

U.L. v. Carter

25 Feb. 1985

Plainsboro.

Financial Evaluation

Pgs 16

PI # 5119

CA000504E

MOUNT LAUREL PROJECT

PLAINSBORO TOWNSHIP

The following proformas evaluate the financial impact of providing:

- (a) 125 units of low income senior citizen rental housing; and
- (b) 288 units of moderate income rental housing.

The basic assumptions made, other than those noted on the proformas, were:

- (1) The regional median income figures utilized were:

<u>HOUSEHOLD</u>	<u>INCOME</u>
1 person	\$22,184
2 persons	25,380
3 persons	28,576
4 persons	31,772

The yearly housing allocation was computed per Section 2.3e of the "Ordinance Establishing Affordable Housing Requirements, Standards and Monitoring of Same". The projected utility costs were \$600 for a one bedroom and \$840 for a two bedroom.

- (2) The yearly operating expenses at todays cost would be:

Salaries	\$118,000
Advertising - Promotion	12,000
Maintenance	200,000
Replacement Reserve	50,000
Project Administration	130,000
Utilities	105,000
Real Estate Taxes	none
Insurance	15,000
All Other	40,000
	<u>\$670,000</u>

- (3) Projected sizes for the different type of units would be:

1 bedroom	650 square feet
2 bedroom	820 square feet

- (4) The timetable for the completion of construction would be two years. The first units would be brought to market in the 12th month. The absorption of units brought to market would be on a pro-rata basis over a three month period.
- (5) A summary of the construction costs, excluding the construction loan interest expense and preleasing income, is summarized below:

		<u>Total</u>	
(1) Land		\$1,033,000	
<u>General Overhead</u>			
Architectural	\$ 60,000		<i>Assumes existing plan</i>
(2) Financing Fees	390,000		
Legal & Loan Closing Amount	80,000		
Inspection Fees-Bank Only	16,000		
(3) Corporate General & Administrative Expense	561,000		<i>4-5%</i>
Title Insurance	25,000		
Computer Services Fee	15,000		
Site Planning	25,000		
All Other - Reproduction, MAI Fee, Bond Premiums, Audit Cost, Promotional Fees	25,000		
(4) Contingency	<u>290,000</u>	1,487,000	
(5) <u>Job Overhead</u>		970,000	<i>✓ too high</i>
(6) <u>Site Work</u>		1,156,000	
(7) <u>Hard Costs</u>		7,927,000	<i>OK</i>
(8) <u>Recreational Facility</u>		<u>250,000</u>	
		<u>\$12,823,000</u>	

10% embroiled is fine

Notes to the above:

- (1) Land is projected at \$2,500 per unit.
- (2) Financing fees are projected based on an amount furnished by Township office.
- (3) Corporate General and Administrative Expense represents a recovery of corporate overhead expenses not charged as a construction cost.

- (4) The contingency amount covers both the hard and soft cost of construction and is projected at 2% of the total construction cost.
- (5) Job overhead includes construction superintendent and clerk salaries, construction project office expense, engineering, other job salaries, permits, winter cost, utility expense during construction, and various other.
- (6) Site work mainly includes clearing, grading, landscaping, storm system, sanitary system, water system, underground telephone, curbs, asphalt paving, street signs, and walks.
- (7) Hard costs of construction mainly include concrete, carpentry, masonry, metal work, roofing, windows and doors, building specialties, insulation, finishes, appliances, plumbing, electrical, heating - air conditioning, clean-up and drapes. The hard cost is projected at \$27.54 per rentable square foot.
- (8) The recreational facility represents a 2,000 square foot clubhouse, a pool and two tennis courts.

Conclusion

Attached are three proformas that deal with the above. In all cases, the one bedroom - two bedroom mix of the low income units was 80/20 and of the moderate units 70/30. The major difference in each proforma was the projected number of people per household utilized in the renting of the one and two bedroom type units, as noted below:

	<u>TYPE OF BEDROOM</u>	<u>HOUSEHOLD SIZE</u>
Proforma #1	1 bedroom	1
	2 bedroom	3
Proforma #2	1 bedroom	1½
	2 bedroom	3½
Proforma #3	1 bedroom	2
	2 bedroom	4

The most significant item to note from these proformas is the cumulative cash position as of the end of the 11th year of operation. A summary is below:

Proforma #1	(\$1,154,007)
Proforma #2	714,031
Proforma #3	2,582,069

What one must realize is that this difference is totally due to the household size utilized in the renting of the units. The yearly debt service amount does not vary by more than \$9,000 among these proformas. The conclusion drawn from the above is that any rental project to be developed for low and moderate income type units must be done utilizing the maximum household size for the units being offered. Without such a guideline, the development of any such project would be based on a worst case scenario (e.g. 1 person household for a 1 bedroom unit and a 3 person household for a 2 bedroom unit), which would make the project financially unfeasible.

MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

YEARLY RENTAL AT CURRENT INCOME LEVEL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
CEILING INCOME	11092	17747	14288	22861
90% OF CEILING	9983	15972	12859	20575
HOUSING ALLOCATION	2995	4792	3858	6172
LESS: UTILITIES	600	600	840	840
YEARLY HOUSING RENTAL AMOUNT	2395	4192	3018	5332

ANNUALIZED RENTAL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
TOTAL ANNUAL RENTAL FOR EACH UNIT TYPE	239484	846732	75444	458588

TOTAL ANNUAL REVENUE	1620248
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	ONE BEDROOM UNITS	TWO BEDROOM UNITS
	SQUARE FOOTAGE FOR EACH UNIT TYPE	196300

TOTAL SQUARE FOOTAGE	287320
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MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

PRE-LEASING INCOME

MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
12	13	14	15	16	17	18	19	20	21	22	23	24	
1421	4264	8528	12792	17056	21320	25584	29848	34111	38375	42639	46903	51167	

COMPUTATION OF CONSTRUCTION
LOAN AMOUNT

MONTH	DRAWS	PRE-LEASING INCOME	INTEREST EXPENSE (1)	ENDING BALANCE
1	2116746		15876	2132621
2	192431		17438	2342490
3	192431		19012	2553934
4	192431		20598	2766963
5	295061		22965	3084990
6	384863		26024	3495876
7	384863		29106	3909845
8	487493		32980	4430318
9	487493		36884	4954694
10	590123		41586	5586403
11	590123		46324	6222850
12	590123	1421	51087	6862639
13	679924	4264	56537	7594836
14	679924	8528	61997	8328229
15	679924	12792	67465	9062827
16	679924	17056	72943	9798638
17	590123	21320	77756	10445198
18	487493	25584	81803	10988910
19	487493	29848	85849	11532405
20	487493	34111	89893	12075680
21	487493	38375	93936	12618733
22	384863	42639	97207	13058164
23	384863	46903	100471	13496594
24	295061	51167	103054	13843542
	12828761	334008	1348789	13843542

(1) INTEREST RATE PROJECTED AT 9 %

MOUNT LAUREL PROJECT
PLAINSBOURD, NEW JERSEY

ELEVEN YEAR PROFORMA

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
RENTAL INCOME (1)	1752460	1822559	1895461	1971280	2050151	2132136	2217421	2306118	2398363	2494297	2594069
OTHER INCOME (2)	17525	18226	18955	19713	20501	21321	22174	23061	23984	24943	25941
GROSS POTENTIAL	1769985	1840784	1914416	1990992	2070632	2153457	2239596	2329179	2422347	2519240	2620010
LESS: VACANCY (3)	106199	36816	38288	39820	41413	43069	44792	46584	48447	50385	52400
GROSS EFFECTIVE INCOME	1663786	1803969	1876127	1951172	2029219	2110388	2194804	2282596	2373900	2468856	2567610
LESS: OPERATING EXPENSES (1)	724672	753659	783805	815157	847764	881674	916941	953619	991764	1031434	1072692
FREE AND CLEAR RETURN	939114	1050310	1092322	1136015	1181456	1228714	1277862	1328977	1382136	1437421	1494918
LESS: DEBT SERVICE (4)	1336659	1336659	1336659	1336659	1336659	1336659	1336659	1336659	1336659	1336659	1336659
CASH FLOW	-397545	-286350	-244337	-200644	-155204	-107945	-58797	-7682	45477	100762	158259
CUMULATIVE CASH FLOW	-397545	-683895	-928232	-1128876	-1284080	-1392025	-1450822	-1458505	-1413028	-1312266	-1154007

- (1) ANNUAL INCREASE PROJECTED AT 4 %
 (2) PROJECTED AT 1% OF RENTAL INCOME
 (3) VACANCY AT 6% OF GROSS POTENTIAL IN 1987 AND 2 % THEREAFTER
 (4) BASED ON A PERMANENT LOAN AMOUNT EQUAL TO THE ENDING BALANCE PER THE
 "COMPUTATION OF CONSTRUCTION LOAN AMOUNT"
 TERMS OF THE LOAN ARE A 9 % INTEREST RATE, 30 YEAR FIXED,
 WITH A 9.66 CONSTANT.

YEARLY RENTAL AT CURRENT INCOME LEVEL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
CEILING INCOME	11891	19026	15087	24135
% OF CEILING	10702	17123	13578	21725
HOUSING ALLOCATION	3211	5137	4073	6518
LESS: UTILITIES	600	600	840	840
YEARLY HOUSING RENTAL AMOUNT	2611	4537	3233	5678

ANNUALIZED RENTAL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
TOTAL ANNUAL RENTAL FOR EACH UNIT TYPE	261057	916456	80837	488272

TOTAL ANNUAL REVENUE 1746623

	ONE BEDROOM UNITS	TWO BEDROOM UNITS
	SQUARE FOOTAGE FOR EACH UNIT TYPE	196300
TOTAL SQUARE FOOTAGE	287320	

MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

PRE-LEASING INCOME

MONTH 12	MONTH 13	MONTH 14	MONTH 15	MONTH 16	MONTH 17	MONTH 18	MONTH 19	MONTH 20	MONTH 21	MONTH 22	MONTH 23	MONTH 24
1610	4831	9662	14493	19324	24155	28986	33817	38648	43479	48310	53141	57972

COMPUTATION OF CONSTRUCTION
LOAN AMOUNT

MONTH	DRAWS	PRE-LEASING INCOME	INTEREST EXPENSE (1)	ENDING BALANCE
1	2116734		15876	2132610
2	192430		17438	2342478
3	192430		19012	2553920
4	192430		20598	2766948
5	295060		22965	3084973
6	384861		26024	3495858
7	384861		29105	3909824
8	487490		32980	4430294
9	487490		36883	4954668
10	590120		41586	5586374
11	590120		46324	6227818
12	590120	1610	51085	6862412
13	679921	4831	56531	7594033
14	679921	9662	61982	8326274
15	679921	14493	67438	9059140
16	679921	19324	72898	9792635
17	590120	24155	77689	10436289
18	487490	28986	81711	10976504
19	487490	33817	85726	11515904
20	487490	38648	89736	12054482
21	487490	43479	93739	12592232
22	384861	48310	96966	13025740
23	384861	53141	100181	13457650
24	295060	57972	102711	1377448
	12828694	378428	1347183	13797448

(1) INTEREST RATE PROJECTED AT 9 %

MOUNT LAUREL PROJECT
PLAINSBOURD, NEW JERSEY

ELEVEN YEAR PROFORMA

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
RENTAL INCOME (1)	1889147	1964713	2043302	2125034	2210035	2298436	2390374	2485989	2585428	2688845	2796399
OTHER INCOME (2)	18891	19647	20433	21250	22100	22984	23904	24860	25854	26888	27964
GROSS POTENTIAL	1908039	1984360	2063735	2146284	2232135	2321421	2414278	2510849	2611283	2715734	2824363
LESS: VACANCY (3)	114482	39687	41275	42926	44643	46428	48286	50217	52226	54315	56487
GROSS EFFECTIVE INCOME	1793556	1944673	2022460	2103358	2187493	2274992	2365992	2460632	2559057	2661419	2767876
LESS: OPERATING EXPENSES (1)	724672	753659	783805	815157	847764	881674	916941	953619	991764	1031434	1072692
FREE AND CLEAR RETURN	1068884	1191014	1238655	1288201	1339729	1393318	1449051	1507013	1567293	1629985	1695184
LESS: DEBT SERVICE (4)	1332209	1332209	1332209	1332209	1332209	1332209	1332209	1332209	1332209	1332209	1332209
CASH FLOW	-263324	-141195	-93554	-44008	7520	61109	116842	174804	235085	297776	362976
CUMULATIVE CASH FLOW	-263324	-404519	-498073	-542081	-534561	-473451	-356609	-181805	53279	351056	714031

- (1) ANNUAL INCREASE PROJECTED AT 4 %
 (2) PROJECTED AT 1% OF RENTAL INCOME
 (3) VACANCY AT 6% OF GROSS POTENTIAL IN 1987 AND 2 % THEREAFTER
 (4) BASED ON A PERMANENT LOAN AMOUNT EQUAL TO THE ENDING BALANCE PER THE
 "COMPUTATION OF CONSTRUCTION LOAN AMOUNT"
 TERMS OF THE LOAN ARE A 9 % INTEREST RATE, 30 YEAR FIXED,
 WITH A 9.66 CONSTANT.

MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

YEARLY RENTAL AT CURRENT INCOME LEVEL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
CEILING INCOME	12690	20304	15886	25418
90% OF CEILING	11421	18274	14297	22876
HOUSING ALLOCATION	3426	5482	4289	6863
LESS: UTILITIES	600	600	840	840
YEARLY HOUSING RENTAL AMOUNT	2826	4882	3449	6023

ANNUALIZED RENTAL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
TOTAL ANNUAL RENTAL FOR EACH UNIT TYPE	282630	986180	86231	517957

TOTAL ANNUAL REVENUE 1872997

	ONE BEDROOM UNITS	TWO BEDROOM UNITS
	SQUARE FOOTAGE FOR EACH UNIT TYPE	196300

TOTAL SQUARE FOOTAGE 287320

MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

PRE-LEASING INCOME

MONTH 12	MONTH 13	MONTH 14	MONTH 15	MONTH 16	MONTH 17	MONTH 18	MONTH 19	MONTH 20	MONTH 21	MONTH 22	MONTH 23	MONTH 24
1799	5398	10796	16194	21592	26990	32388	37786	43185	48583	53981	59379	64777

COMPUTATION OF CONSTRUCTION
LOAN AMOUNT

MONTH	DRAWS	PRE-LEASING INCOME	INTEREST EXPENSE (1)	ENDING BALANCE
1	2116723		15875	2132599
2	192429		17438	2342466
3	192429		19012	2553907
4	192429		20598	2766934
5	295058		22965	3084957
6	384859		26024	3495840
7	384859		29105	3909804
8	487488		32980	4430271
9	487488		36883	4954642
10	590117		41586	5586345
11	590117		46323	6222785
12	590117	1799	51083	6862186
13	679917	5398	56525	7593230
14	679917	10796	61968	8324319
15	679917	16194	67410	9055453
16	679917	21592	72853	9786631
17	590117	26990	77623	10427380
18	487488	32388	81619	10964099
19	487488	37786	85603	11499403
20	487488	43185	89578	12033284
21	487488	48583	93541	12565731
22	384859	53981	96725	12993334
23	384859	59379	99891	13418705
24	295058	64777	102367	13751354
	12828627	422848	1345576	13751354

(1) INTEREST RATE PROJECTED AT 9 %

ELEVEN YEAR PROFORMA

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
RENTAL INCOME (1)	2025834	2106867	2191142	2278788	2369939	2464737	2563326	2665859	2772494	2883393	2998729
OTHER INCOME (2)	20258	21069	21911	22788	23699	24647	25633	26659	27725	28834	29987
GROSS POTENTIAL	2046092	2127936	2213053	2301576	2393639	2489384	2588959	2692518	2800219	2912227	3028716
LESS: VACANCY (3)	122766	42559	44261	46032	47873	49788	51779	53850	56004	58245	60574
GROSS EFFECTIVE INCOME	1923327	2085377	2168792	2255544	2345766	2439596	2537180	2638667	2744214	2853983	2968142
LESS: OPERATING EXPENSES (1)	724672	753659	783805	815157	847764	881674	916941	953619	991764	1031434	1072692
FREE AND CLEAR RETURN	1198655	1331718	1384987	1440387	1498002	1557922	1620239	1685049	1752450	1822549	1895450
LESS: DEBT SERVICE (4)	1327758	1327758	1327758	1327758	1327758	1327758	1327758	1327758	1327758	1327758	1327758
CASH FLOW	-129103	3960	57229	112628	170244	230164	292481	357290	424692	494790	567692
CUMULATIVE CASH FLOW	-129103	-125143	-67914	44714	214958	445122	737603	1094894	1519586	2014377	2582069

- (1) ANNUAL INCREASE PROJECTED AT 4 %
- (2) PROJECTED AT 1% OF RENTAL INCOME
- (3) VACANCY AT 6% OF GROSS POTENTIAL IN 1987 AND 2 % THEREAFTER
- (4) BASED ON A PERMANENT LOAN AMOUNT EQUAL TO THE ENDING BALANCE PER THE "COMPUTATION OF CONSTRUCTION LOAN AMOUNT" TERMS OF THE LOAN ARE A 9 % INTEREST RATE, 30 YEAR FIXED, WITH A 9.66 CONSTANT.

to ordinance 84ds

MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

Proforma #4
2/27/85

YEARLY RENTAL AT CURRENT INCOME LEVEL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
CEILING INCOME	12690	20304	15087	24139
90% OF CEILING	11421	18274	13578	21725
HOUSING ALLOCATION	3426	5482	4073	6518
LESS: UTILITIES	600	600	840	840
YEARLY HOUSING RENTAL AMOUNT	2826	4882	3233	5678

ANNUALIZED RENTAL

	ONE BEDROOM UNITS		TWO BEDROOM UNITS	
	LOW	MODERATE	LOW	MODERATE
TOTAL ANNUAL RENTAL FOR EACH UNIT TYPE	282630	986180	80837	488272

TOTAL ANNUAL REVENUE

1837920

SQUARE FOOTAGE FOR EACH UNIT TYPE

ONE BEDROOM UNITS
196300

TWO BEDROOM UNITS
91020

TOTAL SQUARE FOOTAGE

287320

Proforma #4
2/27/85

MOUNT LAUREL PROJECT
PLATNSBORO, NEW JERSEY

PRE-LEASING INCOME

MONTH 12	MONTH 13	MONTH 14	MONTH 15	MONTH 16	MONTH 17	MONTH 18	MONTH 19	MONTH 20	MONTH 21	MONTH 22	MONTH 23	MONTH 24
1747	5241	10481	15722	20963	26203	31444	36885	41925	47166	52407	57647	62888

COMPUTATION OF CONSTRUCTION
LOAN AMOUNT

MONTH	DRAWS	PRE-LEASING INCOME	INTEREST EXPENSE (1)	ENDING BALANCE
1	2116727		15875	2132602
2	192430		17438	2342469
3	192430		19012	2553911
4	192430		20598	2766938
5	295059		22965	3084962
6	384859		26024	3495845
7	384859		29105	3909810
8	487489		32980	4430278
9	487489		36883	4954650
10	590118		41586	5586353
11	590118		46324	6222794
12	590118	1747	51084	6862249
13	679918	5241	56527	7593453
14	679918	10481	61972	8324862
15	679918	15722	67418	9056476
16	679918	20963	72866	9788297
17	590118	26203	77442	10429853
18	487489	31444	81644	10967542
19	487489	36885	85638	11503983
20	487489	41925	89622	12039168
21	487489	47166	93596	12573087
22	384859	52407	96792	13002331
23	384859	57647	99972	13429515
24	295059	62888	102463	13764148
	12828645	410519	1346022	13764148

(1) INTEREST RATE PROJECTED AT 9 %

MOUNT LAUREL PROJECT
PLAINSBORO, NEW JERSEY

Proforma #4
2/27/85

ELEVEN YEAR PROFORMA

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
RENTAL INCOME (1)	1987894	2067410	2150106	2236110	2325555	2418577	2515320	2615933	2720570	2829393	2942569
OTHER INCOME (2)	19879	20674	21501	22361	23256	24186	25153	26139	27206	28294	29426
GROSS POTENTIAL	2007773	2088084	2171607	2258471	2348810	2442763	2540473	2642092	2747776	2857687	2971994
LESS: VACANCY (3)	120466	41762	43432	45169	46976	48855	50809	52842	54956	57154	59440
GROSS EFFECTIVE INCOME	1887306	2046322	2128175	2213302	2301834	2393907	2489664	2589250	2692820	2800533	2912554
LESS: OPERATING EXPENSES (1)	724672	753659	783805	815157	847764	881674	916941	953619	991764	1031434	1072692
FREE AND CLEAR RETURN	1162634	1292663	1344370	1398144	1454070	1512233	1572722	1635631	1701057	1769099	1839863
LESS: DEBT SERVICE (4)	1328993	1328993	1328993	1328993	1328993	1328993	1328993	1328993	1328993	1328993	1328993
CASH FLOW	-166359	-36330	15376	69151	125077	183240	243729	306638	372063	440105	510869
CUMULATIVE CASH FLOW	-166359	-202689	-187313	-118162	6915	190135	433884	740522	1112585	1552690	2063359

- (1) ANNUAL INCREASE PROJECTED AT 4 %
 (2) PROJECTED AT 1% OF RENTAL INCOME
 (3) VACANCY AT 6% OF GROSS POTENTIAL IN 1987 AND 2 % THEREAFTER
 (4) BASED ON A PERMANENT LOAN AMOUNT EQUAL TO THE ENDING BALANCE PER THE COMPUTATION OF CONSTRUCTION LOAN AMOUNT*
 TERMS OF THE LOAN ARE A 9 % INTEREST RATE, 30 YEAR FIRED, WITH A 9.66 CONSTANT.