

# PILOTS in Teaneck's Areas in Need of Redevelopment

A Genuine Analysis of Revenue and Expenses  
For the Town-approved 1<sup>st</sup> Alfred Avenue PILOT

# McDonough Associates

## Net Revenue Analysis of 329 Alfred Avenue

Based on **Table 9**, the proposed development is anticipated to generate an annual total surplus of approximately **\$15,415** to the Township of Teaneck.

**TABLE 9 ~ COST-REVENUE ANALYSIS**

Line Item	Amount
Gross Revenue (PILOT)	\$656,316
Aggregate Costs (Municipal + School)	\$639,906
<b>Net Revenue</b>	<b>\$16,410</b>

The Net Revenue is the Gross Revenue from PILOT fees paid to the township, minus the costs of providing services to the residents of these apartments and the education of the school-age children residing there. McDonough calculates a bottom line net revenue of \$16,410.

But is this calculation accurate?

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## Gross Revenue for 329 Alfred Avenue

TABLE 4 ~ PROJECTED ANNUAL GROSS REVENUE

Unit Type	Quantity	Percent	Monthly Rent	Annual Revenue
Studio	18	8.2%	1,700	367,200
1 BR MKT	72	32.9%	2,100	1,814,400
1 BR+ MKT	28	12.8%	2,200	739,200
2 BR MKT	67	30.6%	2,500	2,010,000
2 BR+ MKT	34	15.5%	2,600	1,060,800
<b>Market Units</b>	<b>219</b>	<b>100.0%</b>		<b>5,991,600</b>
1 BR AFF	9	23.1%		
2 BR AFF	21	53.8%		
3 BR AFF	9	23.1%		
<b>Affordable Units</b>	<b>39</b>	<b>100.0%</b>	<b>1,150</b>	<b>538,200</b>
<b>Totals</b>	<b>258</b>			<b>6,529,800</b>

Source: Residential rents based on advertised rents for comparable units at Avalon Teaneck, 2020. Commercial rents based on Avison Young New Jersey Retail Market Report, Q3 2018 at \$23.45/SF for North Jersey.

Based on comparable 2020 rents for similar units at Avalon Bay at 1775 Windsor Road, the developer estimates annual revenue of \$6.5 million. Based on a 10% PILOT fee, the township would receive \$650,000 each year.

But the 10% PILOT rate is the lowest legally allowed by statute, which runs from 10% to 15%.

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## Gross Revenue for 329 Alfred Avenue

TABLE 6 ~ PROJECTED POPULATION ESTIMATES

Unit Type	Quantity	Total Population		Public School-Age Population	
		Multiplier	Amount	Multiplier	Amount
Studio	18	1.597	29	0.013	0
1 BR MKT	72	1.597	115	0.013	1
1 BR+ MKT	28	1.597	45	0.013	1
2 BR MKT	67	1.996	134	0.089	12
2 BR+ MKT	34	1.996	68	0.089	6
<b>Market Units</b>	<b>219</b>		<b>390</b>		<b>20</b>
1 BR AFF	9	1.61	14	0.103	1
2 BR AFF	21	2.76	58	0.721	15
3 BR AFF	9	3.82	34	1.089	10
<b>Affordable Units</b>	<b>39</b>		<b>107</b>		<b>26</b>
<b>Project Totals</b>	<b>258</b>		<b>497</b>		<b>40*</b>

Using standard benchmark calculation provided by Rutgers University, the developer estimates that there will be a total of 497 residents and 40 students who would be attending public school.

# McDonough Associates Municipal Costs for 329 Alfred Avenue

As shown in **Table 7** below, based on appropriations for public safety, uniform construction code, public works, health and human services, parks and recreation, and education, the project population would generate municipal service costs equating to approximately \$352,373

**TABLE 7 ~ PROJECTED MUNICIPAL COSTS**

Demographic Category	Quantity	Per Capita Cost	Total Cost
Residential Population	497 persons	\$709	\$352,373
Worker Population	0 workers	\$199	\$0
<b>Costs</b>	—	—	<b>\$352,373</b>

*Source: Teaneck User Friendly Budget, 2019*

The developer calculates costs of \$709 per resident to provide police, fire, DPW and the full range of services provided to every single person in Teaneck.

# McDonough Associates

## Actual Municipal Costs per Resident

<u>2021 Calendar Year Property Tax Levies - ALL entities levying property taxes</u>				
	<u>Calendar Year</u>	<u>Calendar Year</u>	<u>% of</u>	<u>Avg Residential</u>
	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Total Levy</u>	<u>Taxpayer Impact</u>
<u>Municipal Purpose Tax</u>	1.053	\$54,648,114.11	32.35%	\$1,212.13
<u>Municipal Library</u>	0.041	\$2,108,411.10	1.25%	\$47.20

But data from the 2022 User Friendly Budget for 2021 shows that the actual per-person expenditure for municipal services is \$1,260, more than 75% higher than the developer's \$709 per resident.

At \$1,260 per resident, the costs are \$626,200 for municipal services (not \$352,373) up more than \$270,000!

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## School Costs for 329 Alfred Avenue

The projected costs to the school district are shown in **Table 8** below. Since the modest population increase will not require expansion of staff or physical plant, the per pupil costs are to limited to appropriations for classroom supplies and textbooks; classroom purchased services; support services; legal services; physical plant operations and maintenance; extracurricular activities and equipment. The adjusted costs factor out non-district expenditures such as food service program and other federally or state-funded expenditures.

**TABLE 8 ~ PROJECTED SCHOOL COSTS**

Demographic Category	Quantity	Per Capita Cost	Total Cost
Student Population	41 pupils	\$7,013	\$287,533
Costs	—	—	\$287,533

*Source: NJ Taxpayers Guide to Education Spending, 2020*

Based on a claim that the 40 added students won't require construction of new school facilities or hiring of new staff, the developer estimates that each student residing there and attending public school would cost \$7,013.

# McDonough Associates Actual School Costs per Student

	2019-20	2020-21	2021-22	2021-22	2022-23
	Actual	Actual	Original	Revised	Proposed
	Costs	Costs	Budget	Budget	Budget
Per Pupil Cost Calculations					
Total Budgetary Comparative Per Pupil Cost	\$20,473	\$21,389	\$26,096	\$23,913	\$24,058

But in its budget for the 2022-23 school year, the Teaneck Public Schools calculates a Comparative Per Pupil Cost of \$24,058, a number that excludes costs for busing, out-of-district special education placements and litigation, and is still almost 3.5 times higher than the number used by the developer.

The cost of 41 students would be \$986,378 (not \$287,533), an increase in actual costs of almost \$600,000!



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## Real Net Revenue for 329 Alfred Avenue

Based on **Table 9**, the proposed development is anticipated to generate an annual total surplus of approximately **\$15,415** to the Township of Teaneck.

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At \$1,260 per resident, the costs are \$626,200 for municipal services (not \$352,373) up more than \$270,000.

The cost of 41 students would be \$986,378 (not \$287,533), an increase in actual costs of almost \$600,000.

Actual aggregate costs for municipal and school are \$1.6 million, not \$639,000.

Net revenue isn't positive \$16,410; It's a loss of \$950,000 each year, a deficit that must be carried by every single taxpayer who has to pay the full costs of providing municipal and school services in their property taxes.