial development and mandated low and moderate income housing. Zoning for commercial development is proposed for the 25.79 acre Elaine & Edward De Piero tract on Grand Avenue West, Mercedes Drive and Phillips Parkway and zoning for multifamily residential development is proposed for the 3.2 acre De Piero and Diem properties on Summit Avenue. The rezoning of both tracts is being promoted as one planned unit development that links the low and moderate income or "Mt. Laurel" housing with the commercial development.

This Fiscal Impact Analysis describes the local budgetary consequences of the requested rezoning. It compares the fiscal impacts of the proposed commercial rezoning with the existing AH-8 residential zoning on the Grand Avenue West De Piero tract. Upon analysis it is concluded that the proposed commercial rezoning produces a significantly greater surplus of revenue over costs than the existing residential zone. The requested commercial rezoning is likely to yield a surplus of an estimated $396,310 per year while the existing inclusionary residential zone is likely to yield a deficit of an estimated $488,713 per year. The difference between these two scenarios is $888,023.

The purpose of this analysis is to assist the Montvale Borough Council and the Planning Board in evaluating the merits of the requested rezoning. The analysis is being prepared on behalf of Montvale Development Associates, LLC, the developer seeking the rezoning.

PLATE I
LOCATION OF DE PIERO AND DE PIERO/DIEM TRACTS



BACKGROUND INFORMATION

The De Piero tract on Grand Avenue West is currently zoned AH-8, and at a density of 8 dwelling units per acre would produce 128 units of market rate housing plus 32 units of low and moderate income housing for a total of 160 multi-family units. The low and moderate income housing component would be split equally between low income units and moderate income units and would likely consists of 5 one-bedroom units, 22 two-bedroom units, and 5 three-bedroom units in accordance with the standards of the New Jersey Council on Affordable Housing (COAH). All of the units, both market rate and affordable, would be rental units.

The rezoning promoted by Montvale Development Associates, LLC would shift the 32 units of low and moderate income housing to the De Piero / Diem site on Summit Avenue (Lots 3 and 5 in Block 1002) and replace the 128 units of market rate housing with commercial development on Grand Avenue West (Lots 2 and 3 in Block 2802). As currently contemplated, the commercial development would consist of a lifestyle center totaling 224,000 square feet of floor area, the major component of which would be a 140,000 square foot supermarket.

DESCRIPTION OF FISCAL IMPACT ANALYSIS

The purpose of the Fiscal Impact Analysis is to gage the impact of development on the school budget and the municipal services budget under the existing AH-8 Zoning compared with development under the proposed planned unit development rezoning. Under either scenario, the Borough is obligated to accommodate 32 units of low and moderate income housing. Because the fiscal impact of the 32 units of "Mt. Laurel" housing is the same for each alternative, the nub of the evaluation are the impacts of the market rate housing or commercial development with respect to offsetting the costs associated with the low and moderate income housing.

The fiscal analysis technique selected is the "per capita" method described in the Development Impact Assessment Handbook, published by the Urban Land Institute in 1994 [Catalogue No. D86]. After estimating the tax revenues generated for education and for municipal services by each alternative, the costs associated with educational and municipal services are then deducted yielding the net revenue. It is expected that the low and moderate income housing component applicable to both scenarios would yield a negative fiscal impact by itself. Also expected is that the commercial development alternative would produce more than sufficient tax revenues to cover the negative fiscal impacts of the low and moderate income housing. Retaining the existing zoning is found to generate insufficient revenue to cover the costs associated with the low and moderate income housing.

ESTIMATED REAL ESTATE TAX REVENUES

With Montvale having recently completed a reassessment, it is assumed that the current market value of a development is identical to the assessed value. Hence, the current tax rate of $1.726 per $100 of assessed value is applied to market or assessed values to calculate the annual real estate tax revenue generated by a development. The components of the current real estate tax rate are shown on Table I in columns A and B. The focus of this Fiscal Impact Analysis is on the locality, and hence the revenues predicted are only for school purposes and for municipal services such as police, fire, administration, and the like. The fiscal impact on Bergen County or other tax categories are not analyzed.

The market and assessed value of the low and moderate income rental housing (the same in both scenarios) is estimated at a total of $1,440,000 for the 32 units based on an average of $45,000 per unit. [32 units x $45,000/unit = $1,440,000] This value is also felt to be representative of new affordable multifamily rental units in Bergen County.

The assessed value of the market rate rental housing is estimated at a total of $25,600,000 based on an average of $200,000 per unit. [128 units x $200,000/unit = $25,600,000] This value is also felt to be representative of new multifamily market-rate rental units.*

The assessed value of the commercial development alternative is estimated at $56,000,000 based on $250 per square foot of floor area and represents a composite of both land and improvement values. [224,000 sq. ft. x $250/sq. ft. = $56,000,000] Columns C, E and E in Table I show the allocation of tax revenues for the different land uses.

TABLE I
DISTRIBUTION OF COMMERCIAL REAL ESTATE TAX REVENUE

A TAX RATE	B PERCENT DISTRIBUTION	C Low & Mod. Housing $1,440,000	D Market Rate Housing $25,600,000	E Commercial $56,000,000
0.207 Bergen County Tax	11.99%	$2,981	$52,992	$115,920
0.003 County Open Space	0.17%	$43	$768	$1,680
0.004 Municipal Open Space	0.23%	$58	$1,024	$2,240
0.031 Municipal Library	1.80%	$446	$7,936	$17.360
1.059 School Tax	61.36%	$15,249	$271,104	$593,040
0.422 Municipal Services	24.45%	$6,077	$108,032	$236,320
1.726 Total Tax Rate/Revenue	**100.00%**	**$24,854**	**$441,856**	**$966,560**

---

* The approximate market value of $200,000 per unit is based on a sampling of other rental projects in Bergen County which were considered to be similar for the purposes of estimating fair market value.

ESTIMATED SCHOOL COSTS

The New Jersey Department of Education website references budgeted costs per pupil for the 2010-2011 school year as reported by the individual districts. For Pascack Valley High, a per pupil budgeted expenditure of $16,958 was recorded and, for Memorial and Fieldstone Middle schools in Montvale, a budgeted per pupil expenditure of $11,345 was recorded. For the purposes of this Fiscal Impact Analysis a blended per pupil expenditure of $14,000 was utilized.

The next step in the analysis is to estimate the number of public school age children associated with the two types of dwelling units. The November 2006 publication "Who Lives in New Jersey Housing? A Quick Guide to New Jersey Residential Demographic Multipliers" by Dr. David Listokin of Center for Urban Policy Research provides comprehensive multipliers for different types of market-rate housing and a more limited estimate for types of low and moderate income housing.

Table II below displays the multipliers utilized in predicting that the 32 low and moderate income units would generate a total of 88 persons, 21 of whom would be public school age children. Also shown is the prediction that the 128 units of market rate housing would generate 267 persons, 15 of whom would be expected to be public school age children.

TABLE II
DEMOGRAPHIC MULTIPLIERS

Residential Unit Type	**Multiplier x Units = Total Persons**	**Multiplier x Units + Total Public School Age Children**
Low and Moderate Units		
1-bedroom	1.61 x 5 Units = 8 Persons	0.14 x 5 Units = 1 Child
2-bedroom	2.76 x 22 Units = 61 Persons	0.62 x 22 Units = 14 Children
3-bedroom	3.82 x 5 Units = 19 Persons	1.27 x 5 Units = 6 Children
	TOTAL 88 Persons	TOTAL 21 Children
Market Rate		
2-bedroom	**2.107 x 128 Units = 267 Persons**	**0.115 x 128 Units = 15 Children**

Note: A different bedroom mix of market rate units would be expected to generate different totals of persons and public school age children.

Using these statistics, the educational costs associated with the two different types of multifamily housing units can be estimated. At a blended average of $14,000 per student, the low and moderate income units would result in an annual educational cost of $294,000 [$14,000/student x 21 students = $294,000]. Similarly, the market rate housing alternative would result in an annual educational cost of $210,000 [$14,000/student x 15 students = $210,000].

Finally, it is noted that because the commercial development would generate no school age children, there would be no educational costs associated with the nonresidential rezoning alternative requested by Montvale Development Associates, LLC.

ESTIMATED MUNICIPAL SERVICE COSTS

Somewhat more complicated is the estimate of per capita municipal service costs associated with different types of land uses. The Development Impact Assessment Handbook of the Urban Land Institute prescribes a method for partitioning municipal budget expenditures according to the types of land uses selected.

Municipal services attributed to commercial and industrial land uses are applied on a per employee basis, and municipal services to residential land uses are applied on a per resident basis. The portion of the municipal budget (derived from property taxes) associated with nonresidential land uses is estimated by the average of two ratios: 1) the ratio of the assessed value of commercial and industrial ratables to the value of total ratables and 2) the ratio of the number of commercial and industrial parcels to the total number of parcels.

Similarly, the portion of the municipal budget (derived from property taxes) associated with residential land uses is calculated by the average of 1) the ratio of the value of residential ratables to the total ratable value and 2) the ratio of the number of residential parcels to the total number of parcels. Table III contains the most recent reassessment data for the Borough.

TABLE III
MONTVALE REAL ESTATE TAX 2013 ASSESSEMENT DATA

TAX CLASSIFICATION	NUMBER OF PARCELS	ASSESSED VALUE
1 Vacant Land	80	$17,528,900
2 Residential (1 & 2 family)	2,714	$1,392,232,300
3A Farm (Regular)	3	$1,939,100
3B Farm (Qualified)	8	$32,400
4A Commercial	120	$548,371,000
4B Industrial	6	$15,138,100
4C Apartment	1	$17,653,000
6A LCL Tel. Exch.	0	$2,735,012
TOTAL	**2,932**	**$1,995,629,812**

Source: 2013 reassessment data from website:
http://www.asinj.com/revaluation/docs/taximpact/265/MontvaleTax%20Impact%20Study.pdf

Note: Using the 2012 distribution of parcels and assessed values results in only minor changes to the percentages of the local budget allocated to commercial and residential land uses. The 2012 distribution reduces the portion of the budget allocated to persons employed in the Borough from 16.27% to 14.76% and increases the portion of the budge allocated to residential land uses from 81.73% to 82.19%.

Using the 2013 data in Table III, the calculations result in an estimated 16.27% of the Montvale budget associated with services to persons employed within the Borough (categories 4A and 4B). With residential land uses (categories 2, 3A, and 4C), it is estimated that 81.73% of the Montvale budget is associated with services to residents as calculated below:

Commercial and Industrial Assessments

$$\frac{\$548{,}371{,}000+\$15{,}138{,}100}{\$1{,}995{,}629{,}812} = 0.2824 \qquad \frac{120+6}{2{,}932} = 0.0430 \qquad \frac{28.24\% + 4.30\%}{2} = 16.27\%$$

Residential Assessments

$$\frac{\$1{,}392{,}232{,}300+\$1{,}939{,}100+\$17{,}653{,}012}{\$1{,}995{,}629{,}812} = 0.7075 \qquad \frac{2714+3+1}{2{,}932} = 0.9270 \qquad \frac{70.75\% + 92.70\%}{2} = 81.73\%$$

The portion of the current municipal budget derived from property taxes is $10,408,821. Applying the nonresidential multiplier of 16.27% yields an allocation of $1,693,515 in costs to employees in the Borough. With an estimated 10,000 employees in Montvale, the per employee municipal service cost is $169 per year.

Applying the residential land use multiplier of 81.73% to the $10,408,821 portion of the budget yields an allocation of $8,507,129 for services associated with residents of the Borough. With a 2010 U. S. Census population of 7,844 persons, the per resident municipal service cost is estimated at $1,085 per year.

The final step in estimating municipal service costs by land use category is the application of the estimated per employee and per resident multipliers to the estimated number of employees and residents in each of the land use types. Employment in the commercial rezoning alternative is estimated at 300 equivalent full-time employees for the supermarket and one employee per 1,000 square feet of floor area for the remaining 84,000 square feet of commercial space. Hence, the 224,000 square feet anticipated by the requested rezoning would produce a total of 384 employees at full buildout. At $169 per employee, the commercial component would be associated with an annual municipal service cost of $64,896 [384 x $169/employee = $64,896].

Using the residential multipliers in Table II, the 88 residents associated with the low and moderate income housing would be associated with an annual municipal service cost of $95,480 based on $1,085 per resident. Similarly, the 267 residents associated with the market rate housing alternative would be associated with an annual municipal service cost of $289,695 based on $1,085 per resident.

COMPARISON OF REVENUES AND COSTS

The costs of educational and municipal services associated with low and moderate income rental housing as well as the market rate rental housing are found to exceed the real estate tax revenues generated. This results in a substantial deficit. As shown on Table IV, retaining the existing AH-8 Zoning would result in a net deficit of $368,154 per year for the affordable housing and a net deficit of $120,559 per year for the market rate rental housing yielding a total annual deficit of $488,713.

The results are different under the proposed zoning. Where commercial development replaces the market rate housing, a surplus of revenue over costs would occur. The substantial commercial development surplus of $764,464, even with the deduction of the affordable housing component of $120,559, would generate an annual surplus of $643,905.

TABLE IV
32 LOW AND MODERATE INCOME HOUSING UNITS

Land Use Type	**Budget Component**	**A Revenue**	**B Costs**	**A-B +Surplus or** -Deficit
Low & Moderate Income Housing	Municipal Services	$6,077	$95,480	-$89,403
	Schools	$15,249	$294,000	-$278,751
	Total	$21,326	$389,480	-$368,154

MARKET RATE HOUSING ON LOTS 2 & 3 IN BLOCK 2802

Land Use Type	**Budget Component**	**A Revenue**	**B Costs**	**A-B** +**Surplus or** –Deficit
Market Rate Housing	Municipal Services	$108,032	$289,695	-$181,663
	Schools	$271,104	$210,000	**+$61,104**
	Total	$379,136	$499,695	**-$120,559**

COMMERCIAL DEVELOPMENT ON LOTS 2 & 3 IN BLOCK 2802

Land Use Type	**Budget Component**	**A Revenue**	**B Costs**	**A-B +Surplus or** –Deficit
Commercial	Municipal Services	$236,320	$64,896	**+$171,424**
	Schools	$593,040	$0	**+$593,040**
	Total	$829,360	$64,896	**+$764,464**

FARMLAND ASSESSMENT ROLLBACK

Upon abandonment of the agricultural use on Lots 2 and 3 in Block 2802, there would be a rollback of taxes in accordance with the New Jersey Farmland Assessment Act resulting in a one-time tax revenue infusion. The rollback would be based on the year that the agricultural use was terminated as well as the prior two years. As an estimate of the positive impact, the 19 acres removed from farmland assessment would cause the assessed value to increase from $1,000 per acre to $500,000 per acre for the year of abandonment as well as for the prior two years. This would result in a one-time real estate tax payment of $490,926.*

Lot 5 in Block 1002 at 159 Summit Avenue is also assessed as agricultural land. Upon abandonment of that agricultural use, the rollback is estimated to yield approximately $7,580 per year for a three-year total of $22,740.**

In summary, should the requested rezoning be implemented, the resultant development of both tracts would result in a one-time tax revenue infusion of $513,666. Of this total, $315,185 would be allocated to educational purposes and $125,591 would be allocated to general municipal revenues.

---

* Lots 2 and 3 in Block 2802 farmland assessment rollback:
Assessed value change from cessation of farm use: $500,000/acre - $1,000/acre = $499,000/acre.
Total change in assessed value: 19 acres x $499,000/acre = $9,481,000.
Real estate tax revenue: 1.726 x $9,481,000/$100 = $163,642
Real estate tax revenue per year $163,642 x 3 years = $490,926.
(Assuming a constant tax rate for the three years)

** Lot 5 in Block 1002 farmland assessment rollback
Assessed value change from cessation of farm use: $245,000/acre - $1,000/acre = $244,000/acre.
Total change in assessed value: 1.8 acres x $244,000 = $439,200.
Real estate tax revenue: 1.726 x $439,200/$100 = $7,580
Real estate tax revenue per year $7,580 x 3 years = $22,740.
(Assuming a constant tax rate for the three years)