



# TOWNSHIP OF BERKELEY HEIGHTS

ESTIMATED TAX IMPACT RELATED TO  
REDEVELOPMENT OF MUNICIPAL COMPLEX

AUGUST 4, 2015

## MANDATE:

- ▶ To develop a simple, reasonably accurate estimated homeowner property tax impact analysis based on the following two (2) scenarios:
  - ▶ SCENARIO #1 - Construction of a new municipal complex on Park Avenue with townhouses being developed on Hamilton Avenue (Concept Plan 2)
  - ▶ SCENARIO #2 - Construction of a new municipal complex on Park Avenue without consideration of Hamilton Avenue

## QUESTIONS:

- ▶ Will the Township proceed under Redevelopment Law?
- ▶ Will the Township issue Serial Bonds or Bond Anticipation Notes?
- ▶ What will be the duration (life) of the instruments?
- ▶ What are the estimated interest rates of these instruments?
- ▶ What is the estimated financial impact on the average residence?
  - ▶ With Hamilton Avenue project
  - ▶ Without Hamilton Avenue project

## ASSUMPTIONS:

- ▶ Will the Township proceed under Redevelopment Law?
  - ▶ Yes.
- ▶ Will the Township issue Serial Bonds or Bond Anticipation Notes?
  - ▶ Bond Anticipation Notes followed by Serial Bonds
- ▶ What will be the duration (life) of the instruments?
  - ▶ BANs - 7 years                      Bonds - 20 years
- ▶ What are the estimated interest rates of these instruments?
  - ▶ BANs - 0.65%                      Bonds - 3.75%

SCENARIO #1

PARK AVENUE MUNICIPAL COMPLEX

WITH

TOWNHOUSES AT HAMILTON AVENUE

(CONCEPT PLAN 2)

## SCENARIO #1 ASSUMPTIONS:

▶ What is the Township's Estimated Net Project Cost?

▶ Net Cost of Land Purchase + Cost of Construction - Sale of Land

▶ Net Cost of Land Purchase	\$ 2,845,000
▶ Estimated Cost of Park Ave Municipal Complex	27,234,000
▶ Estimated Hamilton Ave Sale Price	<u>(10,000,000)</u>
▶ Estimated Net Project Cost	\$ 20,079,000

# SCENARIO #1 ASSUMPTIONS:

## ► Bond Anticipation Notes

Estimated Net Project Cost		20,079,000			
Estimated Interest Rate		0.65%			
Estimated Useful Life of Ord.		30 Years			
Estimated Minimum Pay Down		340,322 *			
Year		Balance	Principal	Interest	Total
2016		20,079,000		130,514	130,514
2017		19,729,000	350,000	128,239	478,239
2018		19,379,000	350,000	125,964	475,964
2019		18,654,000	725,000 *	121,251	846,251
2020		17,554,000	1,100,000	114,101	1,214,101
2021		16,429,000	1,125,000	106,789	1,231,789
2022		15,304,000	1,125,000	99,476	1,224,476

# SCENARIO #1 ASSUMPTIONS:

## ▶ Serial Bonds

Total Debt Authorized		15,304,000		
Estimated Interest Rate		3.75%		
Year	Balance	Maturity	Interest	Total
2023	15,304,000	600,000	573,900	1,173,900
2024	14,704,000	600,000	551,400	1,151,400
2025	14,104,000	625,000	528,900	1,153,900
2026	13,479,000	625,000	505,463	1,130,463
2027	12,854,000	650,000	482,025	1,132,025
2028	12,204,000	650,000	457,650	1,107,650
2029	11,554,000	675,000	433,275	1,108,275
2030	10,879,000	700,000	407,963	1,107,963
2031	10,179,000	700,000	381,713	1,081,713
2032	9,479,000	725,000	355,463	1,080,463
2033	8,754,000	750,000	328,275	1,078,275
2034	8,004,000	750,000	300,150	1,050,150
2035	7,254,000	800,000	272,025	1,072,025
2036	6,454,000	850,000	242,025	1,092,025
2037	5,604,000	875,000	210,150	1,085,150
2038	4,729,000	900,000	177,338	1,077,338
2039	3,829,000	925,000	144,471	1,069,471
2040	2,904,000	950,000	108,900	1,058,900
2041	1,954,000	975,000	73,275	1,048,275
2042	979,000	979,000	36,713	1,015,713



## SCENARIO #1 ESTIMATED TAX IMPACT:

- ▶ Estimated Tax impact on average assessed residence:

- ▶ Increase of approximately \$70

- ▶ Note: Based upon average assessed home value of \$308,100. This represents a corresponding equalized assessed value or “fair market value” of \$550,179.

- ▶ To calculate your individual tax impact, multiply your “fair market value” by 56% to get your assessed value. Then, multiply your assessed value by a factor of 0.00022 (i.e. - a home with a “fair market value” of \$450,000 has an assessed value of  $\$252,000 \times 0.00022 = \$55.44$ )

SCENARIO #2

PARK AVENUE MUNICIPAL COMPLEX

WITH

NOTHING AT HAMILTON AVENUE

## SCENARIO #2 ASSUMPTIONS:

▶ What is the Township's Estimated Net Project Cost?

▶ Net Cost of Land Purchase + Cost of Construction - Sale of Land

▶ Net Cost of Land Purchase	\$	-0-
▶ Estimated Cost of Park Ave Municipal Complex		27,234,000
▶ Estimated Hamilton Ave Sale Price		<u>( -0- )</u>
▶ Estimated Net Project Cost	\$	27,234,000

## SCENARIO #2 ASSUMPTIONS:

### ► Bond Anticipation Notes

Estimated Net Project Cost		27,234,000			
Estimated Interest Rate		0.65%			
Estimated Useful Life of Ord.		30 Years			
Estimated Minimum Pay Down		461,593	*		
Year	Balance	Principal		Interest	Total
2016	27,234,000			177,021	177,021
2017	25,984,000	1,250,000		168,896	1,418,896
2018	24,734,000	1,250,000		160,771	1,410,771
2019	23,484,000	1,250,000	*	152,646	1,402,646
2020	22,234,000	1,250,000		144,521	1,394,521
2021	20,984,000	1,250,000		136,396	1,386,396
2022	19,684,000	1,300,000		127,946	1,427,946

# SCENARIO #2 ASSUMPTIONS:

► Serial Bonds

Total Debt Authorized		19,684,000			
Estimated Interest Rate		3.75%			
Year	Balance	Maturity	Interest	Total	
2023	19,684,000	750,000	738,150	1,488,150	
2024	18,934,000	775,000	710,025	1,485,025	
2025	18,159,000	800,000	680,963	1,480,963	
2026	17,359,000	825,000	650,963	1,475,963	
2027	16,534,000	850,000	620,025	1,470,025	
2028	15,684,000	875,000	588,150	1,463,150	
2029	14,809,000	900,000	555,338	1,455,338	
2030	13,909,000	925,000	521,588	1,446,588	
2031	12,984,000	950,000	486,900	1,436,900	
2032	12,034,000	975,000	451,275	1,426,275	
2033	11,059,000	1,000,000	414,713	1,414,713	
2034	10,059,000	1,025,000	377,213	1,402,213	
2035	9,034,000	1,050,000	338,775	1,388,775	
2036	7,984,000	1,075,000	299,400	1,374,400	
2037	6,909,000	1,100,000	259,088	1,359,088	
2038	5,809,000	1,125,000	217,838	1,342,838	
2039	4,684,000	1,150,000	168,096	1,318,096	
2040	3,534,000	1,175,000	132,525	1,307,525	
2041	2,359,000	1,200,000	88,463	1,288,463	
2042	1,159,000	1,159,000	43,463	1,202,463	

## SCENARIO #2 ESTIMATED TAX IMPACT:

- ▶ Estimated Tax impact on average assessed residence:

- ▶ Increase of approximately \$240

- ▶ Note: Based upon average assessed home value of \$308,100. This represents a corresponding equalized assessed value or “fair market value” of \$550,179.

- ▶ To calculate your individual tax impact, multiply your “fair market value” by 56% to get your assessed value. Then, multiply your assessed value by a factor of 0.00077 (i.e. - a home with a “fair market value” of \$450,000 has an assessed value of \$252,000 x 0.00077 = \$194.04)

QUESTIONS