

# Redevelopment

And Parking's Role in the Process

# Municipal Economics

- Available Strategies
  - Increase the Tax Base
  - Increase Efficiency
  - Redistribute Obligations
  - Eliminate Services or Defer Maintenance

# Tax Base History

	<u>Nominal</u>	<u>Equal.</u>	<u>Equal.</u>	<u>Total Equalized</u>	<u>Municipal</u>	<u>Total Muni.</u>	<u>Total</u>
<u>Year</u>	<u>Tax Rate</u>	<u>Ratio</u>	<u>Tax Rate</u>	<u>Valuation</u>	<u>Tax Levy</u>	<u>Spending</u>	<u>Tax Levy</u>
				('000's)	('000's)	('000's)	('000's)
2008	2.190	90.53%	1.983	1,143,441	6,860	12,463	22,546
2009	2.219	89.49%	1.986	1,162,211	7,060	12,170	22,961
2010	2.245	91.92%	2.064	1,131,876	7,144	11,913	23,229
2011	2.307	93.03%	2.146	1,114,440	6,773	11,067	23,795
2012	2.346	95.61%	2.243	1,074,905	7,271	12,007	23,982
2013	2.369	99.39%	2.355	1,026,083	7,292	11,953	24,026
2014	2.423	101.27%	2.454	1,000,937	7,282	13,014	24,423
2015	2.587	95.05%	2.459	1,064,905	7,354	11,829	26,060
2016	2.712	89.89%	2.438	1,111,963	7,506	11,972	26,987
2017	2.662	95.18%	2.534	1,089,487	7,770	12,472	27,472
2018	2.717	88.91%	2.416	1,160,886	7,923	13,167	27,933

<u>% Change</u>	<u>Nominal</u>	<u>Equal.</u>	<u>Equal.</u>	<u>Total Equalized</u>	<u>Municipal</u>	<u>Total Muni.</u>	<u>Total</u>
<u>from 2008</u>	<u>Tax Rate</u>	<u>Ratio</u>	<u>Tax Rate</u>	<u>Valuation</u>	<u>Tax Levy</u>	<u>Spending</u>	<u>Tax Levy</u>
				('000's)	('000's)	('000's)	('000's)
2009	1.32%	-1.15%	0.16%	1.64%	2.92%	-2.35%	1.84%
2010	2.51%	1.54%	4.09%	-1.01%	4.14%	-4.42%	3.03%
2011	5.34%	2.76%	8.25%	-2.54%	-1.27%	-11.20%	5.54%
2012	7.12%	5.61%	13.13%	-5.99%	5.99%	-3.66%	6.37%
2013	8.17%	9.79%	18.76%	-10.26%	6.29%	-4.09%	6.56%
2014	10.64%	11.86%	23.76%	-12.46%	6.15%	4.42%	8.32%
2015	18.13%	4.99%	24.03%	-6.87%	7.21%	-5.09%	15.59%
2016	23.84%	-0.71%	22.96%	-2.75%	9.42%	-3.94%	19.70%
2017	21.55%	5.14%	27.80%	-4.72%	13.26%	0.07%	21.85%
2018	24.06%	-1.79%	21.84%	1.53%	15.49%	5.65%	23.89%

# What A Flat Tax Base Means

- The market value of all taxable real estate in Caldwell in 2018 was only 1.53% more than it was worth in 2008
- The increase in total property taxes during that period was 23.89%; (15.49% increase in municipal taxes)
- With no growth in the tax base, the increase in the tax levy came almost exclusively from higher tax rates, which increased by 21.84% during the same period

# Efficiency Improvements

- Expanded use of shared services
  - Health
  - Borough Clerk
  - Purchasing Agent
  - Assessor
- Personnel Reductions
- Infrastructure Examination

# Redistribution of Obligations

- Expansion of Borough Utilities
  - Water
  - Sewer
  - Community Center
  - Parking
- Concept calls for each business to be self-supporting
- Once achieved, cost of services is borne totally by those who are receiving the services
- Re-Negotiation of Sewer Treatment Plant Obligations
  - Reconciliation of Actual Use of Services
  - Cost recovery for all new capital investments

# Service Eliminations/Deferred Maintenance

- Water Main Replacement
- Sewer Main Replacement
- Street Paving
- Municipal Roof Replacement
  - Borough Hall
  - Community Center
  - Firehouse
  - Library
- Parking Deck Maintenance
- Capital Equipment Replacement
  - Sewer Plant
  - Swimming Pool
  - Emergency Generator

# Conclusion

Because of a stagnant tax base, Caldwell has been unable to keep real tax rates (i.e. the percentage of the market value of the property that the Borough asks its property owners to pay) from rising and has allowed many of its important assets to deteriorate to the point of failure.

In order to minimize the likelihood that these problems will continue, it is critical that Caldwell make every effort to increase its tax base.



# Growing the Tax Base

- **Methods Available**
  - **New Construction on Available Land**
    - Extremely Limited Supply of Land
  - **Rehabilitation of Substandard Buildings**
    - Proposed Use of 5 Year Abatements to Encourage Investment
  - **Redevelopment of Existing Properties**
    - Highest Potential for Significant Impact
  - **Increased Demand for Existing Properties**
    - Improve Desirability of Caldwell to a Larger Audience

# Redevelopment Impact (Example 1)

<u>Current Status</u>				
Property Size (SF)	30,885			
Current Assessed Value	<u>Land</u>	<u>Improve.</u>	<u>Total</u>	
	1,335,800	1,629,900	2,965,700	
2018 Equalization Ratio	88.91%			
Implied 2018 Market Value	1,502,418	1,833,202	3,335,620	
Projected 2022 Value	1,626,266	1,984,317	3,610,583	
2018 Equalized Tax Rate	3.06%			
Projected 2022 Eq. Tax Rate	3.06%			
Projected 2022 Taxes	49,699	60,641	110,339	
<u>Development Potential</u>				
Expected Lot Coverage Ratio	70.00%			<u>Ave. Unit Size</u>
Area per Floor	21,620			800
# Stories	5	<u>Cost/GSF</u>	<u>Total Cost</u>	<u># Units</u>
Total Residential Area	86,478	200	17,295,600	108
Total Retail Area	21,620	150	3,242,925	
Total Improvement Value			20,538,525	
Implied Land Value per GSF	30			
Total Land Value	3,242,925			
Total Projevct Value	23,781,450			
Projected 2022 Taxes	726,761			
Increase in Tax Levy	616,422			

# Redevelopment Impact (Example 2)

<u>Current Status</u>				
Property Size (SF)	20,100			
Current Assessed Value	<u>Land</u>	<u>Improve.</u>	<u>Total</u>	
	938,100	560,100	1,498,200	
2018 Equalization Ratio	88.91%			
Implied 2018 Market Value	1,055,112	629,963	1,685,075	
Projected 2022 Value	1,142,087	681,892	1,823,979	
2018 Equalized Tax Rate	3.06%			
Projected 2022 Eq. Tax Rate	3.06%			
Projected 2022 Taxes	34,902	20,839	55,741	
<u>Development Potential</u>				
Expected Lot Coverage Ratio	70.00%			<u>Ave. Unit Size</u>
Area per Floor	14,070			800
# Stories	5	<u>Cost/GSF</u>	<u>Total Cost</u>	<u># Units</u>
Total Residential Area	56,280	200	11,256,000	70
Total Retail Area	14,070	150	2,110,500	
Total Improvement Value			13,366,500	
Implied Land Value per GSF	30			
Total Land Value	2,110,500			
Total Projevct Value	15,477,000			
Projected 2022 Taxes	472,977			
Increase in Tax Levy	417,236			

# Redevelopment Impact (Example 3)

<u>Current Status</u>				
Property Size (SF)	22,005			
Current Assessed Value	<u>Land</u>	<u>Improve.</u>	<u>Total</u>	
	1,059,000	353,800	1,412,800	
2018 Equalization Ratio	88.91%			
Implied 2018 Market Value	1,191,092	397,930	1,589,023	
Projected 2022 Value	1,289,276	430,733	1,720,009	
2018 Equalized Tax Rate	3.06%			
Projected 2022 Eq. Tax Rate	3.06%			
Projected 2022 Taxes	39,400	13,163	52,563	
<u>Development Potential</u>				
Expected Lot Coverage Ratio	70.00%			<u>Ave. Unit Size</u>
Area per Floor	15,404			800
# Stories	5	<u>Cost/GSF</u>	<u>Total Cost</u>	<u># Units</u>
Total Residential Area	61,614	200	12,322,800	77
Total Retail Area	15,404	150	2,310,525	
Total Improvement Value			14,633,325	
Implied Land Value per GSF	30			
Total Land Value	2,310,525			
Total Projevct Value	16,943,850			
Projected 2022 Taxes	517,804			
Increase in Tax Levy	465,241			

# Redevelopment Impact (Example 4)

<u>Current Status</u>				
Property Size (SF)	17,787			
Current Assessed Value	<u>Land</u>	<u>Improve.</u>	<u>Total</u>	
	700,500	95,100	795,600	
2018 Equalization Ratio	88.91%			
Implied 2018 Market Value	787,875	106,962	894,837	
Projected 2022 Value	852,822	115,779	968,601	
2018 Equalized Tax Rate	3.06%			
Projected 2022 Eq. Tax Rate	3.06%			
Projected 2022 Taxes	26,062	3,538	29,600	
<u>Development Potential</u>				
Expected Lot Coverage Ratio	50.00%			<u>Ave. Unit Size</u>
Area per Floor	8,894			880
# Stories	4	<u>Cost/GSF</u>	<u>Total Cost</u>	<u># Units</u>
Total Residential Area	26,681	200	5,336,100	30
Total Retail Area	4,447	150	667,013	
Total Improvement Value			6,003,113	
Implied Land Value per GSF	30			
Total Land Value	933,818			
Total Projevct Value	6,936,930			
Projected 2022 Taxes	211,993			
Increase in Tax Levy	182,392			

# Redevelopment Impact (Example 5)

<u>Current Status</u>				
Property Size (SF)	21,237			
Current Assessed Value	<u>Land</u>	<u>Improve.</u>	<u>Total</u>	
	1,453,600	2,596,900	4,050,500	
2018 Equalization Ratio	88.91%			
Implied 2018 Market Value	1,634,912	2,920,819	4,555,731	
Projected 2022 Value	1,769,681	3,161,588	4,931,269	
2018 Equalized Tax Rate	3.06%			
Projected 2022 Eq. Tax Rate	3.06%			
Projected 2022 Taxes	54,081	96,618	150,700	
<u>Development Potential</u>				
Expected Lot Coverage Ratio	80.00%			<u>Ave. Unit Size</u>
Area per Floor	16,990			800
# Stories	5	<u>Cost/GSF</u>	<u>Total Cost</u>	<u># Units</u>
Total Residential Area	67,958	200	13,591,680	85
Total Retail Area	16,990	150	2,548,440	
Total Improvement Value			16,140,120	
Implied Land Value per GSF	30			
Total Land Value	2,548,440			
Total Projevct Value	18,688,560			
Projected 2022 Taxes	571,122			
Increase in Tax Levy	420,423			

# Summary of Case Studies

<u>Summary of Case Studies</u>	<u>Current</u>	<u>Projected</u>	<u>Increased</u>		
	<u>Taxes ('22)</u>	<u>Taxes ('22)</u>	<u>Levy</u>	<u>Retail SF</u>	<u># Units</u>
Case 1	110,339	726,761	616,422	21,620	108
Case 2	55,741	472,977	417,236	14,070	70
Case 3	52,563	517,804	465,241	15,404	77
Case 4	29,600	211,993	182,392	4,447	30
Case 5	150,700	571,122	420,423	16,990	85
Total	398,944	2,500,657	2,101,714	72,529	371

# Increasing Demand for Caldwell Property

- Real Estate Values are Directly Related to Supply and Demand
- Redevelopment Will Not Increase Supply of 1 & 2 Family Homes
- Improved Downtown Will Increase Demand (e.g. Red Bank)
  - More and Better Stores
  - Activated Streets and Sidewalks
  - Safe, Convenient and Sufficient Parking
- Increased Demand Will Increase Property Values for Resi & Retail
- Increased Value/Equity Far Greater than Any Resulting Tax Increase



# Parking – Current Supply

<u>Summary of Current Supply</u>	
<u>Location</u>	<u># Spaces</u>
Municipal Lots	323
Bloomfield Avenue Meters	117
Other Meters	92
Total Publicly Available	532
Potential Public Acquisitions	162
Maximum Public Supply	694
Accessory to Specific Uses	548
Total Downtown Parking	1,242

# Garage Numbers

<u>Garage Capital Cost</u>	
Number of Spaces	540
Land Acquisition (Non-Municipal)	1,000,000
Site Work	765,000
Hard Costs	10,499,070
Soft Costs & Contingency	2,750,686
Total Cost	15,014,756
Cost per Space	27,805

<u>Garage Operating Costs</u>		
	<u>Interest</u>	<u>Interest</u>
	<u>Rate: 2%</u>	<u>Rate: 5%</u>
# Spaces	540	540
Capital Recovery Cost per Space	1,241	1,809
Operating Expense per Space	400	400
Total Cost per Year	1,641	2,209
Total Operating Cost	886,408	1,192,731
# Operating Days	300	300
B/E Revenue per Day	5.47	7.36

<u>Impact of Interest Rate Changes</u>			
# Spaces	540		
<u>Interest Rates at 2%</u>			
<u>Principal</u>	<u>Term</u>	<u>Rate</u>	<u>Annual</u>
			<u>Payment</u>
15,014,756.00	30	0.0200	670,407.69
Capital Recovery per Space			1,241.50
<u>Interest Rates at 5%</u>			
<u>Principal</u>	<u>Term</u>	<u>Rate</u>	<u>Annual</u>
			<u>Payment</u>
15,014,756.00	30	0.0500	976,731.43
Capital Recovery per Space			1,808.76

# Other Parking Revenue

<u>Projection of Other Revenue</u>					
<u>Customer Category</u>	<u>Bloomfield</u>	<u>Other</u>	<u>Lots</u>	<u>Lots</u>	<u>Total</u>
	<u>Meters</u>	<u>Meters</u>	<u>Preferred</u>	<u>Rear</u>	
Retail Comm. Off-Peak	117	46	175	0	338
Reatil/Comm. Peak	0	92	175	0	267
Reatial Comm. Empl.	0	46	0	82	128
Residential Full Time	0	0	0	0	0
Residential Overnight	0	92	0	50	142
Commuter	0	0	0	50	50
<b>Total</b>	<b>117</b>	<b>276</b>	<b>350</b>	<b>182</b>	<b>925</b>
<b># Workdays</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>
Average Hours of Use	6.00	4.00	7.00	10.00	
Average Rate per Hour	1.00	0.40	0.70	0.25	
Projected Revenue	210,600.00	132,480.00	514,500.00	136,500.00	994,080.00
Less: Current Revenue					153,000.00
Net Available for Deck					841,080.00

# Rationale for Deck Construction

- Preserving Downtown Character Precludes On-Site Parking for New Projects
- Higher Density Redevelopment Requires Off-Site Parking to be Feasible
- New Residential Will Generate Significant Demand
- Increased Retail Will Require More Parking
- Redevelopers Will Not Consider Investment with Parking Uncertain
- Availability of Safe and Sufficient Parking Permits Regional Marketing of Caldwell as “West Essex Downtown”
- Better Parking Increases Likelihood of Repeat Customers
- Most Favorable Interest Rate Market in History