

Township of Bloomfield

PILOT Presentation

April 23, 2025

Prepared by:



NW FINANCIAL GROUP, LLC
Exceeding Expectations

Proven Reputation . Experienced Professionals . Superior Client Service

❖ REDEVELOPMENT AGREEMENTS & FINANCIAL AGREEMENTS

- Redevelopment Agreements allow municipalities to convert property from uses that are antiquated, non-economic or blighted to uses that fit the existing marketplace.
- Financial Agreements allow municipalities to cause projects to be economically feasible generated additional revenue that does not need to be raised from existing taxpayers.

Financial Agreement Terms

- No longer than 30 years from completion of project
- Annual Service Charge ("ASC") cannot be less than:
 - **10% Annual Gross Revenue (unless affordable) or**
 - **2% of Total Project Costs**
- 95% of PILOT paid to Municipality / 5% of PILOT paid to County
- Typically, the Minimum Annual Service Charge ("MASC") is set equal to the amount paid in the last full year of conventional taxes
 - **This ensures the Town will never receive less under the PILOT than it did under conventional taxes before the financial agreement was executed**
- Developer profits cannot exceed 12% of total project costs. All excess profits will be paid to the municipality as an additional ASC.

Phase-In of Otherwise Applicable Taxes

% of OAT	Minimum Years	Maximum Years
0%	6	15
20%	1	6
40%	1	6
60%	1	6
80%	1	6

The Township can negotiate the terms of the phase-in

Common Misconceptions

- ❖ **PILOT = No Taxes**
 - Under a Financial Agreement, the property owner is still paying the municipality.
- ❖ **Under a Financial Agreement, the Town receives significantly less revenue than under conventional taxes.**
 - In certain cases, the amount received by the municipality through the PILOT is equal or more than the amount the Town would receive under conventional taxes. This is mainly determined by the agreed upon PILOT terms and the municipality's share of the general tax rate.
- ❖ **The additional costs of services associated with the project exceed the PILOT revenue.**
 - The Town must determine that the benefits are greater than the costs of the project.

Components that Impact Feasibility

- ❖ Total Project Costs
 - **Environmental, Hard Costs**
- ❖ Interest Rates and Costs of Financing
- ❖ Market Rents
- ❖ Affordability Requirements
 - **Number of Units**
 - **Income Limits**
- ❖ Parking Requirements
 - **Ratio**
 - **Surface vs. Structured**
- ❖ Other Contributions to the Municipality

Sample Residential Redevelopment – Revenues and Project Costs

Expected Revenue:

Market Rate Units

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
Studio	10	600	\$ 2,200	\$ 3.67	\$ 264,000
One Bedroom	50	800	2,500	3.13	1,500,000
Two Bedroom	25	1,000	3,200	3.20	960,000
Total	85	835	\$ 2,671	\$ 3.20	\$ 2,724,000

Affordable Units (50% of Area Median Income)

Type	Count	SF/Unit	Monthly Rent/Unit	Monthly Rent/SF	Annual Rent
One Bedroom	3	800	\$ 1,078	\$ 1.35	\$ 38,813
Two Bedroom	9	1,000	1,294	1.29	139,725
Three Bedroom	3	1,200	1,495	1.25	53,820
Total	15	1,000	\$ 1,291	\$ 1.29	\$ 232,358

Parking

Type	Count	Monthly Rent/Space	Monthly Rent	Annual Rent/Space	Annual Rent
Garage	150	\$ 100	\$ 15,000	\$ 1,200	\$ 180,000

Estimated Project Cost:

Sources	%	Total Cost
Debt	70%	\$24,500,000
Equity	30%	10,500,000
Total Sources	100%	\$35,000,000

Uses	Per Unit	Per SF	Total Cost
Total Project Cost	\$350,000	\$ 250.00	\$ 35,000,000

Sample Residential Redevelopment - Developer Returns

Developer Returns:

<u>Conventional Taxes</u>		<u>10% PILOT</u>	
	<u>Year 2</u>		<u>Year 2</u>
Annual Gross Revenue	\$ 3,039,130	Annual Gross Revenue	\$ 3,039,130
Operating Expenses	(663,000)	Operating Expenses	(663,000)
Property Taxes	(650,000)	PILOT + Admin Fee	(309,991)
Net Operating Income	\$ 1,726,130	Net Operating Income	\$ 2,066,139
Project Value	\$ 31,384,189	Project Value	\$ 37,566,166
Total Project Cost	35,000,000	Total Project Cost	35,000,000
Net Project Value	\$ (3,615,811)	Net Project Value	\$ 2,566,166
IRR - 10 Year Sale	3.72%	IRR - 10 Year Sale	9.58%
Yield on Cost - Year 2	4.93%	Yield on Cost - Year 2	5.90%
NOI	\$ 1,726,130	NOI	\$ 2,066,139
Debt Service Payment (5.50%)	(1,685,732)	Debt Service Payment (5.50%)	(1,685,732)
Debt Service Coverage Ratio	1.02	Debt Service Coverage Ratio	1.23

Sample Residential Redevelopment – PILOT vs. Existing Taxes

Year	% of AGR	% of OAT	Gross PILOT	Town Share	Current Taxes	Town Share	Additional Revenue from PILOT
1	10%	0%	\$ 159,954	\$ 152,113	\$ 100,000	\$ 28,329	\$ 123,784
2	10%	0%	309,991	294,796	102,000	28,896	265,900
3	10%	0%	316,191	300,692	104,040	29,474	271,218
4	10%	0%	322,515	306,705	106,121	30,063	276,642
5	10%	0%	328,965	312,840	108,243	30,664	282,175
6	10%	0%	335,545	319,096	110,408	31,278	287,819
7	10%	0%	342,255	325,478	112,616	31,903	293,575
8	10%	0%	349,101	331,988	114,869	32,541	299,446
9	10%	0%	356,083	338,628	117,166	33,192	305,435
10	10%	0%	363,204	345,400	119,509	33,856	311,544
11	10%	0%	370,468	352,308	121,899	34,533	317,775
12	10%	0%	377,878	359,354	124,337	35,224	324,131
13	10%	0%	385,435	366,541	126,824	35,928	330,613
14	10%	0%	393,144	373,872	129,361	36,647	337,225
15	10%	0%	401,007	381,350	131,948	37,380	343,970
16	10%	20%	409,027	388,977	134,587	38,127	350,849
17	10%	20%	417,207	396,756	137,279	38,890	357,866
18	10%	20%	425,552	404,691	140,024	39,668	365,024
19	10%	20%	434,063	412,785	142,825	40,461	372,324
20	10%	20%	442,744	421,041	145,681	41,270	379,771
21	10%	20%	451,599	429,462	148,595	42,096	387,366
22	10%	40%	460,631	438,051	151,567	42,938	395,113
23	10%	40%	469,843	446,812	154,598	43,796	403,016
24	10%	40%	479,240	455,748	157,690	44,672	411,076
25	10%	40%	488,825	464,863	160,844	45,566	419,297
26	10%	40%	498,602	474,160	164,061	46,477	427,683
27	10%	40%	508,574	483,644	167,342	47,407	436,237
28	10%	60%	665,686	633,054	170,689	48,355	584,699
29	10%	60%	678,999	645,715	174,102	49,322	596,393
30	10%	80%	923,439	878,173	177,584	50,308	827,864
Total			\$ 12,865,767	\$ 12,235,092	\$ 4,056,808	\$ 1,149,259	\$ 11,085,833

Sample Residential Redevelopment – PILOT vs. Conventional Taxes

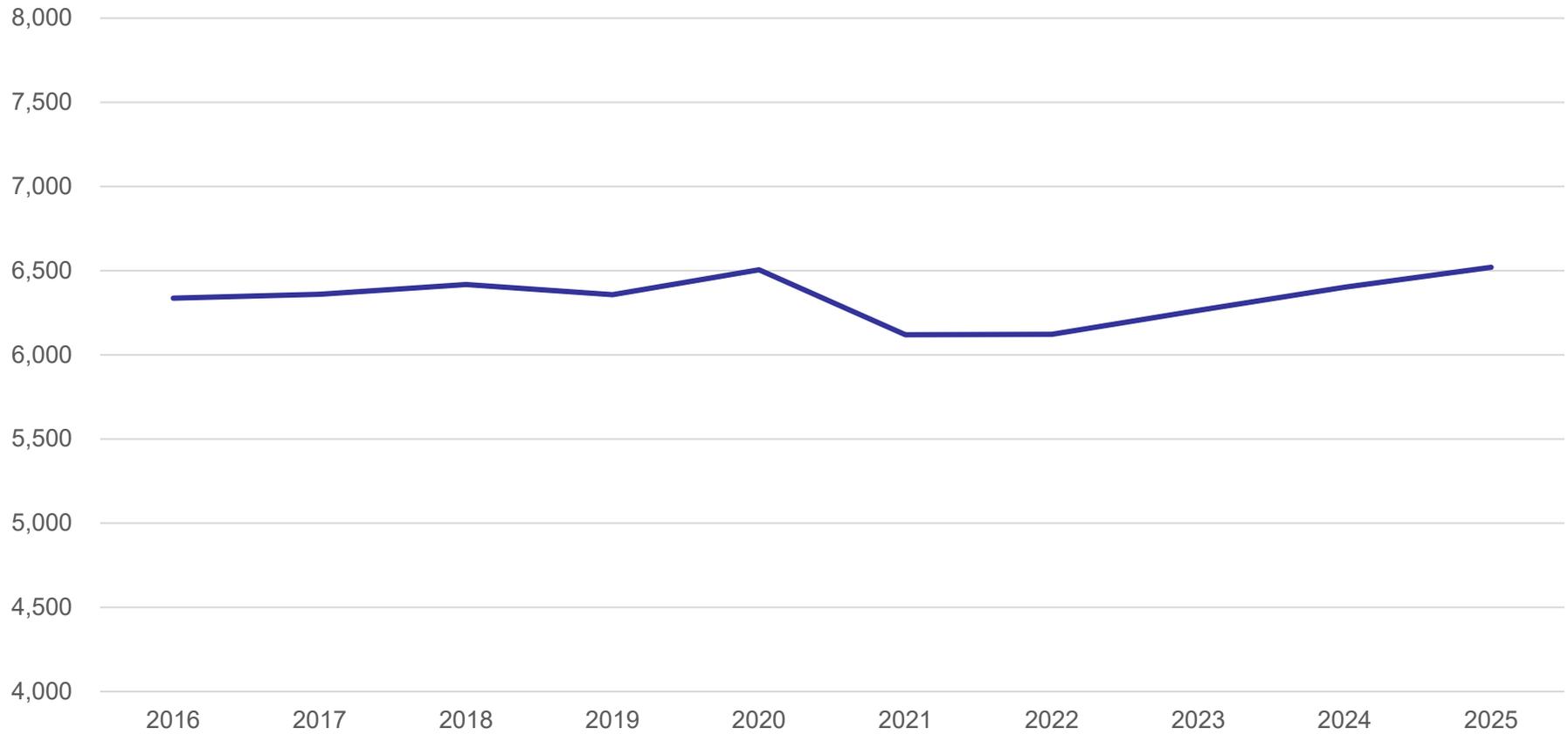
Year	% of AGR	% of OAT	PILOT Analysis			Conventional Tax Analysis			
			Gross PILOT	Less: County Share (5%)	Admin Fee (2% of Gross PILOT)	Town Share	Conventional Taxes	Town Share	PILOT Gain/Loss
1	10%	0%	\$ 156,818	\$ (7,841)	\$ 3,136	\$ 152,113	\$ 637,255	\$ 180,529	\$ (28,416)
2	10%	0%	303,913	(15,196)	6,078	294,796	650,000	184,139	110,656
3	10%	0%	309,991	(15,500)	6,200	300,692	663,000	187,822	112,869
4	10%	0%	316,191	(15,810)	6,324	306,705	676,260	191,579	115,127
5	10%	0%	322,515	(16,126)	6,450	312,840	689,785	195,410	117,429
6	10%	0%	328,965	(16,448)	6,579	319,096	703,581	199,318	119,778
7	10%	0%	335,545	(16,777)	6,711	325,478	717,653	203,305	122,173
8	10%	0%	342,255	(17,113)	6,845	331,988	732,006	207,371	124,617
9	10%	0%	349,101	(17,455)	6,982	338,628	746,646	211,518	127,109
10	10%	0%	356,083	(17,804)	7,122	345,400	761,579	215,749	129,651
11	10%	0%	363,204	(18,160)	7,264	352,308	776,810	220,064	132,244
12	10%	0%	370,468	(18,523)	7,409	359,354	792,346	224,465	134,889
13	10%	0%	377,878	(18,894)	7,558	366,541	808,193	228,954	137,587
14	10%	0%	385,435	(19,272)	7,709	373,872	824,357	233,533	140,339
15	10%	0%	393,144	(19,657)	7,863	381,350	840,844	238,204	143,146
16	10%	20%	401,007	(20,050)	8,020	388,977	857,661	242,968	146,009
17	10%	20%	409,027	(20,451)	8,181	396,756	874,814	247,827	148,929
18	10%	20%	417,207	(20,860)	8,344	404,691	892,311	252,784	151,907
19	10%	20%	425,552	(21,278)	8,511	412,785	910,157	257,840	154,945
20	10%	20%	434,063	(21,703)	8,681	421,041	928,360	262,996	158,044
21	10%	20%	442,744	(22,137)	8,855	429,462	946,927	268,256	161,205
22	10%	40%	451,599	(22,580)	9,032	438,051	965,866	273,622	164,429
23	10%	40%	460,631	(23,032)	9,213	446,812	985,183	279,094	167,718
24	10%	40%	469,843	(23,492)	9,397	455,748	1,004,887	284,676	171,072
25	10%	40%	479,240	(23,962)	9,585	464,863	1,024,985	290,369	174,494
26	10%	40%	488,825	(24,441)	9,777	474,160	1,045,484	296,177	177,984
27	10%	40%	498,602	(24,930)	9,972	483,644	1,066,394	302,100	181,543
28	10%	60%	652,633	(32,632)	13,053	633,054	1,087,722	308,142	324,912
29	10%	60%	665,686	(33,284)	13,314	645,715	1,109,476	314,305	331,410
30	10%	80%	905,333	(45,267)	18,107	878,173	1,131,666	320,591	557,581
Total			\$ 12,613,497			\$ 12,235,092	\$ 25,852,207	\$ 7,323,709	\$ 4,911,382

New Revenue from PILOTs

	Prior Taxes	PILOT Revenue	Increase in Revenue
Existing PILOTs	\$553,079	\$2,482,000	\$1,928,921
Projected New PILOTs	147,967	1,1410,000	1,262,033
Combined Total	\$701,046	\$3,892,000	\$3,190,000

School Data

Historical Enrollment



Source: New Jersey Department of Education

School Data

- Total Budgetary Comparative Per Pupil Cost: \$18,884
- Total Classroom Instruction (Per Pupil): \$11,046
- Existing Projects*
 - **Avalon**
 - 224 units
 - 8 public school children
 - **Oaks Pond**
 - 315 units
 - 9 public school children
 - **The Green**
 - 140 Units
 - 2 public school children
 - **The Grove**
 - 317 Units
 - 1 public school child

*For which data was most recently available from the Board of Education