Highlands Shadowlawn

Financial Agreement

Prepared by:

NW Financial Group, LLC

Exceeding Expectations

Unit Mix and Expected Rents

Market Rate Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	99	887	$ 3,249	$ 3.66	$ 3,860,400
Two Bedroom	124	1,338	$ 4,219	$ 3.15	$ 6,278,400
Three Bedroom	25	1,628	$ 5,000	$ 3.07	$ 1,500,000
Total	**248**	**1,187**	**$ 3,911**	**$ 3.29**	**$11,638,800**

Affordable Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	8	794	$ 1,098	$ 1.38	$ 105,408
Two Bedroom	25	1,044	$ 1,533	$ 1.47	$ 459,900
Three Bedroom	11	1,272	$ 1,875	$ 1.47	$ 247,500
Total	**44**	**1,056**	**$ 1,539**	**$ 1.46**	**$ 812,808**

Parking

Type	Count	Monthly Rent/Space	Monthly Rent	Annual Rent/Space	Annual Rent
Garage	393	$ 125	$ 49,125	$ 1,500	$ 589,500
Total	**393**	**$ -**	**$49,125.00**	**$ -**	**$589,500.00**

KEY DATA

292 Units

256 1BR & 2 BR (87%)

44 Affordable (15%)

393 Parking Spaces

Sources & Uses

Sources	%	Total Cost
Debt	65%	$ 95,747,484
Equity	35%	$ 51,556,338
Total Sources	**100%**	**$147,303,822**

Uses	Per Unit	Per SF	Total Cost
Land	$ 54,795	$ 37.54	$ 16,000,000
Enviro/Ground Improvements	$ 6,891	$ 4.72	$ 2,012,300
Site Cost	$ 36,165	$ 24.78	$ 10,560,140
Hard Cost	$286,877	$ 196.56	$ 83,767,966
Soft Cost	$ 90,320	$ 61.88	$ 26,373,446
Contingency	$ 29,418	$ 20.16	$ 8,589,970
Total	**$504,465**	**$ 345.64**	**$147,303,822**

Developer Returns – Conventional Taxes vs. Negotiated PILOT

Conventional Taxes

		Year 3
Annual Gross Revenue	$	13,243,055
Operating Expenses		2,960,457
Property Taxes		2,551,321
Net Operating Income	**$**	**7,731,277**
Project Value	$	140,568,668
Total Project Cost		147,303,822
Net Project Value	**$**	**(6,735,154)**
IRR - 10 Year Sale		3.06%
Yield on Cost - Year 3		5.25%
Debt Service Coverage Ratio		1.05

PILOT

		Year 3
Annual Gross Revenue	$	13,273,721
Operating Expenses		2,960,457
PILOT + Admin Fee		1,015,440
Net Operating Income	**$**	**9,297,824**
Project Value	$	169,051,349
Total Project Cost		147,303,822
Net Project Value	**$**	**21,747,527**
IRR - 10 Year Sale		7.88%
Yield on Cost - Year 3		6.31%
Debt Service Coverage Ratio		1.27

Projected PILOT Over 30-Year Term

Year	Developer Request	Highlands
1	5.00%	7.50%
2	5.00%	7.50%
3	5.00%	7.50%
4	5.00%	7.50%
5	5.00%	7.50%
6	5.00%	8.00%
7	5.00%	8.00%
8	5.00%	8.00%
9	5.00%	8.00%
10	5.00%	8.00%
11	5.00%	8.50%
12	5.00%	8.50%
13	5.00%	8.50%
14	5.00%	8.50%
15	5.00%	8.50%
16	5.00%	10.00%
17	5.00%	10.00%
18	5.00%	10.00%
19	5.00%	10.00%
20	5.00%	10.00%
21	5.00%	11.50%
22	5.00%	11.50%
23	5.00%	11.50%
24	5.00%	11.50%
25	5.00%	11.50%
26	5.00%	13.00%
27	5.00%	13.00%
28	5.00%	14.00%
29	5.00%	14.00%
30	5.00%	14.00%
Total PILOT	$ 33,268,447	$ 52,235,251

Year	Current Taxes	Borough Share	Gross PILOT	Borough Share	Additional Revenue from PILOT
1	$ 198,000	$ 94,000	$ 291,477	$ 282,732	$ 188,732
2	201,960	95,880	838,263	813,115	717,235
3	205,999	97,798	995,529	965,663	867,866
4	210,119	99,754	1,015,440	984,976	885,223
5	214,322	101,749	1,033,356	1,002,355	900,606
6	218,608	103,784	1,124,291	1,090,562	986,779
7	222,980	105,859	1,146,777	1,112,373	1,006,514
8	227,440	107,976	1,169,712	1,134,621	1,026,644
9	231,989	110,136	1,193,106	1,157,313	1,047,177
10	236,628	112,339	1,216,969	1,180,460	1,068,121
11	241,361	114,585	1,318,890	1,279,323	1,164,738
12	246,188	116,877	1,345,268	1,304,910	1,188,032
13	251,112	119,215	1,372,173	1,331,008	1,211,793
14	256,134	121,599	1,399,616	1,357,628	1,236,029
15	261,257	124,031	1,427,609	1,384,780	1,260,749
16	266,482	126,512	1,713,130	1,661,736	1,535,225
17	271,812	129,042	1,747,393	1,694,971	1,565,929
18	277,248	131,623	1,782,341	1,728,871	1,597,248
19	282,793	134,255	1,817,988	1,763,448	1,629,193
20	288,449	136,940	1,854,347	1,798,717	1,661,777
21	294,218	139,679	2,175,150	2,109,895	1,970,216
22	300,102	142,473	2,218,653	2,152,093	2,009,620
23	306,104	145,322	2,263,026	2,195,135	2,049,813
24	312,226	148,229	2,308,286	2,239,038	2,090,809
25	318,471	151,193	2,354,452	2,283,818	2,132,625
26	324,840	154,217	2,714,785	2,633,342	2,479,125
27	331,337	157,301	2,769,081	2,686,009	2,528,707
28	337,964	160,447	3,041,729	2,950,477	2,790,030
29	344,723	163,656	3,102,564	3,009,487	2,845,830
30	351,617	166,929	3,907,729	3,790,497	3,623,568
Total	**$ 8,032,480**	**$ 3,813,399**	**$ 52,659,127**	**$ 51,079,353**	**$ 47,265,954**

Residents and Public School Children

Type	# of Units	Persons Multiplier	New Persons	Public School Children Multiplier	New Public School Children
1 BR - Market	99	1.551	154	0.004	0
2 BR - Market	124	2.355	292	0.065	8
3 BR - Market	25	3.289	82	0.245	6
Studio - Affordable	0	1.39	0	0.09	0
1 BR - Affordable	8	1.39	11	0.09	1
2 BR - Affordable	27	2.51	68	0.41	11
3 BR - Affordable	9	3.59	32	1.09	10
Total	**292**		**639**		**36**

Multipliers are from “Who Lives in New Jersey Housing – The Profile of Occupants of Residential Development in New Jersey”, a study by the Center for Urban Policy Research at Rutgers University, which was last updated in November 2018.

Residents and Public School Children

Type	# of Units	New Persons	New Municipal Costs	New Public School Children	New School Costs	Total New Costs
1 BR - Market	99	154	$ 49,320	0	$ -	$ 49,320
2 BR - Market	124	292	$ 93,517	8	$ 96,648	$190,164
3 BR - Market	25	82	$ 26,261	6	$ 72,486	$ 98,747
Studio - Affordable	0	0	$ -	0	$ -	$ -
1 BR - Affordable	8	11	$ 3,523	1	$ 12,081	$ 15,604
2 BR - Affordable	27	68	$ 21,778	11	$132,891	$154,668
3 BR - Affordable	9	32	$ 10,248	10	$120,810	$131,058
Total	**292**	**639**	**$ 204,647**	**36**	**$434,915**	**$639,562**

Cost of Classroom Instruction is $15,557 per student with cost municipal sources representing 78%. Model assumes $12,081 per student for expected cost.

Net Benefit to Borough

Year	Borough Share of PILOT		Resident Cost	School Cost	Total Cost	Net Cost		Net Benefit
1	$ 282,732		$ 59,500	$ 129,353	$ 188,853	$ 188,853		$ 93,880
2	813,115		167,761	364,715	532,476	532,476		280,639
3	965,663		205,608	446,996	652,604	652,604		313,059
4	984,976		209,720	455,936	665,656	665,656		319,320
5	1,002,355		213,915	465,054	678,969	678,969		323,386
6	1,090,562		218,193	474,355	692,549	692,549		398,014
7	1,112,373		222,557	483,843	706,400	706,400		405,974
8	1,134,621		227,008	493,519	720,527	720,527		414,093
9	1,157,313		231,548	503,390	734,938	734,938		422,375
10	1,180,460		236,179	513,458	749,637	749,637		430,823
11	1,279,323		240,903	523,727	764,630	764,630		514,694
12	1,304,910		245,721	534,201	779,922	779,922		524,987
13	1,331,008		250,635	544,885	795,521	795,521		535,487
14	1,357,628		255,648	555,783	811,431	811,431		546,197
15	1,384,780		260,761	566,899	827,660	827,660		557,121
16	1,661,736		265,976	578,237	844,213	844,213		817,524
17	1,694,971		271,296	589,801	861,097	861,097		833,874
18	1,728,871		276,722	601,597	878,319	878,319		850,552
19	1,763,448		282,256	613,629	895,885	895,885		867,563
20	1,798,717		287,901	625,902	913,803	913,803		884,914
21	2,109,895		293,659	638,420	932,079	932,079		1,177,816
22	2,152,093		299,532	651,188	950,721	950,721		1,201,372
23	2,195,135		305,523	664,212	969,735	969,735		1,225,400
24	2,239,038		311,633	677,496	989,130	989,130		1,249,908
25	2,283,818		317,866	691,046	1,008,912	1,008,912		1,274,906
26	2,633,342		324,223	704,867	1,029,091	1,029,091		1,604,251
27	2,686,009		330,708	718,965	1,049,673	1,049,673		1,636,336
28	2,950,477		337,322	733,344	1,070,666	1,070,666		1,879,811
29	3,009,487		344,069	748,011	1,092,079	1,092,079		1,917,407
30	3,790,497		350,950	762,971	1,113,921	1,113,921		2,676,576
Total	$51,079,353		$ 7,845,294	$17,055,801	$ 24,901,095	$ 24,901,095		$26,178,259