



Municipality of Princeton

North Harrison Redevelopment Area

Financial Agreements Presentation

August 22, 2022

North Harrison Redevelopment Area

Inclusionary Development Projects

- **The Alice Princeton**

- Terhune Development Urban Renewal LLC, an affiliate of Winn Development Company.
- Project located at the corner of North Harrison Street and Terhune Road.

- **AvalonBay – Princeton Shopping Center**

- Princeton SC Residential Urban Renewal LLC, an affiliate of AvalonBay Communities, Inc.
- Project located at the southern end of the Princeton Shopping Center (existing Walgreens will be relocated adjacent to Harrison Street).



North Harrison Redevelopment Area





WinnCompanies
Development | Residential | Military

North Harrison Redevelopment Area



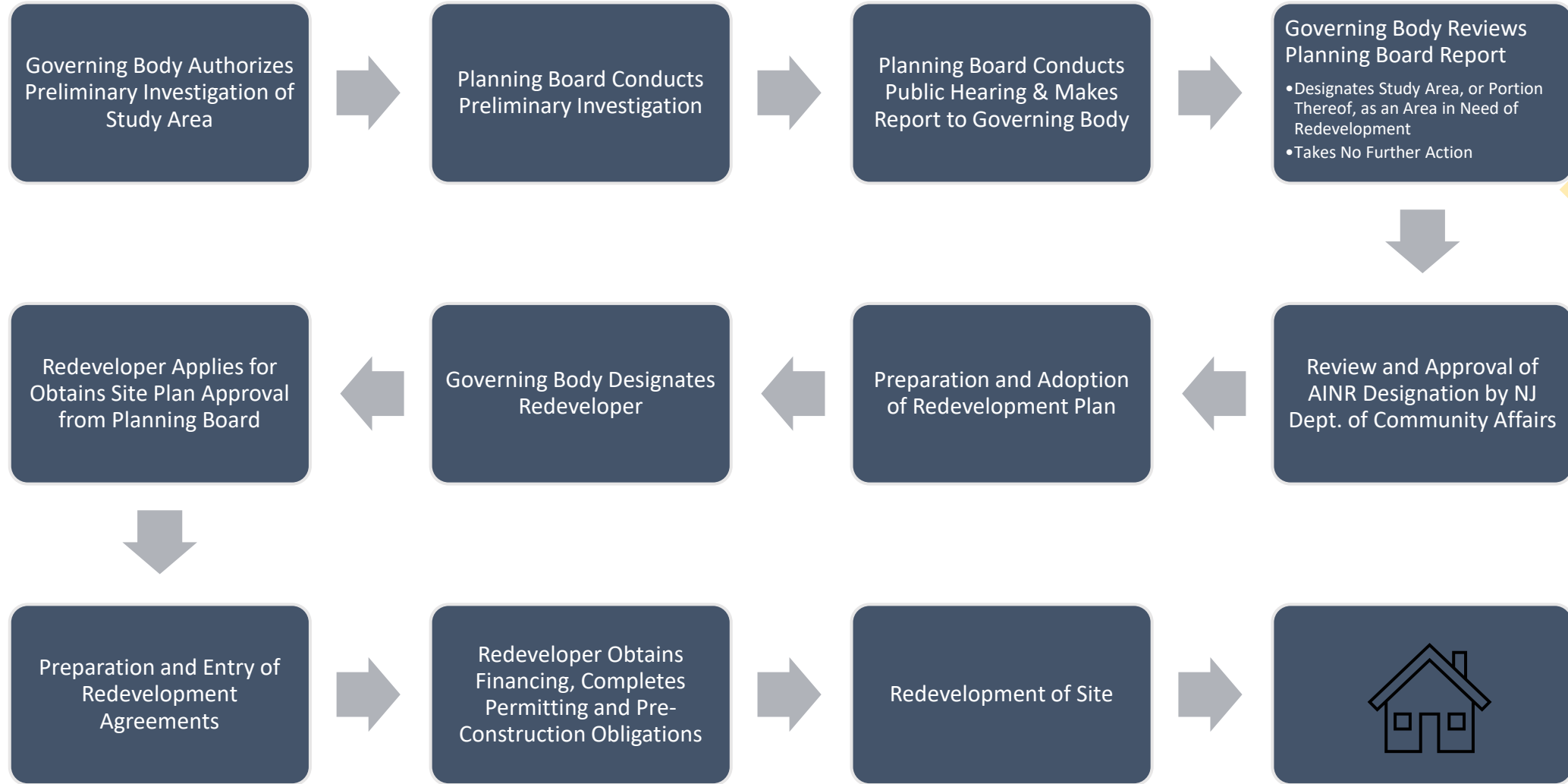


North Harrison Redevelopment Area

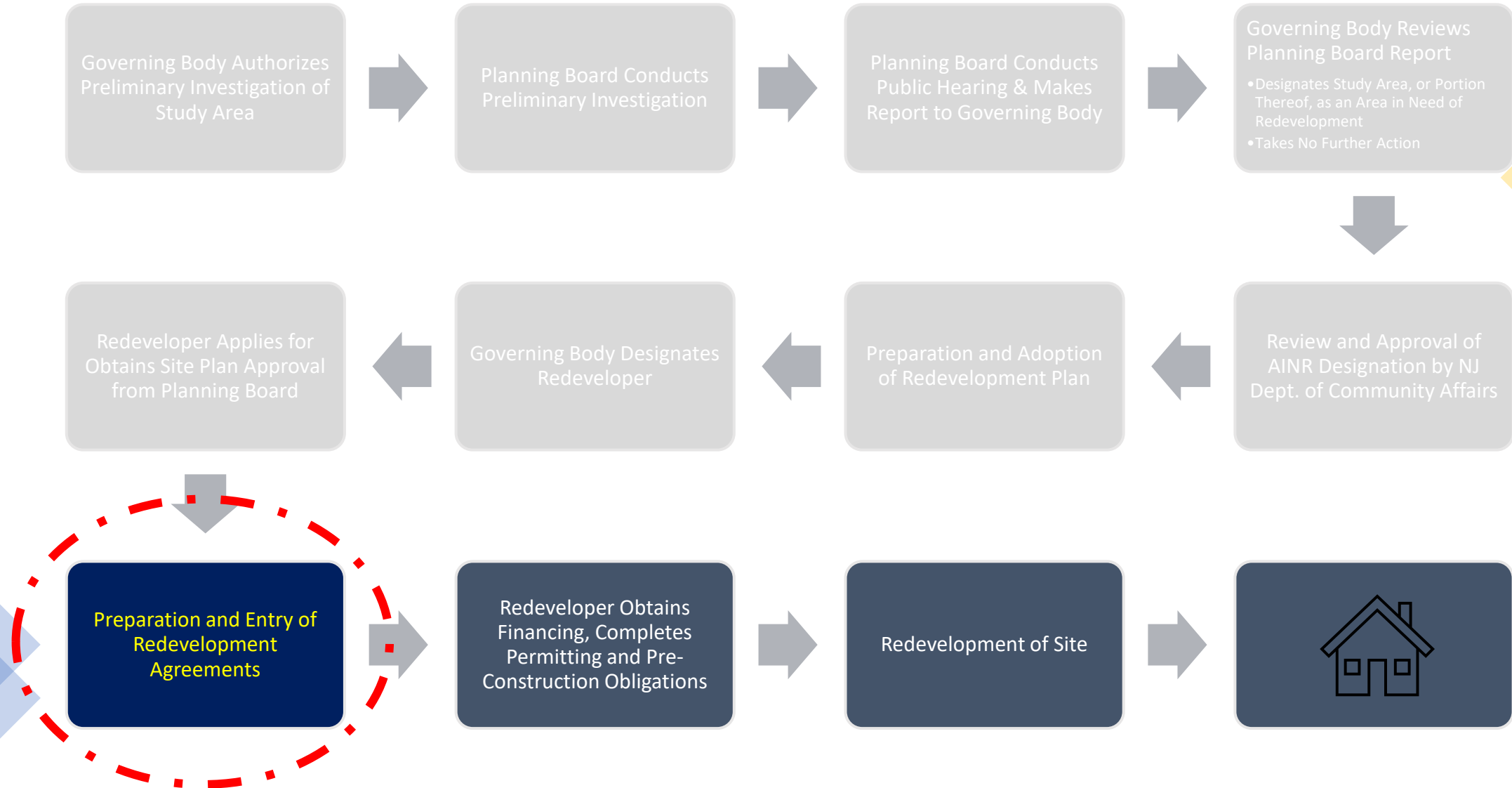
IMO The Application of the Municipality of Princeton (Docket No. MER-L-1550-15)

- The “Winn Project” and the “AvalonBay Project” are set forth in Princeton’s December 18, 2019 Settlement Agreement with Fair Share Housing Center;
- Approved by the Court as part of Princeton’s February 7, 2020 Fairness Hearing;
- Council adopted the required ordinances for these inclusionary projects (July, 2020);
- In 2021, to provide Princeton with more flexibility in negotiating for benefits to the neighborhood and community, Princeton engaged the developers utilizing the tools provided by the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1, et seq.

The Redevelopment Process



The Redevelopment Process



August 8, 2022

Mayor & Council Meeting

Redevelopment Agreements (RDAs) Adopted:

- Resolution 22-280: Resolution Approving and Authorizing the Execution of a Redevelopment Agreement with Terhune Development Urban Renewal LLC, as Redeveloper for Property Located at North Harrison Street and Terhune Road, Also Known as Block 7401, Lot 20, Located in an Area in Need of Redevelopment for Development of an Inclusionary Housing Project.
- Resolution 22-281: Resolution Approving and Authorizing the Execution of a Redevelopment Agreement with Princeton SC Residential Urban Renewal, LLC, an Affiliate of AvalonBay Communities, Inc., as Redeveloper for Property Located at North Harrison Street, Also Known as Block 7401, Lot 1.013, Located in an Area in Need of Redevelopment for Development of an Inclusionary Housing Project

August 8, 2022
Mayor &
Council
Introduced the
following
ordinances:

- Ordinance #2022-27: Ordinance Approving Application for a Long Term Tax Exemption and Authorizing the Execution of a Financial Agreement with Terhune Development Urban Renewal, LLC in Connection Therewith.
- Ordinance #2022-28: Bond Ordinance Providing for Various Capital Improvements in and by the Municipality of Princeton, in the County of Mercer, New Jersey, Appropriating \$3,500,000.00 Therefor, Authorizing the Issuance of \$3,500,000.00 Bonds or Notes of the Municipality for Financing the Cost Thereof, Directing the Special Assessment of a Part of the Cost Thereof and Authorizing the Execution of One or More Special Assessment Agreements in Connection Therewith.
- Ordinance #2022-29: Ordinance Accepting the Dedication of Certain Lands and Public Improvements to be Constructed on Private Property (Block 7401, Lot 20) by a Redeveloper and Authorizing the Execution of an Easement Agreement between Princeton and Terhune Development Urban Renewal LLC, the Property Owner and Redeveloper to Facilitate the Redevelopment of the Property.
- Ordinance #2022-30: Ordinance Approving Application for a Long Term Tax Exemption and Authorizing the Execution of a Financial Agreement with Princeton SC Residential Urban Renewal, LLC in Connection Therewith.

August 22, 2022
Second Reading,
Public Hearing
& Consideration
for Adoption:

- **Ordinance #2022-27**
Ordinance Authorizing Financial Agreement for the Winn Project.
- **Ordinance #2022-28**
Bond Ordinance for the Public Betterments in the North Harrison Redevelopment Area.
- **Ordinance #2022-29**
Ordinance Accepting Easement for Public Improvements at Winn Project.
- **Ordinance #2022-30**
Ordinance Authorizing Financial Agreement for AvalonBay Project.

PILOT FAQ's:

What Are Pilots?

- Long Term Tax Exemptions (LTTEs) are authorized under New Jersey State Law, N.J.S.A. 40A:20-1 et seq. The Long Term Tax Exemption Law was created to help NJ municipalities efficiently and responsibly improve their ratable base and redevelop properties that meet the standard for an Area in Need of Redevelopment.
- In lieu of paying property taxes on the improvements created by the project, the redeveloper makes annual service charges known as “payments in lieu of taxes” or “PILOTs” which are based on a percentage of annual rental income generated from the project. As rental income increases, the payments made to the municipality increase.

When and Why are they Used?

- PILOTs are used to provide an incentive to a redeveloper to undertake and complete specific projects.
 - They are used in conjunction with areas designated for redevelopment.
- The developer must evidence that but for the tax abatement the project would not proceed as designed.
 - Without the use of this tool, the project would not be economically feasible in its current form, yielding an inadequate rate of return.

PILOT FAQ's:

What happens at the end of 30 years?

- Upon expiration of the tax abatement the project returns to conventional taxation. There are also mandated step-ups to full taxation that commence in Year 16, increasing through Year 30.

Are PILOTS a windfall for the developer?

- No. Since PILOTS are based upon a percentage of revenue, the agreements have a provision prohibiting excess profits. The developers must submit audited financial statements annually to confirm compliance.

How are PILOTS financially beneficial to Princeton?

- **WITH PILOTS, 95% OF PAYMENTS MADE TO PRINCETON STAY IN PRINCETON.**

PILOTs and Schools – Dispelling Myths

Is the school district negatively impacted by a PILOT revenue structure?

- Each year the school district receives 100% of its budget (with annual increases capped at 2%) through traditional taxation. Changes in municipal receipts to the positive or negative do not affect that budget. The Board of Education is guaranteed its budget regardless of what the municipality collects and can only increase by 2% under State law (unless they use their cap bank allowance).

Do we know how many school children will be added from this new housing to our school system?

- The anticipated number of school children that come from new residential units is dependent on numerous factors, including the rental costs, number of bedrooms available, construction quality, level of amenities and more. Studies conducted by the Center for Urban Policy Research at Rutgers University, the Joint Center for Housing Studies at Harvard University, and current demographic information from existing projects here in Town and in other New Jersey municipalities have shown that the number of school-age children in multi-family housing is dramatically lower than that which comes from detached single-family dwellings.
- Using the conservative demographic multipliers contained in a study prepared by Rutgers Bloustein School in 2018, it is projected that The Alice project would generate approximately 16 public school children and the Avalon Princeton Shopping Center project would generate approximately 28 public school children.

PILOTs and Schools – Dispelling Myths

What is Princeton doing to plan for the arrival of additional school children?

- The municipality has been working closely with Princeton Public Schools to share information that enables both sides to estimate and plan optimally for future growth. The numbers of school children estimated to be added through Princeton's Affordable Housing Settlement have been included in PPS's long-range strategic planning process.
- The 30-year term of these PILOTs provides a new and substantial source of revenue which directly supports the municipal budget, helping to keep resident taxes down. The revenue can also be used for community capital project needs, including direct contributions to Princeton Public Schools for its capital budget. By law, school districts' capital budget cannot be sourced through conventional taxes, but only through bond issues via referendum that directly impact taxpayers. Support for Princeton Public Schools is a top priority for the Council. Discussions are ongoing with the Board of Education to collaboratively determine how best to use PILOT funds to support the growing needs of the school district.



Winn Companies
The Alice Princeton



SITE PLAN RENDERING

AUGUST 8, 2022



Terhune Road and [New]
Boulevard

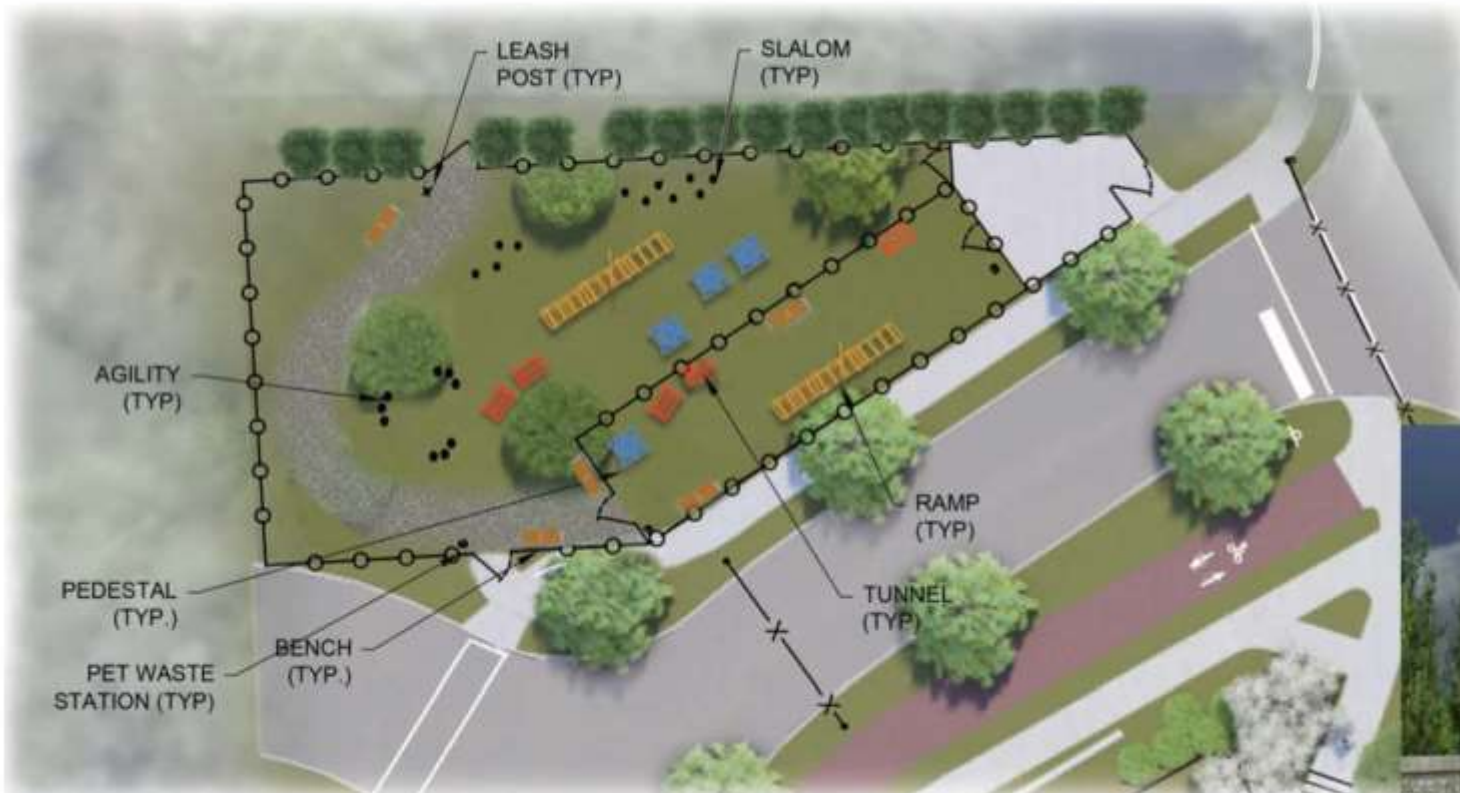




Terhune Road at [New] Boulevard



Creation of Terhune-Grover
Neighborhood Park



DOG PARK (SMALL & LARGE DOGS) AERIAL VIEW





The Alice Princeton

- 125 Total Units / 4-Story Multi-Family Residential Building
 - 26 One-Bedroom (33 Market Rate / 3 Affordable)
 - 26 One-Bedroom + Den (25 Market Rate / 1 Affordable)
 - 29 Two-Bedroom (20 Market Rate / 9 Affordable)
 - 28 Two-Bedroom + Den (22 Market Rate / 6 Affordable)
 - 6 Three-Bedroom (6 Affordable)



The Alice Princeton

- Twenty-seven Electric Vehicle Charging Stations.
- \$300,000 Contribution to support Municipal Sustainable Transportation Fund.
- Green Building Certifications including Zero Energy Ready Homes, Energy Star, Indoor airPLUS and Passive House Envelope Design.
- PV Solar Panels on Roof, Green Roof and Enhanced Stormwater Mitigation System.
- Indoor and Outdoor Bicycle Storage.
- Conference Room, Business Office/Center, Fitness Center, Community Kitchen, Billiards Room, Pet Washroom, Childrens Room, Wellness Room, Furnished Roof Deck.
- Allocation of 1.46 acres (25% of land) to Princeton for Neighborhood Enhancements.
- Estimated creation of 131 construction jobs.
- \$57 Million investment on vacant, under-utilized property.

The Alice Princeton

- Finance up to \$2,975,102 of Neighborhood Enhancements on Land Allocated to Public.
 - Creation of Terhune-Grover Neighborhood Park.
 - Tot Lot Playground and Play Area.
 - Walking and Cycling Paths.
 - Sitting and Shaded Relaxation Areas.
 - Additional Bike Racks.
 - Pedestrian and Bicycle Network with multi-use paths providing connectivity through the redevelopment site to the shopping center, North Harrison Street, Terhune Road, and Grover Park.
 - Native Plantings Garden and Sitting Area.
 - Fully Equipped Dog Park with separately fenced areas for large and small dogs.
 - Cutting edge Stormwater mitigation system that exceeds State standards.
- Special Assessment on Winn Property to ensure financial protection for the municipality during term of bond financing.

The Alice Princeton Financial Agreement

- 12% PILOT Years 1-24, 13% PILOT Years 25-30, subject to statutory increases.
- 2% PILOT Administrative Fee paid to Princeton.
- First-Year PILOT estimate: \$566,025, with \$550,000 to Princeton.
- Traditional Tax Scenario would yield approximately \$161,602.
- Debt service for Neighborhood improvements is estimated at \$190,000 per year (based on 30-year debt financing).
- Total 30-Year PILOT estimated: \$17.7 Million after payment of debt service.
- \$10.8 Million more than Princeton would receive under a traditional tax scenario over the 30-Year term.

The Alice Princeton Financial Agreement

- Conventional taxation: Princeton would receive \$161,602.00:

\$843,383.99	Conventional tax (year 1 rate)
<u>X 19.16%</u>	Princeton portion
\$161,602.00	TOTAL Princeton Revenue

- PILOT Agreement: Princeton would receive \$549,044.00 (year 1 stabilized):

\$566,025.00	PILOT payment (1st year stabilization)
<u>x 95%</u>	Princeton portion
\$537,723.75	Subtotal
<u>+\$11,320.50</u>	+2% Princeton Admin Fee Charge of Subtotal
\$549,044.25	Year 1 TOTAL Princeton Revenue



AvalonBay Communities |



Avalon at Princeton Shopping Center
Princeton, NJ | 03.20.013.00 | 09.29.21

Overall Site Plan
Scale: 1" = 100'-0"





Avalon at Princeton Shopping Center

Princeton, NJ | 03.20013.00 | 09.29.21

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Southwest Corner View



Avalon at Princeton Shopping Center

- 200 Total Units / 4-Story Multi-Family Residential Building
 - 15 Studio (12 Market Rate / 3 Affordable)
 - 68 One-Bedroom (64 Market Rate / 4 Affordable)
 - 99 Two-Bedroom (74 Market Rate / 25 Affordable)
 - 18 Three-Bedroom (10 Market Rate / 8 Affordable)
- 44 total affordable housing credits due to inclusion of 4 group home units
- 300-space Parking Structure

Avalon at Princeton Shopping Center

- Transformation of an under-utilized parking lot to provide an \$83.6 Million dollar investment for infill residential housing at a prime commercial location in keeping with Smart Growth principles.
- \$1,200,000 Contribution to Princeton for comprehensive renovation and recreational upgrades to Grover Park.
- \$500,000 Contribution to support Municipal Sustainable Transportation Fund (Thanet and Shopping Center Projects).
- Green infrastructure additions that exceed State standards.
- Net Zero Ready
- Four supportive group homes that will provide housing for developmentally disabled adults near to appropriate job opportunities at the Shopping Center.
- Creation of 265 jobs during the construction phase, and five permanent jobs connected to the project.

Avalon at Princeton Shopping Center Financial Agreement

- 12% PILOT 30-Year Term, subject to statutory increases.
- 1% PILOT Administrative Fee to Princeton.
- \$1,200,000 developer contribution for improvements to Grover Park.
- First-Year PILOT estimated: \$792,413 with \$760,716 to Princeton.
- Traditional Tax Scenario would yield the municipality approximately \$242,366.
- Total 30-Year PILOT estimated: \$30,960,000.
- \$20,930,000 more than Princeton would receive under a traditional tax scenario over the 30-Year term.

Avalon at Princeton Shopping Center

- Conventional taxation: Princeton would receive \$242,366.53:

\$1,264,882.86	Conventional tax (year 1 rate)
<u>X 19.16%</u>	Princeton portion
\$242,366.53	TOTAL Princeton Revenue

- PILOT Agreement: Princeton would receive \$760,716.48 (year 1 stabilized):

\$792,413.00	PILOT payment (1st year stabilization)
<u>x 95%</u>	Princeton portion
\$752,792.35	Subtotal
<u>+\$7,924.13</u>	+1% Princeton Admin Fee Charge of Subtotal
\$760,716.48	Year 1 TOTAL Princeton Revenue