

Fiscal Impact Report & Ratable Replacement Framework Post Sandy Planning Assistance Grant Program



Borough of South River
Middlesex County
New Jersey



Post Sandy Planning
Assistance Grant
Program

Phase II: Community
Development Block
Grant – Disaster
Recovery

Authorization #
FIA-2014-1223-116

Adopted:
April 27, 2015

Bignell Planning Consultants, Inc.

424 AMBOY AVENUE - SUITE 202
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RESOLUTION

WHEREAS, the Governing Body of The Borough of South River, Middlesex County desires to apply for and obtain a Post-Sandy Planning Assistance grant from the New Jersey Department of Community Affairs (DCA); and

WHEREAS, The Borough of South River, Middlesex County has reviewed and is familiar with the New Jersey Department of Community Affairs grant application process; and

WHEREAS, The Borough of South River, Middlesex County has applied for Post-Sandy Planning Assistance grant funding for the following planning activities and in the following amounts:

- 1. A Strategic Recovery Planning Report in an amount not to exceed \$10,000.00; and
- 2. A Community Development and Neighborhood Resiliency Plan; Repetitive Loss & Flood Hazard Area Acquisition & Management Plan in an amount not to exceed \$50,000.00; and

WHEREAS, The Borough of South River, Middlesex County now desires to separate the above Community Development and Neighborhood Resiliency Plan into two (2) sub-plan elements and apply for funding for each separately, and now intends to apply for an additional Post-Sandy Planning Assistance Grant funding for a Ratable Replacement Plan/Fiscal Impact Analysis Plan in an amount not to exceed \$20,000.00;

NOW THEREFORE BE IT RESOLVED that the Governing Body of The Borough of South River, Middlesex County does hereby authorize the application for the above grant(s); and

BE IT FURTHER RESOLVED that The Borough of South River, Middlesex County has sustained a loss attributable to Superstorm Sandy of at least three million, eight-hundred-ninety thousand, six-hundred (\$3,890,600.00) dollars of assessed value, corresponding to a (2014) property tax loss of approximately two-hundred-sixty-eight thousand, eight-hundred forty (\$268,840.00) dollars as indicated by the attached documentation from the tax assessor; and

BE IT FURTHER RESOLVED that The Borough of South River, Middlesex County recognizes and accepts that DCA may offer a lesser or greater amount of grant funding than that requested; and

BE IT FURTHER RESOLVED that The Borough of South River, Middlesex County authorizes the execution of the grant agreement in the amount offered and approved by DCA and further authorizes the expenditure of funds pursuant to the terms of the grant agreement entered into by The Borough of South River, Middlesex County and DCA; and

BE IT FURTHER RESOLVED that The Borough of South River, Middlesex County agrees to comply with all CDBG-DR regulations, Post Sandy Planning Assistance Guidelines and also accepts that the proposed use(s) of CDBG-DR funds are not reimbursable by FEMA or other federal agencies; and

BE IT FURTHER RESOLVED the persons whose names appear below (or any successor or assign) are authorized to sign the grant agreement or any other document in connection therewith.

DATED: MAY 12, 2014

/s/ Thomas Roselli
Councilmember

/s/ Peter Guindi
Councilmember

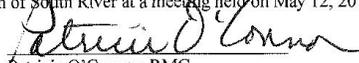
ROLL CALL VOTE

YEAS: Guindi, Haussermann, Hutchison, Jones, Trenga, Roselli

NAYS: None

CERTIFICATION

I, Patricia O'Connor, Borough Clerk of the Borough of South River, do hereby certify this to be a true copy of a Resolution adopted by the Borough Council of the Borough of South River at a meeting held on May 12, 2014.


Patricia O'Connor, RMC
Borough Clerk

RES: 2015-151

APRIL 27, 2015

RESOLUTION

BE IT AND IT IS HEREBY RESOLVED by the Mayor and Council of the Borough of South River that the Fiscal Impact Report/Ratable Replacement Plan, dated April 1, 2015, prepared by Bignell Planning Consultants Inc., in accordance with the New Jersey Department of Community Affairs' Community Development Block Grant-Disaster Recovery Action Plan ("CDBG-DR") and the Post Sandy Planning Assistance Grant Program, is hereby adopted.

DATED: APRIL 27, 2015

/s/ James Hutchison
Councilmember

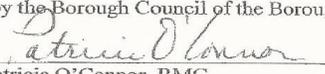
/s/ Tony Ciulla
Councilmember

ROLL CALL VOTE

YEAS: Ciulla, Gurchensky, Haussermann, Jones, Trenga, Hutchison
NAYS: None

CERTIFICATION

I, Patricia O'Connor, Borough Clerk of the Borough of South River, do hereby certify this to be a true copy of a Resolution adopted by the Borough Council of the Borough of South River at a meeting held on April 27, 2015.


Patricia O'Connor, RMC
Borough Clerk

Bignell Planning Consultants, Inc.

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April 1, 2015

Sean Thompson
Director, Local Planning Assistance
NJ Department of Community Affairs
101 S. Broad Street / P.O. Box 813
Trenton, NJ 08625

Frederick C. Carr, CM
Borough Administrator
Borough of South River
48 Washington Street
South River, NJ 08882

Re: Borough of South River
Middlesex County
Fiscal Impact Analysis via
Community Development Block Grant-
Disaster Recovery

Introduction

This Fiscal Impact Analysis / Ratable Replacement Plan: has been prepared in accordance with the New Jersey Department of Community Affairs' Community Development Block Grant - Disaster Recovery Action Plan ("CDBG-DR") and the Post Sandy Planning Assistance Grant Program Description and Guidelines. The program engages professional planners to evaluate the impacts of Superstorm Sandy on the communities they serve.

The impact of Superstorm Sandy has been heavily reported on in the New Jersey and national media and also noted in the Borough's 2014 Strategic Recovery Planning Report. Approximately 180 properties in the Borough were heavily impacted by the storm and listed on the Borough's "Flood Impacted Properties List." Several dozen of those properties are now eligible for acquisition via the State of New Jersey's Green Acres / Blue Acres property acquisition program. The program purchases flood-prone or flood damaged property, pays for the removal and demolition of all site

improvements, and dedicates the remaining vacant land to open space. Participation is voluntary. However, all eligible property owners are being actively encouraged to participate while program funding is available. Property owners can decline or cease participation at any time, and if they do, the Borough of South River and NJDEP are not permitted to force participate through condemnation. To start the process, each property owner initiates his/her own application and negotiates his/her own sale price. Financial negotiation is handled directly with the State of New Jersey/Department of Environmental Protection following program guidelines. From the original 180 properties, a working list of approximately 76 properties has evolved as the first group of eligible properties targeted for acquisition in the Blue Acres program.

While encouraging participation, Borough leadership also has budgetary concerns over the impacts of this program. What will be the impact to the municipal budget if 50 or 75 properties are removed from the Borough tax rolls and converted into open space? What will happen if, over several years, hundreds of properties gain buyout funding? Will there be a measurable reduction in the need for municipal services after these properties are demolished? Will the shrinkage in tax base be proportional to the decrease in need for government services? Will the buyouts be financially beneficial or detrimental to the Borough or school district? How can the Borough replace the lost ratables? This report aims to address these questions to assist Borough officials in understanding long-term fiscal effects the buyouts, and the difficulty in measuring this fiscal impact. Additionally, this report aims to use the fiscal impact information generated from this analysis to propose hypothetical ratable replacement scenarios.

The following newspaper article was published in the Sentinel, one of a group of community newspapers covering Middlesex County and affiliated with Greater Media Newspapers. The article was published on July 24, 2014 to report the first home demolition in the Borough- a single-family dwelling formerly located at 33 Freeman Street. In the article, Borough of South River Mayor John Krenzel touched upon some of the fiscal concerns that would be impetus for this fiscal impact analysis. [Reformatting and emphasis added]:

Flooded homes demolished in South River

By ADAM C. UZIALKO, Staff Writer

July 24, 2010

Demolition of the first group of flood-damaged South River homes acquired by the state is underway. The house at 33 Freeman St. was razed July 7. The home — the first in the borough to be demolished — was acquired by the state Department of Environmental Protection (DEP) as part of its Blue Acres floodplain program for \$170,406.

“The number of South River homes targeted for purchase under Blue Acres is at 76,” Seldner said. “We may consider another group in a subsequent buyout round depending on how much money comes in and how many applications we get from other places.” By July 14, the state had spent \$7.02 million on home purchases in South River, he said.

One of those watching a demolition last week was Muriel Emmons, who said she sold her home at 2 Martins Ave. to the DEP. Her daughter also accepted a buyout of her property at 30 Water St. “Most importantly, for everyone down here, it’s a chance to get out from under the [South River], because it’s getting worse,” Emmons said. “No matter how many times your house gets flooded and you go through all the insurance, it just ... is eventually going to cost too much money for everyone.” Emmons recently uncovered mold growing in the walls and under the floor of her former home in the wake of a recent flood, she said.

“It’s very stressful having your home flood. And yes, we all know we bought in a flooding area,” Emmons said. “But it wasn’t this bad [before], and it’s getting worse. “[Blue Acres] is a good program, because it does help people get out and you can go on with your life. I think it will help any of the surrounding homes, too, because it will become wetlands, like it should be.”

South River Mayor John Krenzel said the demolition of the homes is bittersweet. While it is a flood-mitigation effort, the clearing of the homes also represents a loss for the owners. According to Krenzel, the demolitions also have a financial impact, making it necessary for the borough to raise taxes in order to cover the reduction in the tax base.

“The impact of the loss of the houses is already being felt. The real estate taxes have to go up to cover the loss of revenue to the town and electric utility. The school taxes have to rise to cover the educational tax loss,” Krenzel said. “When all is said and done, South River will have a nice park by the river.”

According to the DEP, the goal of the program is to acquire 1,300 properties statewide; thus far, 254 homeowners in five municipalities have accepted buyouts. All homes acquired under the Blue Acres program are purchased at pre-Sandy market values, with any aid or disaster relief previously received by the homeowner deducted from the purchase price. So far, \$300 million has been allocated to the federally funded buyout program through the Federal Emergency Management Agency’s Hazard Mitigation fund. According to the DEP, an additional \$1.46 billion in federal funding for property acquisitions is expected in the second round of federal Community Disaster Block Grant recovery funds, which has been allocated to New Jersey by the U.S. Department of Housing and Urban Development (HUD). “The money has been allocated to the state, and a portion of that will be available for buyouts,” Seldner said. [Edited from original format to fit on page]

Traditional Fiscal Impact Analysis

A traditional fiscal impact analysis is a tool that compares the municipal costs of a particular development with the municipal revenues expected to be generated from that development. Calculations are generated using real municipal budget data and real tax assessment data in a particular municipality where development is proposed. One of the methods used in this report works by using “average costing” or by using “per-capita multipliers” and is almost always used to project how the marginal cost increase of each new entrant of a proposed development will impact an existing municipal budget.

Using municipal financial data, a fiscal impact report can multiply the characteristics of each new community member by the average costs to serve that person. A net fiscal impact can then be calculated when total costs are subtracted from total revenues. If total revenues exceed total costs, the project is projected to be revenue positive. If total costs exceed total revenues, the project will be revenue-negative. With this approach to analysis, development can be analyzed as if it is happening under the current fiscal conditions of any given municipality. This provides a realistic way of projecting incremental or average cost increases or decreases using real-world budgetary information in real communities.

Traditional Fiscal Impact Analysis-Cost Calculation

Costs in this analysis are calculated by taking the total budgetary cost of municipal services and dividing by the number of residents served.

For example: If a municipality of exactly 1,000 persons had a total yearly municipal budget of \$50,000.00, then the per-capita cost to serve each person in that municipality would be \$50.00 per year, and would be shown mathematically as:

$$\mathbf{\$50,000 / 1,000 = \$50}$$

Of course, a much more detailed analysis has been conducted using more specific elements of municipal costs, including police, fire, school, general administration, sewer, water, electric utility, and infrastructure costs. However, once an accurate per-capita cost multiplier has been calculated, it can be used to project the cost increase to any size of future development as in the example on the following page.

For example: If a new development is proposed, each additional person projected to reside in that development would drive up municipal costs by an additional \$50.00 per person. If a new development is proposed which would add 20 new residents to that municipality, the total municipal costs of serving those 20 additional residents would be calculated as:

$$\text{\$50.00 per person} \times 20 \text{ new persons} (\text{\$50.00} \times 20 = \text{\$1,000.00.})$$

Therefore, the total municipal cost increase to add that 20-person development to an existing municipality will cause municipal costs to increase to a total of \$51,000.00. ($\text{\$50,000} + \text{\$1,000.00} = \text{\$51,000.00}$)

Traditional Fiscal Impact Analysis-Revenue Calculation

Revenues are often calculated in a similar way to costs. Projected property tax, non-tax and other revenues are multiplied by the number of new residential units proposed and/or by the square footage of non-residential space proposed. This method is effective and accurate because municipal property taxes are assessed based on the property units and improvements, not by occupants.

For example: If the same 20-person development in the same municipality mentioned above generated a total of \$300.00 of total municipal revenues per dwelling unit (assuming a total of 5 identical dwelling units of 4 persons each for simplicity) the total revenues of the development would be calculated to generate \$1,500.00 and would be shown as:

$$(5 \text{ units} \times \text{\$300.00 each} = \text{\$1,500.00})$$

As with the costs calculations, a much more detailed analysis is required to accurately account for tax rates, land and building assessments, unit variety, unit occupancy, and several other variables. Overall fiscal impact of these oversimplified examples above would result in a total cost of \$1,000.00 and total revenues of \$1,500.00. This project would be revenue positive with a surplus of \$500.00.

“Reverse” Fiscal Impact Analysis

While a traditional fiscal impact analysis is almost always used to project the impacts of a *proposed* development being added to an existing community before it is constructed, this report is unique in that it seeks to analyze the fiscal impacts of existing development being eliminated. In essence, a “reverse” fiscal impact analysis is needed. When fiscal impact reports are created, practitioners commonly have to rely on demographic projections and estimated tax assessment values. In this case, the analysis can be conducted using real data from the actual properties listed. In a way, this allows some elements of this analysis to follow more of a “case study” approach than the usual methodology which relies on projections and multipliers. In the end, better data will yield more accurate results. This only applies to revenue projection, which, by definition is not truly a per-capita projection but real-world data realized as real municipal tax revenue loss.

Cost (savings) projection in this case is more difficult. What makes the analysis challenging is that most fiscal impact measurement methods capture the efficiencies of construction of a single development project. This application can not. In this “case study” approach, the 75 subject properties are not consolidated in a 75-unit residential building, complex or subdivision, but are 75 individual properties, scattered throughout the Borough’s eastern floodplain. Each property is unique in lot area and location, use, density, building type, intensity of utility use and age. Many of them are clustered into a few streets. However, as the program is voluntary, several property owners of a street may participate in the program, while other “holdouts” will refuse, creating a checkerboard of buyout and holdout properties in a neighborhood.

For example: The classic example of excess capacity in a municipal system given by Burchell/Listokin is of a school Superintendent having a school building containing 10 classrooms and employing 10 teachers. Each classroom has capacity for 25 students, but most classrooms contain an average of 18-20 students. He/she indicates that construction of a new housing development generating 10 new students would increase classroom size and student/teacher ratios, but would not have any impact on school costs because no new teachers or classrooms would be needed.

What makes this particular analysis more challenging is that attempting to use the “average cost” method which would rely on “per-capita cost multipliers” in reverse may fail to accurately capture

the existing efficiencies and excess capacities of services and existing infrastructure in the municipality. This excess capacity would only be realized when dwelling units are taken off-line.

A “marginal cost” approach was used whenever possible in the analysis. This method is more useful than the “average cost” method in this situation due nature of public services which are often “lumped” together. Consider the Borough’s borough-wide facilities such as water and sewer treatment utilities. These already exist in the Borough and have been financed with long-term and serve the greater community on a long-term basis. The incremental cost to add or cost savings to subtract one additional user to the system is very low. However, these costs do have a threshold level where surplus capacity is eventually depleted. The “marginal cost” approach attempts to focus on defining a community’s marginal response to a land use change on this “margin” through careful analysis of existing demand and supply relationships in the community.

The image below from NJ.com shows the initial home demolition in the Borough on Water Street.



Assumptions included in this Fiscal Impact Analysis

- Increased development will result in increased demand for municipal services. In this case, buyouts and demolition will result in decreased demand for municipal services.
- Increased development will result in increased municipal tax revenues. In this case, buyouts and demolition will result in decreased municipal tax revenues.
- The analysis should be able to compare municipal revenue loss from the buyout properties and the total reduction in municipal services required by the population loss. If the revenue loss is greater than the savings generated by the reduced cost of services, then the result will be a negative fiscal impact for the Borough. If the revenue loss is equal to the reduced cost of services, then the result will be a neutral fiscal impact for the Borough. If the revenue loss is less than the savings generated by the reduced cost in services, the result will be a positive fiscal impact for the Borough.
- When calculating "cost," this report does not intend to account for the buyout cost, closing costs, sales price, management costs or demolition costs for any property included in the Blue Acres program, as 100% of these costs are funded by the NJDEP Blue Acres Program.
- Fiscal impacts should be cumulative. While the impact of one additional unit may not exhibit a significant impact, the cumulative impact of many units should.
- "Inverse" Fiscal impacts should be cumulative, inversely. While the impact of one less unit may not exhibit a significant impact, the cumulative impact of many units should exhibit significant impact.
- Changes in demand for municipal services can be measured and quantified.
- The level of municipal services the Borough currently provides is relatively close to demand for those services.
- The scattered layout of the potential 76 buyout properties may not reflect the same fiscal efficiencies of evaluating a single 76-unit residential building or 76-lot subdivision.
- Development, or in this case, buyout and demolition, may affect different elements of municipal services in different ways. Demolition of dwelling units may reduce demand on say, emergency services, but would not likely impact the Boroughs electricity distribution utility costs.

- All buyout properties' characteristics are identical for purposes of cost calculation, and the characteristics of the set of buyout properties are representative of the characteristics of the Borough as a whole.

Demographic Profile for Fiscal Impact

The following section of this report presents a historic profile of the Borough’s population, ratable base and growth trends and documents the manner in which the Borough generates and spends its municipal revenues and school district revenues. This is an essential element of a fiscal impact report because several of the per-capita cost multipliers created and used in the analysis come from 2010 Census, and 2013 American Community Survey Data. This data was not available for the 2010 Master Plan.

Population & Growth Trends: 1970-2020				
YEAR	SOUTH RIVER		MIDDLESEX COUNTY	
	POPULATION	% CHANGE OVER PREVIOUS DECADE	POPULATION	% CHANGE OVER PREVIOUS DECADE
1970	15,428	-	583,813	-
1980	14,361	-6.9%	595,893	+2.1%
1990	13,692	-4.6%	671,780	+12.7%
2000	15,322	+11.9%	750,162	+11.6%
2010	16,236 (2013)	+5.9%	790,738	+5.4%
2020 ¹	14,617*	-9.9%	823,162*	+4.1%

* 2009 population projections from the Middlesex County Planning Department
¹ 2020 projections from the Middlesex County Planning Department & US Census Bureau

General Population

The demographic element of this report organizes the general demographic characteristics of the Borough of South River in a series of tables. This report takes a snapshot of these characteristics, and uses that snapshot of data to project how changes in the population from the flood buyout process will likely occur. Analysis of past and emerging trends can be used to make projections on future growth or decline. Specific population traits such as population (total), and age, household size, number of households, number of housing units, and number of school-aged-children are provided. With an accurate demographic assessment, the analysis can more accurately calculate the impacts of changes in the population.

Population Trends for Fiscal Impact

The net population of the Borough has remained generally consistent since 1970. However, within the 45-year period since that census, we can observe a “wobble trend” of population growth and decline. While the 1970 census represented population high of 15,428 persons, the next 20 years were marked with a very slow and steady decline to the 1990 low of 13,692 persons. From 1990 to 2000, as the nation and region experienced an economic expansion, raw land was developed under several planned residential developments in the southern section of the municipality. That development period resulted in a population spike of 11% from 1990 to 2000. The turn of the century ended that growth spurt. The 2000-2020 population projects to resume single-digit declines of approximately 2.3% per decade. Statistically, the population has risen and fallen around a 50-year arithmetic mean of about 15,000 persons. With a standard deviation of about 650 persons, this translates to an average fluctuation of only 4.4% over any given 10-year period in the last 50 years.

Population by Age

Population statistics by age range are provided below. The table shows specific age cohorts within the population. The 2010 Master Plan noted a 30% increase in the population of school-aged children under 9 years of age, and a 30% decline population of young persons within the ages 15-24. The median age is 36.4 years and persons between 35 and 44 years of age have increased by over 86% since 1980.

South River Population by Age: 2010 Census	
Age Group	Percent of Total
Under 5 years	6.6%
5 to 18 years	16.3%
19 and over	77.1%
Total:	100%
Source: US Census Bureau: Community Survey/PUMS or NJ Municipal Data Book	

Housing Unit Type, Size and Housing Unit Characteristics

The Borough contained a total of 5,969 housing units as of the 2010 Census. An average of approximately 2.72 persons per household has been recorded since the 1980's and continues to the present day. Of the 5,969 housing units, approximately 1,724 units, or 30.8% are renter occupied. Approximately 3,882 units or 69.2% are owner occupied. Of all dwelling units in the Borough, a majority of 68.1% of units are detached, single family homes. Two-family homes comprise approximately 12% of the total housing units. A small portion of units are situated in 3-unit to 4-unit multi-family apartment buildings (6.1%) and large apartment complexes of 40 units or more (4.2%). The remaining 10% of units are spread among mid-sized apartment buildings between 5-40 units, townhomes or manufactured housing.

Housing Unit Characteristics per 2010 Census		
Housing Type	Housing Units	Percent
Housing Type: (Units in structure)		
- 1-unit, detached	3,928	68.1%
- 1-unit, attached	164	2.8%
- 2 units	703	12.2%
- 3 or 4 units	354	6.1%
- 5 to 9 units	121	2.1%
- 10 to 19 units	212	3.7%
- 20 or more units	244	4.2%
- Mobile/Manuftrd	43	0.7%
Housing Units Total:	5,969	100%
Average Household Size:	2.72	-
Source: 2006-2008 American Community Survey & 2010 US Census		

Original Flood Damage List

Approximately 180 homes and businesses in the Borough were significantly damaged by Sandy. Of those 180 properties, approximately 40 buildings have been classified by FEMA as "Substantially Damaged/Substantial Improvement" and are listed on the Borough's "Flood Impacted Properties List." Many of the affected properties have been subject to flood damage 3 times in the last 6 years. All of these impacted properties are located on the Borough's eastern waterfront in several neighborhood clusters. At the time of this report, many of these properties are vacant. This property list is shown on the following pages.

Original Superstorm Sandy Flood Impacted Property List (1 of 3):					
Block	Lot	Address	Block	Lot	Address
37	13.1	95 Prospect Street	150	7	13 Reid Street
38	5	10 & 12 Henry Street	152	1	19 Main Street
38	6	8 Henry Street	152	1.1	17 Main Street
38	8.1	20 Maple Street	152	3	25 Main Street
38	11	4 Maple Street	152	15	10 Reid Street
38	17.1	83 Reid Street	153	4	101 Water Street
39	5	2 Leroy Street	154	3	17-19 Jackson Street
39	10.1	13 Henry Street	154	5	9-11-13 Jackson Street
39	11	11 Henry Street	155	1	35-37-39-41 Ferry Street
39	12	9 Henry Street	155	3	6 Eberwein Street
39	13	7 Henry Street	155	4	8 Eberwein Street
39	14	5 Henry Street	155	8	33 Ferry Street
39	15	1 Henry Street	155	9	4 Eberwein Street
40	1	51 Maple Street	156	1	65 Ferry Street
40	2	22 Belmont Avenue	156	2	61 Ferry Street
40	2.1	24 Belmont Avenue	156	3	57 & 59 Ferry Street
40	3	20 Belmont Avenue	156	9	18-20 Main Street
40	4	18 Belmont Avenue	157	10.1	24 Main Street
40	5	14 Belmont Avenue	157	10.2	60-62 Ferry Street
41	18	3 Leroy Street	157	11	52-54-56 Ferry Street
42	17	21 Belmont Avenue	157	18	17 Washington Street
90	1	41 Maple Street	157	19	5 Washington Street
90	2	39 Maple Street	157	20	3 Washington Street
90	3	35-37 Maple Street	157	21	1 Washington Avenue
90	4.1	17 Maple Street	158	11	8-10 Washington Street
90	4.2	15 Maple Street	158	12	12 Washington Street
90	5	29 Maple Street	158	13	14 Washington Street
90	8	51 Reid Street	158	14	16 Washington Street
90	15	63 Reid Street	158	15	18 Washington Street
90	16	31-33 Maple Street	297	1.1	2 Marie Street
90	17	45 Maple Street	298	7	56-58 Augusta Street
90	18	47 Maple Street	298	8	50-54 Augusta Street
90	19	49 Maple Street	298	9.1	48 Augusta Street
90	20	65 Reid Street	298	10	44 Augusta Street
90	21	67 Reid Street	299	1	49 Augusta Street
90	30	13 Maple Street	299	1.1	43-45 Augusta Street
149	1.1	1 George Street	299	1.2	47 Augusta Street
149	2.1	3 George Street	299	2	51 Augusta Street
149	18	20 Reid Street	299	3	61-63 Augusta Street
149	19	16 Reid Street	299	5	65 Augusta Street
149	21	14 Reid Street	299	17	38 Augusta Street

Original Superstorm Sandy Flood Impacted Property List (2 of 3)					
Block	Lot	Address	Block	Lot	Address
150	1	7 Main Street	299	19	34 Armstrong Avenue
150	4	5 Reid Street	299	20	28 Armstrong Avenue
150	6.1	9 Reid Street	299	21	20-22 Armstrong Avenue
299	22	18 Armstrong Avenue	309	5	3 Lee Street
299	23	16 Armstrong Avenue	309	6	5 Lee Street
299	24.1	10 Armstrong Avenue	309	7	7 Lee Street
300	13	41 Armstrong Avenue	309	9	35 Freeman Street
300	14	35 Armstrong Avenue	309	9.2	11 Lee Street
300	15	33 Armstrong Avenue	309	12	33 Freeman Street
300	16	27 Armstrong Avenue	317	1	19 Water Street
300	18	19 Armstrong Avenue	317	2	29 Water Street
300	19	17 Armstrong Avenue	317	2.1	27 Water Street
300	20.1	15 Armstrong Avenue	317	3	31 Water Street
300	20.2	13 Armstrong Avenue	317	4	12 Elizabeth Street
301	8	38 Levinson Avenue	317	5	14 Elizabeth Street
301	9	36 Levinson Avenue	317	9	12 Lee Street
301	10	34 Levinson Avenue	317	10	10 Lee Street
301	11	30 Levinson Avenue	317	11	6 Lee Street
301	11.1	32 Levinson Avenue	317	12	2 Lee Street
301	12	20 Levinson Avenue	321	1	1 Martin Avenue
301	14	12-14 Levinson Avenue	324	2	118 Causeway
301	15	4 Levinson Avenue	324	3	114 Causeway
301	15.1	8 Levinson Avenue	324	4	112 Causeway
301	16	2 Levinson Avenue	324	7	116 Causeway
303	14	65 Whitehead Avenue	325	2.3	113 Causeway
304	1.2	2 Herman Street	326	1	100 Causeway
304	15	21 Herman Street	326	2	92 Causeway
304	16	19 Herman Street	326	2.1	98 Causeway
304	17	17 Herman Street	326	3	90 Causeway
304	18	15 Herman Street	326	5	88 Causeway
304	19	11 Herman Street	326	6	86 Causeway
304	20	9 Herman Street	327	1	8 Little Martin Avenue
304	21	7 Herman Street	327	2	10 Little Martin Avenue
304	22	5 Herman Street	327	3	12 Little Martin Avenue
304	23	3 Herman Street	327	4	6 Little Martin Avenue
307	8	4 Elizabeth Street	327	7	84 Browns Lane
307	9	34 Water Street	327	9	78 Causeway
307	10	32 Water Street	327	10	76 Causeway
307	11	30 Water Street	327	12	72 Causeway
307	11.1	28 Water Street	327	14	14 Little Martin Avenue
307	12	26 Water Street	327	15	9 Little Martin Avenue

Original Superstorm Sandy Flood Impacted Property List (3 of 3)					
Block	Lot	Address	Block	Lot	Address
307	14	22 Water Street	327	17.1	70 Causeway
307	15	18-20 Water Street	327	19	56 Causeway
307	16	16 Water Street	327	24	68 Causeway
307	17	12 Water Street	327	25	44 Causeway
309	2	7 Water Street	328	2	91 Browns Lane
309	3	17 Water Street	332	9	31 Levinson Avenue
309	4	1 Lee Street	332	10	29 Levinson Avenue
322	11	27 Levinson Avenue	322	16	11 Levinson Avenue
322	12	25 Levinson Avenue	322	16.1	9 Levinson Avenue
322	15	13 Levinson Avenue	322	16.2	7 Levinson Avenue

Participating Property List

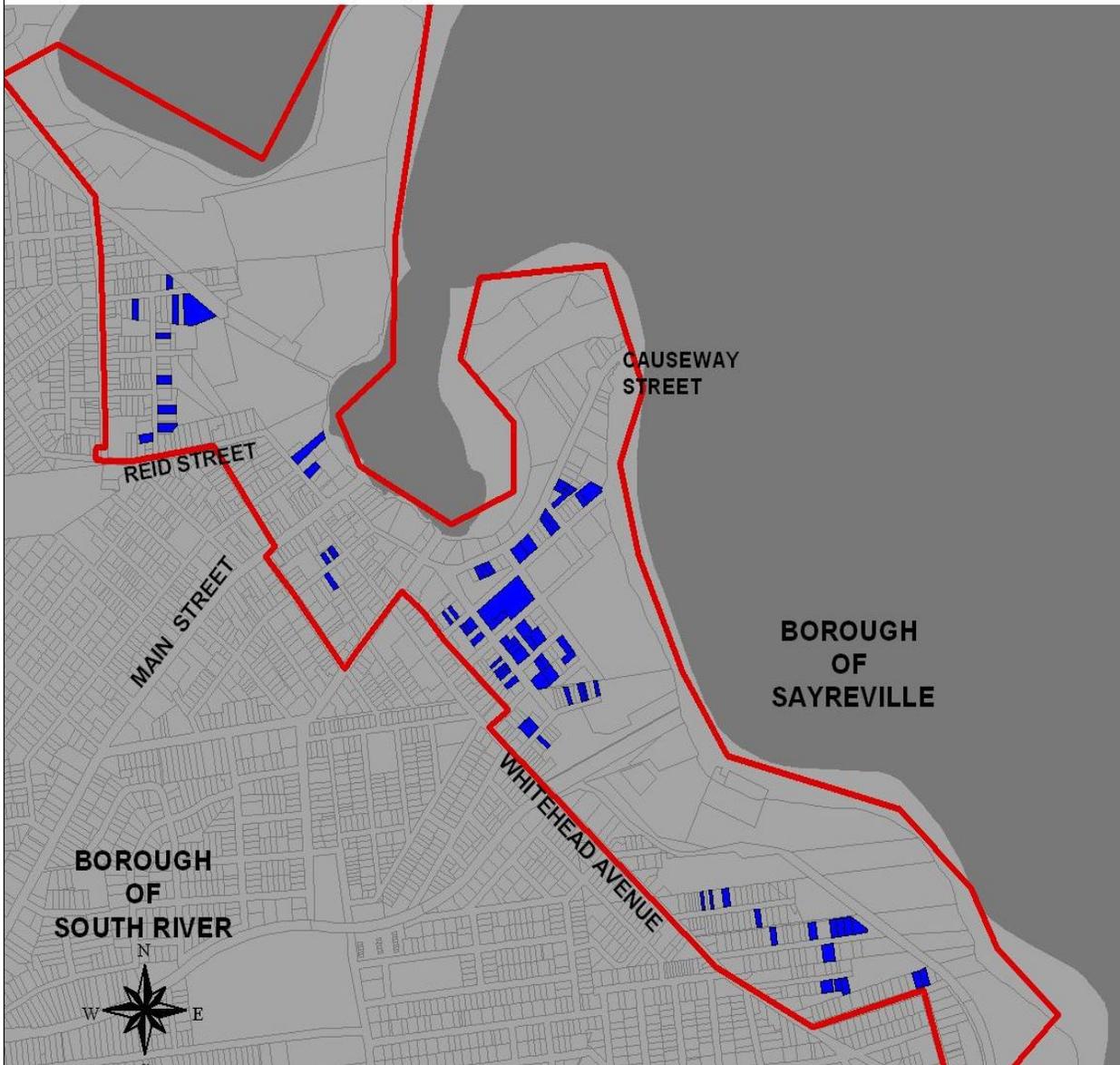
The Borough has created the following Blue Acres Target Property List. The list contains 75 individual properties. Fifty seven (57) out of the seventy five (75) properties were found on the Borough’s initial Flood-Impacted Property List. Eighteen (18) additional, adjacent or nearby properties not on the Borough’s initial Flood Impacted Property List are also found on the Blue Acres Target Acquisition List. This list was compiled for the “first round” of NJDEP Blue Acres buyout eligibility. This round contains applications filed before about May 28, 2013. Any property owner who filed an application to the Blue Acres program after that day may be considered for future rounds of funding if available. Below is a popular image from NJ.com of flooding on Herman Street where several of the participating properties are located, followed by the Blue Acres Target Property Map.



Initial Blue Acres Target Property List: 75 Properties					
Block	Lot	Address	Block	Lot	Address
38	11	4 Maple Street	307	16	16 Water Street
40	3	20 Belmont Avenue	309	4	1 Lee Street
40	5	14 Belmont Avenue	309	5 & 10	3 Lee Street (Zena)
41	3	36 Belmont Avenue	309	9.2	11 Lee Street
42	17	21 Belmont Avenue	309	12	33 Freeman Street
90	4.1	17 Maple Street	317	1	19 Water Street
90	5	29 Maple Street	317	2	29 Water Street
90	17	45 Maple Street	317	2.1	27 Water Street
90	30	13 Maple Street	317	3	31 Water Street
150	4	5 Reid Street	317	5	14 Elizabeth Street
150	6.1	9 Reid Street	317	11	6 Lee Street
157	18	7 Washington Street	317	12 & 13	2 Lee Street
157	20	3 Washington Street	321	2	5 Martin Avenue
157	21	1 Washington Avenue	321	16	9 Martin Avenue
158	12	12 Washington Street	332	7.3	37 Levinson Avenue
298	13	13 Kathryn Street	322	9	2 Martin Avenue
298	12.1	11 Kathryn Street	322	8	4 Martin Avenue
298	8	50-54 Augusta Street	322	7	6 Martin Avenue
298	9.1	48 Augusta Street	322	11	38 Water Street
298	10	44 Augusta Street	323	2	37 Water Street
299	21	20-22 Armstrong Avenue	324	3	114 Causeway
300	16	27 Armstrong Avenue	324	4	112 Causeway
300	18	19 Armstrong Avenue	324	7	116 Causeway
300	19	17 Armstrong Avenue	326	1	100 Causeway
300	20.1	15 Armstrong Avenue	326	5	88 Causeway
300	20.2	13 Armstrong Avenue	326	6	86 Causeway
300	9	53 Armstrong Avenue	326	2.1	98 Causeway
301	12	20 Levinson Avenue	327	1	8 Little Martin Avenue
304	18	15 Herman Street	327	2	10 Little Martin Avenue
304	20	9 Herman Street	327	7	84 Browns Lane
304	21	7 Herman Street	327	9	78 Causeway
304	24	1 Herman Street	327	10	76 Causeway
304	10	32 Herman Street	327	15	9 Little Martin Avenue
305	6	27 Herman Street	332	9	31 Levinson Avenue
305	7	29 Herman Street	332	7.1	43 Levinson Avenue
307	11	30 Water Street	-	-	-
307	12	26 Water Street	-	-	-
307	14	22 Water Street	-	-	-
307	13	24 Water Street	-	-	-

**Borough of South River
Blue Acres Program**

**Blue Acres Target Properties Map
±75 Properties**



Fiscal Impact Methodology

This element of this report focuses on a statistical analysis of the anticipated fiscal effects that can be expected from the buyout and demolition of the 75 target properties. Several hypothetical rates of participation were considered, including a hypothetical "Round 2" buyout. The analysis begins with baseline data and calculations found in the demographic element of this report and includes the following statistics and multipliers for the analysis:

Population Demographics, Budget and Housing Unit Characteristics Used in the Analysis:

- **Total Borough Population (2013): 16,236 persons**
- **Percent of the total Borough population between 5 and 18 years of age as of the 2010 Census: 16.3%**
- ***Calculation: [16.3% of 16,236 persons = 2,646 School Aged Children (SAC)]***
- **Actual student enrollment in 2014: 2,428 persons or 15.0% (2014-2015 South River Board of Education Budget)**
- **SAC multiplier used for this report $(16.3+15.0) / 2 = 15.65\%$**
- **Number of housing units in the Borough as per 2010 Census: 5969**
- **Average persons per dwelling unit:
*Calculation: [16,236 / 5,969 = 2.72 persons]***
- **Average household demographics:
*Calculation: [2.31 adults & 0.41 School Aged Children (SAC)]***
- **Original Per-pupil cost used in the analysis: \$10,553 (2014-2015 Board of Education Budget)**
- **Per-capita cost of municipal operations: \$997
South River Borough 2014 Municipal Budget Presentation**

The analysis also reviews several of the Borough's sources of income, including:

- The Borough's Property Tax Records for all targeted properties as identified by the Borough Tax Assessor
 - The Borough's published and effective tax rate and equalization ratios for residential property, as identified by the Borough Tax Collector
 - Revenues generated into the Borough's four operating funds: Water Utility Revenues, Electric Utility Revenues, Current Fund Revenues and Parking Utility Revenues.
 - The proportional breakdown of Board of Education, Middlesex County, and Borough portions of gross property tax receipts collected.
 - The proportion of collected tax revenue which is statutorily dedicated to the Board of Education
- The "Current Fund" is the Borough's general account for revenues not associated with the other utility-based revenue sources. The gross property taxes collected are composed of a 17.8% county portion, a 28.1% Borough portion, and a 54.1% Board of Education portion. Utility revenue rates were calculated based on an average of a sampling of actual utility user accounts from several of the properties on the target list and are accounted for on a per-dwelling-unit basis. The same "average annual utility bill" was projected upon all dwelling units in the analysis. The sampling was generated via interviews with the Borough's Chief Financial Officer. Obviously, utility bills can vary from year to year based on several factors, so these proposed averages were reviewed for consistency with average yearly account totals and verified again by the Chief Financial Officer.

The analysis also includes identification of several elements of Borough costs, which whenever possible, has been annualized and standardized into a per-capita cost multiplier. This includes:

- The total operating cost from the Borough's, non-utility, general expenditure fund, standardized by the population of the Borough. This represents the total cost to the Borough for each marginal resident including costs related to things like operating libraries, maintaining public streets, operating public works vehicles, and funding police and fire departments.
- The total operating costs from each of the Borough's utility funds, relative to the profit/loss margin of each fund, standardized by the population of the Borough
- The cost per student from the Board of Education's annual budget (Total Budgetary Comparative Per Pupil Cost)

The following press releases from the NJDEP document the first property in the Borough to be purchased and demolished under the Blue Acres Program: a single-family dwelling located at 33 Freeman Street shown on the target list as Block 309, Lot 12:



STATE OF NEW JERSEY
DEPARTMENT OF ENVIRONMENTAL PROTECTION

PRESS RELEASE JULY 11, 2014
CHRISTIE ADMINISTRATION ANNOUNCES HOMES COMING DOWN IN SOUTH RIVER AS PART OF SANDY BLUE ACRES ACQUISITION PROGRAM

(14/P74) TRENTON – Demolition of homes in South River purchased by the state through the Superstorm Sandy Blue Acres Acquisition Program have begun this week, with a dozen houses in South River and Sayreville slated to come down over the next several weeks, Commissioner Bob Martin said today. Blue Acres is buying out more than 1,000 storm-damaged homes throughout the state as part of a \$300 million federally-funded program that is moving flood-prone homeowners out of harm’s way. The properties will be converted to open space that will provide buffers against future storms and flooding.

A total of 132 homes in Sayreville and South River, adjoining Middlesex County municipalities hit hard by Sandy’s storm surge, have been purchased thus far. A total of 254 homeowners in five communities have accepted offers from the state to buy their homes, with more than 900 homes currently approved for Blue Acres’ Program purchases. The program only buys properties from willing sellers and focuses its efforts on larger, contiguous parcels that can provide greater flooding buffers and reduce the need for emergency crews to risk their lives in the event of rescues. So far, 16 purchased homes have been demolished in Sayreville. There have been 38 properties purchased in South River as part of the program. The first South River demolition this week was at 33 Freeman Street, the former home of Joseph Piluso. The sale of that home closed February 14 of this year, and sold for \$170,406. All homes in the Blue Acres program are bought at pre-Sandy market values.

"We are happy that demolitions in South River have begun," said South River Mayor John Krenzel. "It is another step in our recovery from Sandy. We are optimistic about the future and that the area will be reclaimed by nature and used as a nature preserve." The demolition contracts have been bid through the State Division of Property Management & Construction (DPMC).

DEP is making purchases of homes through the Blue Acres program in other Sandy flood-impacted communities. In addition to Sayreville and South River, the DEP has secured funding or is targeting funding for potential buyouts in Woodbridge, East Brunswick, Newark and the Delaware Bay community of Lawrence Township. This effort demonstrates significant progress toward the Administration’s goal of buying at least 1,000 homes in tidal areas affected by Sandy and another 300 properties in other towns, such as Manville and communities in the Passaic River Basin, that have repeatedly flooded.

The Blue Acres Superstorm Sandy Program was launched May 16, 2013. FEMA’s Hazard Mitigation Grant Program will provide 100 percent of the funding for buyouts in Sayreville and South River, plus Woodbridge. Additional federal funding to acquire other properties impacted by Superstorm Sandy is expected to be provided through the \$1.46 billion second round of federal Community Disaster Block Grant (CDBG) Disaster Recovery funds allocated to New Jersey by the U.S. Department of Housing and Urban Development (HUD). [Some portions of this release have been edited for format from its original edition]



STATE OF NEW JERSEY
DEPARTMENT OF ENVIRONMENTAL PROTECTION

PRESS RELEASE NOVEMBER 20, 2014

SOUTH RIVER DEMOLITION MARKS ANOTHER MILESTONE IN HIGHLY SUCCESSFUL DEPARTMENT OF ENVIRONMENTAL PROTECTION EFFORT:

(14/P124) TRENTON –The Christie Administration today announced the completion of the 100th demolition in the post-Sandy Blue Acres residential property buyout program, marking another milestone in the highly successful effort that is moving homeowners out of harm's way of future flooding.

The latest home demolition occurred Tuesday at 16 Water Street in South River, Middlesex County. "The Christie Administration remains committed to moving willing sellers out of flood-prone neighborhoods, an effort that is also creating permanent open space that will provide buffers to protect communities," said Department of Environmental Protection Commissioner Bob Martin. "We are making significant progress toward our goal of moving many of our state's most at-risk people to safer areas, away from the constant fear of flooding."

So far, the Blue Acres Program has identified more than 900 properties for potential buyouts in 11 municipalities, with offers made to 502 homeowners, 342 accepting buyouts and 219 closings completed. To date, all of the demolitions have occurred in Sayreville, where 76 homes have come down, and South River, where 24 homes have been demolished.

In the aftermath of Superstorm Sandy, the Blue Acres Program has purchased homes in Sayreville, South River, Woodbridge and East Brunswick. The program is now moving towards the first home purchases in Newark, Lawrence, Manville, Pompton Lakes, Linden and Old Bridge.

"In South River, we've been pleased with the Blue Acres Program," said Mayor John Krenzel. "In the part of town where homes have been sold to the program, we won't have to worry about getting people out of the way of flooding in the future."

Launched by the Christie Administration in spring 2013, the Sandy Blue Acres Program will purchase some 1,300 damaged homes at pre-Sandy market values, providing residents with financial resources needed to relocate. The federal government is providing the bulk of the estimated \$300 million cost of the program through Sandy recovery funds. So far, the Federal Emergency Management Agency's (FEMA) Hazard Mitigation Grant Program has approved \$158 million, which has been processed through the state Office of Emergency Management, toward the purchase of homes. An additional \$100 million in federal funding to purchase other properties impacted by Superstorm Sandy will be provided through the \$1.46 billion second round of federal Community Development Block Grant (CDBG) Disaster Recovery funds allocated to New Jersey by the U.S. Department of Housing and Urban Development (HUD).

The DEP has created a special post-Sandy Blue Acres team to work closely with willing sellers and process their buyout applications as quickly as possible. Case managers are working with individual homeowners personally to help guide them through the process. [Portions of this release have been edited for format]

Participation Rates

The availability of federal buyout funding presents a “once in a lifetime” opportunity for distressed homeowners. Many property owners who are part of the first round of eligible buyouts were eager to take advantage of the funding. Others are not participating in the program. Out of the original 75 target property owners who filed applications with the NJDEP, seven (7) property owners have declined further participation in the program, presumably based on dissatisfaction with the monetary offer made by NJDEP. Five (5) property owners have filed applications with the program and stopped communicating with the NJDEP. Some of these properties have “upside down” mortgages or are in various stages of foreclosure or are under bank ownership. One (1) property was removed from the original 76-property list as it has been elevated to comply with (National Flood Insurance Program) NFIP standards. The 63 remaining properties are all listed as “participating” in the program. A total of 54 properties are already under NJDEP possession and 48 properties have already been demolished and/or are scheduled to be demolished as of this report. This fiscal impact report is aimed at measuring the impact of real participation in the program, so properties whose owners have declined participation have been removed from the analysis. The analysis was conducted with the remaining 54 properties. All of these statistics reflect the most accurate information as of February 1, 2015, however, this information is in a constant state of revision. The results are shown on the next several pages.

Analysis Scenarios

This is shown on the following pages as Fiscal Impact Scenario #1, which represents a 72% buyout participation rate. Several alternate analyses were conducted as some properties are still in the initial stages of program participation. Fiscal Impact Scenario #2 assumed an 84% buyout participation rate of 63 dwelling units. Fiscal Impact Scenario #3 assumed a 91% buyout participation rate of 68 dwelling units. Should the Blue Acres program continue with future rounds of funding, or should other funding sources become available after the issuance of this report, a hypothetical buyout total of 126 units was calculated in Fiscal Impact Scenario #4. This represents a 200% increase over Fiscal Impact Scenario #2. It was anticipated that Borough leadership may want this data to be more informed on the long-term fiscal impacts of the buyout program. The results of those participation scenarios are provided on the following pages.

Fiscal Impact Scenario #1: Round 1 - 72% Buyout Participation (54 dwelling units)**Participation Summary**

Confirmed Participation:	54 of 75 properties
Declining Participation:	21 of 75 properties

Projected Population Impact

Current Borough population:	16,236 persons
Projected population loss:	158 total persons
School Age Children Loss (S.A.C.):	26 school-aged-children

Property and Housing Unit Loss

Current Housing units (2013):	5969 units
Housing units eliminated:	54 properties
Percent of housing unit removal:	0.9%

Tax Ratable & Tax Portion Revenue Loss

Assessed Value Loss:	\$3,053,500
Total Tax Revenue Loss:	\$210,828
Borough Tax Portion Loss:	\$59,053
School Tax Portion Loss:	\$114,248

Operating Fund Revenue Losses

General Fund Loss:	\$81,152
Utility Funds Loss: (all combined)	\$115,180

Total Revenue Losses

Total Borough Loss: (Borough tax portion + all operating funds)	\$255,385
Total School District Loss:	\$114,248

Cost Savings

Borough Cost Savings from reduced population:	\$157,287
Utility Cost Reduction (all utilities combined):	\$ 94,331
School District Cost Savings:	\$ 89,382

Borough Fiscal Impact

Total Borough Revenue Loss:	\$255,385
Total Borough Cost Reduction:	<u>\$251,618</u>
Net Fiscal Impact:	-\$3,767

School District Fiscal Impact

School Tax Revenue Loss:	\$114,248
School Cost Reduction:	<u>\$ 89,382</u>
Net Fiscal Impact:	-\$ 24,865

Overall Fiscal Impact

Borough Fiscal Impact:	-\$3,767
School District Impact:	<u>-\$24,865</u>
Net Fiscal Impact:	-\$28,632

Fiscal Impact Scenario #2: Round 1 - 84% Buyout Participation (63 dwelling units)

Participation Summary

Confirmed Participation: 63 of 75 properties
Declining Participation: 12 of 75 properties

Projected Population Impact

Current Borough population: 16,236 persons
Projected population loss: 185 total persons
School Age Children Loss (S.A.C.): 30 school-aged-children

Property and Housing Unit Loss

Current Housing units (2013): 5969 units
Housing units eliminated: 63 properties
Percent of housing unit removal: 1.05%

Tax Ratable & Tax Portion Revenue Loss

Assessed Value Loss: \$3,572,300
Total Tax Revenue Loss: \$243,072
Borough Tax Portion Loss: \$ 68,060
School Tax Portion Loss: \$131,259

Operating Fund Revenue Losses

General Fund Loss: \$95,144
Utility Funds Loss: (all combined) \$135,038

Total Revenue Losses

Total Borough Loss: (Borough tax portion + all operating funds) \$298,243
Total School District Loss: \$131,259

Cost Savings

Borough Cost Savings from reduced population: \$184,405
Utility Cost Reduction (all utilities combined): \$110,596
School District Cost Savings: \$ 34,581

Borough Fiscal Impact

Total Borough Revenue Loss: \$298,243
Total Borough Cost Reduction: \$295,001
Net Fiscal Impact: **- \$3,242**

School District Fiscal Impact

School Tax Revenue Loss: \$131,259
School Cost Reduction: \$104,793
Net Fiscal Impact: **-\$26,466**

Overall Fiscal Impact

Borough Fiscal Impact: -\$3,242
School District Impact: -\$26,466
Net Fiscal Impact: **-\$29,708**

Fiscal Impact Scenario #3: Round 1 - 91% Buyout Participation (68 dwelling units)**Participation Summary**

Confirmed Participation:	68 of 75 properties
Declining Participation:	7 of 75 properties

Projected Population Impact

Current Borough population:	16,236 persons
Projected population loss:	199 total persons
School Age Children Loss (S.A.C.):	32 school-aged-children

Property and Housing Unit Loss

Current Housing units (2013):	5969 units
Housing units eliminated:	68 properties
Percent of housing unit removal:	1.1%

Tax Ratable & Tax Portion Revenue Loss

Assessed Value Loss:	\$3,792,200
Total Tax Revenue Loss:	\$258,254
Borough Tax Portion Loss:	\$72,311
School Tax Portion Loss:	\$139,457

Operating Fund Revenue Losses

General Fund Loss:	\$102,140
Utility Funds Loss: (all combined)	\$144,968

Total Revenue Losses

Borough Rev. Loss: (Borough tax portion + all operating funds)	\$319,419
School District Revenue Loss:	\$139,457

Cost Savings

Borough Cost Savings from reduced population:	\$197,964
Utility Cost Reduction (all utilities combined):	\$118,728
School District Cost Savings:	\$112,498

Borough Fiscal Impact

Total Borough Revenue Loss:	\$319,419
Total Borough Cost Reduction:	<u>\$316,692</u>
Net Fiscal Impact:	- \$2,727

School District Fiscal Impact

School Tax Revenue Loss:	-\$139,457
School Cost Reduction (adjusted):	<u>-\$112,498</u>
Net Fiscal Impact:	- \$26,959

Overall Fiscal Impact

Borough Fiscal Impact:	- \$ 2,727
School District Impact:	<u>- \$26,959</u>
Net Fiscal Impact:	- \$29,686

Fiscal Impact Scenario #4: Round 2 - (126 dwelling units)**Participation Summary**

Confirmed Participation: 126 properties

Projected Population ImpactCurrent Borough population: 16,236 persons
Projected population loss: 370 total persons
School Age Children Loss (S.A.C.): 60 school-aged-children**Property and Housing Unit Loss**Current Housing units (2013): 5969 units
Housing units eliminated: 126 properties
Percent of housing unit removal: 2.1%**Tax Ratable & Tax Portion Revenue Loss**Assessed Value Loss: \$7,144,600
Total Tax Revenue Loss: \$482,829
Borough Tax Portion Loss: \$136,169
School Tax Portion Loss: \$263,441**Operating Fund Revenue Losses**General Fund Loss: \$190,288
Utility Funds Loss: (all combined) \$270,077**Total Revenue Losses**Total Borough Loss: (Borough tax portion + all operating funds) \$595,606
Total School District Loss: \$263,441**Cost Savings**Borough Cost Savings from reduced population: \$368,810
Utility Cost Reduction (all utilities combined): \$221,191
School District Cost Savings: \$209,984**Borough Fiscal Impact**Total Borough Revenue Loss: \$596,534
Total Borough Cost Reduction: \$590,001
Net Fiscal Impact: - \$6,533**School District Fiscal Impact**School Tax Revenue Loss: \$263,441
School Cost Reduction: \$209,984
Net Fiscal Impact: -\$53,457**Overall Fiscal Impact**Borough Fiscal Impact: - \$6,533
School District Impact: - \$53,457
Net Fiscal Impact: - \$59,990

Analysis Summary

As the number of properties participating in the Blue Acres program increases, losses to the Borough will increase. No matter how many homes are purchased and demolished with the program, the result will be an increasing overall fiscal loss to the Borough. The four analysis scenarios all show a consistent pattern of fiscal impact, however the results also show the “excess capacity” problem arising when performing a “reverse” fiscal impact analysis. All scenarios are fiscally negative when considered for the Borough alone. The relationship between Borough loss and number of buyouts is not linear. This is because the loss data used in the analysis of Scenario #1 is real loss data based on confirmed buyouts while the data used in Scenario #2, #3 & #4 are projections of final buyout participation using that same loss data. None of these scenarios use averages to calculate the elements of housing loss. A different set of real South River homes are imputed to the calculation with each scenario.

Non-linear results are also seen because, while loss calculations are based on a real case study, cost reduction calculations are based on per-capita multipliers. This is an imperfect method of analysis but the best available method given the limited data available on homes that have already been demolished. Interestingly, when Borough revenue loss and Borough cost reduction are compared, those calculations tend to fall within 0.5% to 1.0% of each other. The small difference would seem to suggest that even a slight increase in tax rate, or a slight decrease in the cost of municipal services, could swing the impact back into the positive direction for the Borough, or at least to a break-even point. Borough leadership recognized this when it considered increasing the municipal tax rate in 2014-2015. This projected 1.0% loss could also be affected by an estimation or projection abnormality, or the result of an unrepresentative set of homes being used in the analysis. The calculations could also be impacted by discrepancies between legally registered housing units versus non-registered units. The loss is not unexpected, but the analysis suggests that it is smaller in magnitude than commonly thought. Or, it could suggest that there was so little excess capacity in *how* the Borough provided municipal services that the buyout losses were absorbed within that capacity without creating a proportional cost reduction.

School district calculations are more challenging. The analysis shows a fiscally negative result for the school district in each scenario. Scenario #1 shows a negative school district impact of \$24,865.

This negative impact grows as buyout participants increase. Scenario #4 shows a negative fiscal impact of \$53,457 corresponding to 126 total buyout properties. This negative fiscal impact is generated because the analysis calculates that cost savings due to enrollment decreases (from pre-storm levels) will occur, but will not outweigh the dedicated school district revenue loss from lost property taxes. This element of the analysis uses per-capita multipliers in reverse and is not designed to account for the excess capacity problem discussed elsewhere in this report. The methodology also does not account for minor changes in federal aid based on student population loss, which is admittedly too insignificant to impact the analysis. Additionally, according to the Board of Education's Business Administrator, state aid to the school district is not impacted by changes in district enrolment, so no state funding loss would be driven by the enrollment decrease.

One element of the data collection for this report included discussions with the South River Board of Education Business Administrator, who was asked to provide a real-world assessment of the fiscal impacts of the storm on the district, and consider the accuracy of a preliminary version of the analysis. The Business Administrator was able to provide school enrolment counts from 2011 to 2014. All counts represent a snapshot of school enrolment taken on October 15th of the calendar year, providing a unique opportunity to view a headcount of school population two weeks before, and one year after, the hurricane.

<u>Year</u>	<u># Enrolment</u>	<u>Raw Change</u>	<u>% Change</u>
2011	2315	N/A	N/A
2012	2278	- 97	- 1.6 %
2013	2363	+ 85	+ 3.7 %
2014	2274	- 89	- 3.7 %

The enrolment numbers do show a decrease in school enrolment in the calendar year following the storm, but also show enrolment bouncing back in 2013, and then decreasing again in 2014. According to the Business Administrator, school district enrolment naturally fluctuates by about 80

students per year, which would suggest that the 80 student decrease seen in the year after the storm may have been more of a natural phenomenon than a storm-related exodus. Based on the assessment of the School District's Business Administrator, Superstorm Sandy had little measurable impact on school population. The analysis would seem to support this, as the calculations found a school enrolment decrease of between 25 and 32 students for the 54-unit and 68-unit scenarios respectively. This 25-32 student loss can be easily absorbed within the annual 80-student fluctuation seen in the Business Administrator's enrolment numbers. For this reason, the analysis of school district costs was adjusted to decrease the school expense reduction by 66%. This adjustment should more realistically represent the proportion of student enrolment decrease which is attributed to the buyout program itself, instead of any enrolment loss which is part of a population swing. The factor of 66% was selected because the analysis projects an approximate 25-32 enrolment decrease, which represents approximately 33% of the yearly annual enrolment fluctuation of about 80 students. Additionally, the school district may never realize the projected fiscal impact seen above if enrolment fluctuations from other developments compensate for the loss in students from the buyout properties.

Ratable Replacement

The final sub-element of this report is directed at providing "ratable replacement scenarios" This is intended to be a scenario of hypothetical residential development which would reverse the fiscal impact loss caused by the buyouts. In terms of revenue replacement, the scenario needs to replace an equal or greater amount of tax revenue as was lost with the buyouts. This is accomplished by creating a development program which will lead to a total assessed value equal to the buyout loss, and which accounts for the current tax rate and equalization ratios of the Borough. Unlike pre-storm data used in the analysis, the equalization ratio used in this calculation needs to be represented by 2015 rates because hypothetical development would be constructed in 2015 or later. According to the NJ Division of Taxation, the Borough utilizes an equalization ratio of 32.02. (Source: State of NJ, Department of the Treasury, Division of Taxation. Table of Equalized Valuations: Certified October 1, 2014 for use in tax year 2015) In terms of cost increases generated by the additional residents and school-aged-children contemplated below, the excess capacity problem discussed above finally works in the Borough's favor. If the municipal cost savings created

by the buyouts are negated by excess capacity in the provision of municipal services, then ratable replacement will not significantly drive municipal costs up as they will refill that excess capacity.

Ratable Replacement Framework:

Assessed value lost: (Using Scenario #2): \$3,572,500

2015 Equalization Ratio: 32.02 (Decimal: 0.3202)

True Value of Real Property / Assessed Valuation of Real Property = Equalization Ratio

Assessed Value of Real Property / Equalization Ratio = True Value of Real Property

Calculation: \$3,572,500 / 0.3202 = \$11,157,089

Hypothetical Development Programs:

20 new construction single-family dwellings sold at \$550,000
(similar to Continental Court)

OR

25 new construction single-family dwellings sold at \$450,000
(Similar to Samuel / Lark Drive)

OR

32 new construction townhome or attached dwellings sold at \$350,000
(found in several East Brunswick neighborhoods)

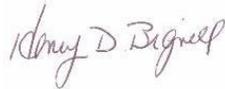
OR

37 new construction townhome or condominium units sold at \$300,000
(similar to several East Brunswick/Sayreville neighborhoods)

Certification

The original of this report was signed and sealed in accordance with N.J.S.A. 45:14A-1, et seq. and N.J.A.C. 13:41-1.1, et seq.

Very truly yours,



Henry Bignell, PP
Borough Planner

and



Todd Bletcher, AICP, PP
For the Firm

HB/TB

cc: Frederick C. Carr, CM, Borough Administrator
John Krenznel, Mayor
Michael Beck, Planning Board Chairman
Nicholas Nassiff, AICP, PP, NJDCA Planner
File #14-1143