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CONSULTATION REPORT

Re: The impact on tax revenue and major municipal expenses of a proposed re-development of premises known as Oak Tree Apartments, Pomona, NY

We have been requested to estimate the real property tax impacts of the proposed development of a 228-unit rental apartment complex. The units will be composed of 69 studio apartments, 87 1-bedroom apartments and 72 2-bedroom apartments. They will replace an existing 52-unit development containing 49 2-bedroom units and 3 1-bedroom units.

We will first estimate the anticipated benefit, if any, to the North Rockland Central School District (hereinafter referred to as “the school district”) by reason of the proposed development. We will also contrast the real property tax impact by changing the improvements at the development from very old apartment units to a new and modern complex. In order to estimate the school district tax impact, we must first determine what the anticipated number of children that will attend the district schools.

The generally employed method of estimating the number of school district students is to apply the Rutgers multipliers. This method employs an estimate of the income of the households that will occupy the apartments. This income estimate determines the anticipated number of students based upon a prior statistical study which relates them to the income of the household and the number of bedrooms in the apartment. We set forth below the formula for estimating the number of school age children that was undertaken by a report dated July 2018 and was developed from a survey of developers and property managers with respect to rental units in New Jersey. The New Jersey experience reasonably relates to occupancy in nearby Rockland County, NY. The table is set forth below:

Table 6: School-Age Children per 100 Units,
Market-Rate Units by Building Product Type

Income	Bedrooms		Full Sample**	High-rise +Mid-rise	High-rise	Mid-rise	Low-rise	Reject at 5%?*
			(1)	(2)	(3)	(4)	(5)	(6)
<\$50K	studio + 1br	(1)	11.0	2.6			11.4	Yes
	2br	(2)	120.0	43.6			126.4	Yes
	3br and larger	(3)	135.7	100.0***			137.9	X
\$50K - \$100K	studio + 1br	(4)	6.8	1.6			7.6	Yes
	2br	(5)	49.3	13.4			56.7	Yes
	3br and larger	(6)	55.1	17.6			63.0	Yes
>\$100K	studio + 1br	(7)	1.0		0.4	1.3	1.9	Yes
	2br	(8)	12.2		2.2	8.9	28.2	Yes
	3br and larger	(9)	26.5		4.3	23.9	61.8	Yes

Given the number of apartment units and their type for the new project as set forth below, in order to estimate the income of the projected new households in the proposed development we must first determine the market rent for such apartment units as there is a direct relationship of the rent for the respective units. The longstanding rule of thumb is that total occupancy costs should not exceed 30% of household income. See, for example, <https://www.mysmartmove.com/SmartMove/blog/rent-to-income-ratio.page>.

We have surveyed market rents of typical studio and one-bedroom units and two-bedroom units of the approximate size of those to be developed. In estimating these rents, in addition to the rental rates within the County of Rockland, we have focused on those generally attributable to the Town of Haverstraw. In particular we consider most comparable the rents charged at The Henry (Crystal Hill Apartments), Riverside & Parkside at the Harbors (4100 Southernly Pointe & 2100 Round Pointe), and Kensington Apartments all of which are located within the Town of Haverstraw and/or it's villages. Our analysis shows that the market rent for studio units is \$3.00 per square foot of improvement, one-bedroom units at \$2.75 per square foot, and two-bedroom units at \$2.50 per square foot as shown in the table below:

Fiscal Impact Analysis						
	Number of Units	Total SF	per/unit	Residents		
Studio	69	535		1	69	
1 Bedroom	87	798		2	174	
2 Bedroom	72	1200		3	216	
Total	228				459	
					Total Monthly rental expense	Total Annual expense
Rent per unit	Rent Per Foot	Total SF	Monthly Rent			Income required
Studio	\$3.00	535	\$1,605		\$1,605.00	\$19,260.00
1 Bedroom	\$2.75	798	\$2,195		\$2,194.50	\$26,334.00
2 Bedroom	\$2.50	1200	\$3,000		\$3,000.00	\$36,000.00
						0.3
						\$64,200
						\$87,780
						\$120,000

The results of our analysis causes us to use the Rutgers multipliers for incomes in the range of \$50,000 to \$100,000 with respect to the occupants of the studio and one-bedroom apartments and the table with respect to incomes of greater than \$100,000 with respect to the two-bedroom apartments. In the table below we apply the Rutgers multipliers to estimate the number of children per unit for each of the respective types of apartments.

Student Generation New Development				
Low Rise Apartment				
Unit Type	Income Level	Children per 100 units	Units	Students
Studio	\$50-\$100K	7.6	69	5.244
1 Bedroom	\$50-\$100K	7.6	87	6.612
2 Bedroom	\$100K+	28.2	72	20.304
			Total	32.16

The resulting estimate of total number of children to be generated from the new development is 32.16.

Unlike the development of vacant land, the subject development is the re-development of an existing multi-family project of 52-units. Accordingly, the change in the number of students that are estimated to potentially attend the district is the difference between the existing number of students before redevelopment compared to the projected number of children for the proposed development.

Management of the subject property informs us that they have observed approximately 25 such school age children in the existing development. They also inform us that the rental rate for the almost exclusively two-bedroom current development is \$1,300 per month or \$15,600 annual rent per unit. When we apply the rent to income formula of 30% it results in an estimated income of \$52,000. In order to confirm management’s estimate and to be consistent in our student estimate we apply the Rutgers formula to the 49 existing two-bedroom units and the three studios assuming income levels of \$50,000 to \$100,000. One-bedroom units in low rise developments would produce 7.6 children per 100 units. Two-bedroom units would produce 56.7 children per 100 units. In the table below we show our calculations in applying the Rutgers formula to the existing development which provides an estimate of 29.636 students already being schooled in the school district.

Student Generation		Existing Development			
Low Rise Apartment					
	Income Level	Children per 100 units		Units	Students
1 Bedroom	\$50-\$100K	7.6		2	0.152
2 Bedroom	\$50-\$100K	56.7		52	29.484
				Total	29.636

It is our conclusion based upon the calculations above with respect to students from the proposed development in contrast to the existing development that there will be an addition of less than three new students (32.16 students - 29.63 students = 2.53 students, which for purposes of our analysis shows an increase of less than three new students).

In order to determine the fiscal impact on the school district of these additional students and the costs estimated for the existing students as opposed to the new students we must estimate the income and expenses to the school district for their education. Simply put, we must estimate the marginal costs to provide an education in the district per student as opposed to the income that is generated by the new project as opposed to the existing project. The first step we undertook was to determine the marginal cost to educate each student which costs for educational expenses was provided to us by the school district. We estimate that this cost is the tuition paid to the school district by out of district students who attend the school district. We have rounded the tuition charges upward so as not to underestimate these costs. There are two typical tuitions, the predominant one being for typical students and a much greater one for special needs children. These costs are \$14,000 per student and \$45,000 per student, respectively. We were also informed that typically 15% of total students have special needs and require special education. Applying this amount to the projected new students at the proposed development, there is an estimated 4.8 special needs children and 27.3 typical students for which we then apply their typical costs as follows:

Cost per student	Cost	# of Students	Total Cost
Typical	14000	27.336	\$382,704
Special Needs	45000	4.824	\$217,080
Needs Ratio	0.15		\$599,784

The total expense is projected to be \$599,784, Say \$600,000.

The educational expense is off set by the anticipated school tax that will be generated by the new development. In the table below, we have estimated the total assessment for the project by relating typical assessed values based on the square foot and type of apartment unit. As shown below the total assessment is estimated at \$13,710,000.

The estimated school tax generated is estimated by employing the current school tax rate of \$44.73547 per thousand to the assessment which generates \$613,323. We contrast the estimated revenue with our estimated total education expense for the proposed development (613,323 – 599,784), resulting in a positive balance to the school district of \$13,539. This calculation shows that through the school tax the district recovers the marginal educational costs for educating the students.

The existing development only generates a school tax of \$91,372.20 as shown on the latest tax bill for the subject property and its existing improvements. However, there is an estimated 29.63 existing students at the subject property, as previously shown above. As shown in the chart below, the estimated expense for educating typical students and special needs students with respect to the existing improvements is \$552,711.

Cost per student	Cost	# of Students	Total Cost
Regular	14000	25.1906	\$352,668
Special Needs	45000	4.4454	\$200,043
Needs Ratio	0.15		\$552,711

Therefore, there is a net deficit to the district for the education of the students at the existing improvements at a cost of \$461,339. From a cost benefit analysis, by the development of the proposed complex there is a total benefit to the school district of \$474,878. There will no longer be an education expense deficit of \$461,339 but there will be a net surplus from the proposed development of \$13,539.

We also have reviewed the other components of the taxes within the school district and the town. We have thereafter calculated the total taxes currently paid and those that we estimate based upon a proposed assessment for ad valorem taxes. We also have analyzed the total school and library taxes existing and those estimated. We set forth our calculations and the net benefit to all taxing and usage components that are billed. They are set forth in the chart below.

Tax Bill Existing			Tax Bill Proposed		
Assessment @:	\$2,042,500		Proposed Assessment @	\$ 13,710,000	
North Rockland CSD	44.735471	\$91,372.20	North Rockland CSD	44.735471	\$613,323
Hav Public Library	2.4247	\$4,952.45	Hav Public Library	2.4247	\$33,243
Town Fee		\$963.25	Town Fee		\$6,466
		\$97,288			\$653,032
Town	21.27	\$43,443.98	Town	21.27	\$291,611.70
Part Town	1.744	\$3,562.12	Part Town	1.744	\$23,910.24
Highway	2.639	\$5,390.16	Highway	2.639	\$36,180.69
County	3.812	\$7,786.01	County	3.812	\$52,262.52
Thiell Fire	5.044	\$10,302.37	Thiell Fire	5.044	\$69,153.24
Hav. Amb	0.287	\$586.20	Hav. Amb	0.287	\$3,934.77
Lighting 1	0.247	\$504.50	Lighting 1	0.247	\$3,386.37
Sewer 1	55	\$12,511.22	Sewer 1	228	\$54,543.81
Solid Waste	0.31453	\$1,057.55	Solid Waste	0.31453	\$6,085.47
Solid Waste	52.21	\$2,610.50	Solid Waste	52.21	\$11,903.88
Transfer	50	\$987.00	Transfer	228	\$4,500.72
Water District	0.802	\$1,638.09	Water District	0.802	\$10,995.42
		\$90,379.68			\$568,468.83

As evidenced by the chart above the school district/library tax overall is increasing by a net of \$553,743.71. We further show that the town, county and district charges (the January bill) will increase by \$478,089.15. Therefore, all taxing districts in total will have increased revenue of \$1,033,833.16, the net differences shown in the school/library line and the Town/County district line in the schedule above.

We are informed that the infrastructure for the new development will be paid for by the developer and maintained by the developer. We can therefore conclude whether there is no significant burden to the town or county that would significantly offset their revenue benefits by the increased assessment of the proposed development.

BECKMANN APPRAISALS, INC.

June 15, 2020



William R. Beckmann, MAI
President