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Fiscal Impact Analysis

Bancroft School Redevelopment

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Prepared for:

Bancroft NeuroHealth

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Executive Summary

As municipalities struggle to balance local budgets, understanding the fiscal impacts of development and redevelopment is increasingly important. This Fiscal Impact Assessment has been prepared on behalf of Bancroft NeuroHealth, operators of the Bancroft School at Block 13, Lot 25 consisting of 6.072 acres and Block 14, Lot 2 consisting of 13.151 acres for a total of 19.223 acres in the Borough of Haddonfield. Bancroft NeuroHealth is considering a relocation to more modern facilities outside the Borough and since the site of the Bancroft School has been designated an area in need of redevelopment by Haddonfield Borough, conceptual redevelopment plans for the site have been presented to the Borough by Bancroft.

The Bancroft School has had a long and valued relationship with Haddonfield Borough, where it has been a leader in the specialized care provided at the school. However, a need to modernize its facilities necessitates the relocation of Bancroft's campus.

This relocation proposal now affords Haddonfield a chance to reverse the current negative fiscal impact on the Borough and replace it with one of two possible modern amenities that will generate substantial positive fiscal and economic benefits for Haddonfield and also afford the Borough with the opportunity to acquire 3.15 acres of land that would otherwise never be available unless Bancroft relocates off the site.

As shown on Table 1, the non-taxable status of Bancroft currently results in a cost (net deficit) to the Borough of approximately (\$50,750) per year, based on the roughly 250 employees at the school and utilizing a cost per employee of \$203 per year (see Appendix B and Table B-2).

TABLE 1
Net Fiscal Impact of Current Bancroft NeuroHealth Facility

Current Development	Annual Revenue	Annual Municipal Costs	Annual School Costs	Annual Net (Deficit)
Bancroft School	\$0	(\$50,750)	\$0	(\$50,750)

Redevelopment will dramatically reverse the fiscal deficit accruing from this property, providing a potential for nearly \$1 million in new tax revenues annually to the Borough. This revenue would come in the form of a payment in lieu of taxes (PILOT), where the vast majority of all PILOT revenue is available to the Borough.

Redevelopment Proposal

The redevelopment scenario examined herein involves the following components:

**TABLE 2
Potential Bancroft CCRC Redevelopment**

Use	Healthcare Beds	Independent Living Units	Family Units	Office (S.F.)
CCRC	75	190		
Lullworth Hall				9,380
Affordable Units			19	

ON THE 13-ACRE NORTHERN PARCEL:

CCRC

A Continuing Care Retirement Community (CCRC) of 190 independent living units (ILU), and 75 healthcare beds, as shown in Table 2 attached.

ON THE 6-ACRE SOUTHERN PARCEL:

Lullworth Hall

Lullworth Hall, on approximately 1.3 acres, will be sold for renovation and continued use as offices.

Carriage House

The Carriage House will be subdivided on 1.3 acres behind Lullworth Hall. A total of 19 affordable housing units can be accommodated on this parcel, including 3 affordable units in the renovated carriage house.

Open Space

A parcel of 3.15 acres adjacent to the High School and Anniversary Field (presently owned by the Borough) will be available for possible purchase by the Borough or the School Board for public use.

Road Right-of-Way

The present 35-foot wide Hopkins Lane will be widened to a standard 50-foot wide right-of-way by the developer.

PILOT BENEFITS TO HADDONFIELD

It is assumed for this analysis that the total taxes paid under the Redevelopment plan will be 90% of the standard taxes paid in keeping with typical savings afforded a redeveloper or user. We have then assumed that the Borough will retain the maximum amount of 95% of the PILOT fees paid for the maximum 30 years allowed by law. The remaining 5% would be paid to Camden County. This provides the Borough with approximately 85% of the new taxes generated, far in excess of the 16.9% normally received by the Borough.

FISCAL IMPACT OF PROPOSED REDEVELOPMENT

Table 3 provides a capsule summary of the revenues and expenditures projected from redevelopment, including the current fiscal impact of Bancroft:

TABLE 3
Net Fiscal Impact of CCRC (including COAH Units & Lullworth Hall)

Development Components	Annual Revenue With 90%/95% PILOT	Annual Municipal Costs	Annual School Costs	Net Revenue or (Deficit)
CCRC	\$936,787	(\$50,750)	0	\$886,037
COAH Units	\$58,400	(\$67,500)	(\$195,072)	(\$204,172)
Lullworth Hall	\$24,987	(\$5,278)	0	\$19,709
Totals	\$1,020,174	(\$123,528)	(\$195,072)	\$701,574
Elimination of municipal service costs of Bancroft				\$50,750
Net revenue increase to Borough per year				\$752,324

Thus over the course of a 30-year PILOT agreement, the Borough will receive a total of \$29,569,720 (\$752,324 x 30 years) more in net revenue under a CCRC, office and COAH development than would result from the present tax exempt arrangement with the current Bancroft use even after accounting for related costs to the School district and attributing no benefit or cost to the possible use of the 3.15 acres of land available for public purchase.

Several observations can be made about the relative fiscal merits of the alternative development scenarios:

1. *At present, the current Bancroft use and tax exempt status generates an annual net deficit of \$50,750 for municipal services, for a total deficit of \$1,522,500 over 30 years;*
2. *The renovation and conversion of Lullworth Hall to a tax-paying entity will generate a net annual surplus of \$24,987 per year or \$749,610 over 30 years;*
3. *The CCRC, standing alone, produces a net annual surplus of \$886,037 or \$26,581,110 over 30 years;*
4. *The 19 COAH units will generate an annual (school and municipal) deficit of \$204,232, and*
5. *The proposed redevelopment will provide opportunities for substantial improvements of a substandard public road.*

Including revisions per HGAPA comments through 6-09-10

APPENDIX A**Municipal Valuation Data, Assumed Market Values and Projected Revenues**

Table A-1 provides the existing valuation for Haddonfield of residential, non-residential and vacant land. It also provides the tax rate structure for the Borough in 2009 and equalization information.

TABLE A-1
Municipal 2009 Valuation Data

Category	Tax Rate	Valuation (\$)	Number of Parcels	% of Total
Residential		2,020,185,100	4,096	95
Non-residential including vacant land		226,834,400	337	5
		2,247,020,500		100.0
2009 Tax Structure				
County	0.547	12,291,202		
Local Purpose	0.391	8,853,069		
School	1.375	31,132,917		
Municipal Open Space	0.005	113,210		
County Open Space	0.200	452,842		
Total Rate per \$100	2.338			

Source: Terry Henry, CEO/Tax Collector of the Borough of Haddonfield

Assumed Market Values

Table A-2 indicates that the anticipated assessed value for the CCRC will be \$51,034,500. For the purposes of this analysis it is assumed that a 10% discount on the normal taxes to be paid will be part of the Redevelopment and PILOT agreement. It is then assumed that 95% of the PILOT payment will be paid to the Borough with the remaining 5% paid to Camden County during the life of the 30 year PILOT agreement. This two tier calculation results in approximately 85% of the new revenue to accrue to the benefit of the Borough.

TABLE A-2
Assumed Market Values and Projected Revenues for Building and Land

Use	Total Assessment	Full Taxes @ 2.338/\$100	90%/95% of Full Taxes
ILU	\$46,863,000	1,095,657	\$936,787
Healthcare beds			
Lullworth Hall (Of)	\$,250,000	\$29,225	\$24,987
Affordable Units	\$2,921,500	\$68,304	\$58,400
Total	\$51,034,500	\$1,193,186	\$1,020,174

APPENDIX B

Projected Municipal and School Costs

A proportional valuation relationship between residential and non-residential assessments forms the basis for the estimates herein attributing costs based on numbers of residents or jobs. Of Haddonfield's 2008 expenditures (totaling \$13,995,675), roughly 92% was attributable to residential uses, while only 5% was attributable to non-residential uses.

Table B-1

Average Cost - Proportional Valuation

	Parcels	Value	Average Cost Factor
Residential	4,096	2,020,185,100	
Non-Residential	284	217,053,900	
Total Excluding Vacant Land	4,380	2,237,239,000	
% Residential	94%	90%	92%
% Non-Residential	6%	10%	8%

Table B-2 calculates the per capita expenditures for residents or persons employed within the Borough.

Table B-2

Haddonfield Municipal Expenditures Per Person or Employee - 2008

Use	Total Population	Total Expenditures	Per Capita Cost
Residential	11,442 residents	\$12,876,021	\$1,125
Non-residential	5,506 employees	\$1,119,654	\$203
		\$13,995,675	

The Municipal Data table in Appendix A was used to calculate a municipal cost per capita¹. When Haddonfield's 11,442 residents (2008) are divided into the portion of the municipal budget attributable to residential assessments, based on both the number and value of residential parcels (92%), the cost to the Borough per resident is \$1,162 (\$12,876,021/11,442). When Haddonfield's 5,506 employees (2008) are divided into the portion of the municipal budget attributable to nonresidential assessments, the cost to the Borough per employed person is \$203 (\$1,119,654/5,506). As such, the current estimated annual cost to the Borough for Bancroft is \$50,750 per year with no offsetting revenue (250 employees @ \$203/employee).

Table B-3 outlines projected costs to the Borough from CCRC development, including the Lullworth Hall office use and the affordable units.

¹ Haddonfield population from New Jersey Department of Labor 2008 estimate of 11,442 persons

**TABLE B-3
 Municipal and School Costs**

	Municipal Costs			Public School District Costs		
	Projected Population or Employees	Cost per Capita	Municipal Costs	Public School Pupils	Cost Per Pupil	School Costs
CCRC	322 residents	NA		0	\$12,192	\$0
CCRC	250 employees	\$203	\$50,750	0	\$12,192	\$0
Affordable rentals	60 residents	\$1,125	\$67,500	16	\$12,192	\$195,072
Lullworth Hall	26 employees	\$203	\$5,278	0	\$12,192	0
Totals			\$123,528			\$195,072

Per capita costs were applied to the projected population or employees to generate a total cost for each development scenario. Local public school costs for each proposed development were estimated using public school pupil costs as reported by the New Jersey Department of Education for the School Report Card in 2007-2008. The figure has been adjusted to reflect the portion raised by local tax revenue.

The CCRC, Lullworth Hall office space and the low and moderate income housing has an estimated municipal cost of \$102,652 per year and annual school district cost of \$195,072 from the COAH portion of the project.

APPENDIX C - Projecting Population, Pupils and Employment

Demographic multipliers used to project future population, the number of school-age children and the number of public school children for the development scenarios and the affordable units are from *Who Lives in New Jersey Housing?*² by the Rutgers Center for Urban Policy Research, which incorporates more recent survey data than would otherwise be available using the 2000 census.

CCRC Redevelopment

Table C-1 reflects the advice of design professionals who are well acquainted with the needs and characteristics of continuing care retirement communities. The population multiplier utilized for Independent Living Units (ILUs) in the CCRC proposal is 1.3 persons per unit³ (5+ own/rental units with 2 bedrooms above median of \$177,123). This figure is reinforced by the 65 and older household size in Haddonfield (1.4 persons per unit⁴).

² A Quick Guide to New Jersey Residential Demographic Multipliers (Listokin et al. Rutgers Center for Urban Policy Research, November 2006)

³ Telephone discussions with research staff at National Investment Center for the Seniors and Care Industry

⁴ Based on 2000 Census number of individuals 65+ by households with individuals 65+

TABLE C-1 - CCRC Population Forecast

Facility	Number	Multiplier	Population	Public School Pupils
Healthcare beds	75	1.0	75	0
ILU	190	1.3	247	0
Totals			322	0

COAH Multiple-Family Residential Redevelopment

The demographic multipliers for COAH low and moderate income rental units were applied based on COAH requirements that at least 30% of all low and moderate income units must be two bedroom units, and at least 20% must be three bedroom units.⁵ Table C-2 identifies projected population and pupils from the COAH units.

TABLE C-2

Low and Moderate Income Rental Unit Population and School-age Children

Unit Type	Number of Units	Persons per Unit ⁶	Total Population	School Age Children per Unit	School Age Children	Public School Children per Unit	Public School Children
2 bedroom	12	2.76	33	0.68	8	0.62	7
3 bedroom	7	3.82	27	1.37	10	1.27	9
Total	19		60		18		16

Office

The residential design of the building, a magnificent architectural specimen, is somewhat inefficient for office use, but will be attractive for professional offices due to the location and historic character. The number of employees to be generated by the office use of Lullworth Hall was determined based upon the square footage of the building. Appendix D of the N.I.A.C. 5:97 provides Uniform Construction Code Use Groups⁷ to determine the number of employees. The business category of these UCC Use Groups includes corporate and professional offices, banks, outpatient clinics, motor vehicle showrooms, and offices in higher education institutions. The figure for this category is 2.8 jobs per 1,000 square feet, yielding 26 jobs from the 9,380-square foot Lullworth Hall.

⁵ If some of the units are age-restricted, those units can be 1 bedroom or a combination of one or two bedroom.

⁶ Table I-9 Ibid

⁷ Use groups are as defined by the International Building Code (IBC) which has been incorporated by reference into the Uniform Construction Code (UCC).

Appendix D

Current Fiscal Impact to Haddonfield of Bancroft School

According to tax records, Block 13, Lot 25 carries an assessment of \$4,380,500 (land - \$960,500, \$3,420,000 - improvements). Block 14, Lot 2 is assessed at \$7,809,300 (land - \$1,620,000, improvements - \$6,188,400).

**TABLE D-1
 Tax Revenue Impact - Bancroft School**

Block/Lot	Size	Assessment	Property Tax Classification	Tax Rate ⁸	Revenue Impact (cost to Borough)
13/25	6.072 acres	\$4,380,500	15B	\$0.2338	\$0
14/2	13.151 acres	\$7,809,300	15B	\$0.2338	\$0
Totals	19.223 acres	\$12,189,800			\$0

Both parcels are assessed within property tax class 15B, a tax-exempt category that includes other school public property. Using the Borough's 2009 tax rate (\$2.338 per \$100 assessed value), \$284,998 in gross property tax receipts would have flowed to the Borough if lands assessed at these values were not tax exempt. However, as a tax exempt property, the Borough receives no revenue from Bancroft in terms of property taxes, and employee-related costs to the Borough total \$50,750.

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⁸ 2009 tax rate

