

Planning & Real Estate Consultants

## MEMORANDUM

To: GM Equities, LLC

From: Paul Phillips, AICP, PP  
Dijia Chen, AICP, PP

Date: February 17, 2022

Re: Fiscal Impact Analysis for Proposed Industrial Development  
Block 2101, Lots 16 & 17 in Jackson, Ocean County, NJ

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This memorandum provides a fiscal impact analysis for a proposed industrial development on Block 2101, Lots 16 & 17 in the Township of Jackson, Ocean County, New Jersey. The applicant proposes to construct a logistics/distribution center with 4 buildings totaling 432,295 square feet. The analysis considered fiscal impacts at full build-out under ad valorem taxation. The main findings of this analysis are as follows:

- At full build-out, the proposed development will have an assessed value of approximately \$54.7 million, resulting in a net increase of approximately \$51.9 million to the Township's ratable base compared to existing conditions.
- Under current tax rates, the Township (including Fire District #4) would receive \$333,811 in annual revenues from property taxes and expend \$71,280 annually to support the new employees, resulting in annual net positive fiscal impact of \$262,531.
- When combined with annual surplus tax revenues of \$772,691 for the Jackson School District, the proposed development is expected to generate annual net surplus revenue of \$1,035,222 to local taxing jurisdictions.

## I. ESTIMATED ANNUAL TAX REVENUES AT FULL BUILD-OUT

### 1.1 PROJECT VALUE

Table 1 summarizes the assumptions utilized to estimate the market value of the proposed development. Based on the estimated triple net annual rent of \$10/sf, 5% vacancy rate, and 6% cap rate, the proposed development is expected to have a total market value of approximately \$68.4 million at full build-out. Further based on the 2021 equalization rate of 79.95%, the estimated assessed value of the project is approximately \$54.7 million. According to property tax records, the subject property has an existing assessed value of \$2,774,100. Therefore, the proposed industrial development will result in a net increase of approximately \$51.9 million to the Township's ratable base (see Table 2).

**Table 1: Estimated Value of Proposed Development (Full Build-out)**

Floor Area (SF)	Annual NNN Rent/SF	Vacancy Rate	Cap Rate	Market Value
432,295	\$10	5%	6%	\$68,446,708
Equalization Rate				79.95%
<b>Total Assessed Value</b>				<b>\$54,723,143</b>

Sources: NJ Division of Taxation, Table of Equalized Valuations 2021; Analysis by Phillips Preiss LLC

**Table 2: Net Increase in Assessed Value Compared to Existing Conditions**

	Assessed Value
Proposed Development	\$54,723,143
Existing Conditions	\$2,774,100
<b>Net Increase</b>	<b>\$51,949,043</b>

Sources: NJ Division of Taxation, New Jersey Property Tax List; Analysis by Phillips Preiss LLC

## 1.2 ANNUAL PROPERTY TAX REVENUE

The current (2021) total general property tax rate in Jackson is \$2.4 per \$100 in assessed value, of which \$0.531 is levied by the municipality, \$1.412 is accrued to the school district, and the remaining \$0.457 is allocated to the county. The subject property is also subject to taxation by Jackson Fire District #4, which has a tax rate of \$0.079. For purposes of this analysis, the fire district tax rate is incorporated into the municipal tax rate, resulting in a total municipal tax rate of \$0.61.

As shown in Table 3, based on the current tax rates, the proposed development is projected to result in total annual tax revenue of almost \$1.4 million, including \$333,811 to the Township of Jackson (including Fire District #4), \$772,691 to Jackson School District, and \$250,085 to Ocean County.

**Table 3: Annual Property Tax Revenues Generated by Proposed Development**

	2021 Property Tax (Per \$100)	Assessed Value	Annual Property Tax Revenue
Municipality (including Fire District #4)	0.610	\$54,723,143	\$333,811
School District	1.412	\$54,723,143	\$772,691
County	0.457	\$54,723,143	\$250,085
<b>Total</b>	<b>2.479</b>		<b>\$1,356,587</b>

Sources: NJ Division of Taxation, 2021 Ocean County Abstract of Ratables; Analysis by Phillips Preiss LLC

In contrast, under existing conditions the subject property generated tax revenues of \$68,770, including \$16,922 to the municipality (including Fire District #4), \$39,170 to the public school district, and \$12,678 to Ocean County (see Table 4).

**Table 4: Annual Property Tax Revenues Under Existing Conditions**

	2021 Property Tax (Per \$100)	Assessed Value	Annual Property Tax Revenue
Municipality (including Fire District #4)	0.610	\$2,774,100	\$16,922
School District	1.412	\$2,774,100	\$39,170
County	0.457	\$2,774,100	\$12,678
<b>Total</b>	<b>2.479</b>		<b>\$68,770</b>

Sources: NJ Division of Taxation, 2021 Ocean County Abstract of Ratables; Analysis by Phillips Preiss LLC

As such, the proposed development at full build-out will result in a net increase of approximately \$1.3 million in tax revenue, including increases totaling \$316,889 to the municipality (including Fire District #4), \$733,521 to the school district, and \$237,407 to the county (see Table 5).

**Table 5: Net Increase in Annual Property Tax Revenues Compared to Existing Conditions**

	Proposed Development	Existing Conditions	Net Increase in Annual Tax Revenue
Municipality (including Fire District #4)	\$333,811	\$16,922	\$316,889
School District	\$772,691	\$39,170	\$733,521
County	\$250,085	\$12,678	\$237,407
<b>Total</b>	<b>\$1,356,587</b>	<b>\$68,770</b>	<b>\$1,287,817</b>

Sources: Analysis by Phillips Preiss LLC

## II. ESTIMATED ANNUAL COSTS AT FULL BUILD-OUT

### 2.1 DEMOGRAPHIC IMPACT

In order to estimate the total number of employees after completion of the project, this analysis utilized the “Jobs per 1,000 Square Feet” multipliers established in “Appendix D UCC Use Groups for Projecting and Implementing Non-Residential Components of Growth Share” at N.J.A.C. 5:97 et al. Based on the multiplier of 1 job per 1,000 square feet for warehouse storage type facilities, the project is expected to generate approximately 432 employees (see Table 6).

**Table 6: Estimated Project Employees (Full Build-out)**

Use Type	Total Floor Area (SF)	Employees per 1,000 SF	Total Employees
Storage	432,295	1	432

Sources: N.J.A.C. 5:97 et al, Appendix D UCC Use Groups for Projecting and Implementing Non-Residential Components of Growth Share.

## 2.2 ANNUAL SERVICE COSTS

Per capita cost to provide municipal services for employees in the Township were estimated based on the “proportional valuation” method, which assumes that the allocation of service costs is roughly proportional to the share of the total tax base represented by residential and non-residential uses within a service area. According to the 2021 Ocean County Abstract of Ratables, Jackson Township had a non-residential (commercial and industrial) ratable base of 306 parcels valued at \$625,870,901, which accounted for 1.55% of parcels and 9.15% of valuation of the Township’s taxable land and improvements. In other words, 5.35% of the property tax base is attributable to non-residential uses (see Tables 7.1 and 7.2).

**Table 7.1: Breakdown of Jackson Township Real Property Tax Base, 2021**

Type	# Parcels	% Total Parcels	Assessed Value	% Total Value
Vacant Land	1,327	6.71%	\$143,216,257	2.09%
Residential	17,959	90.83%	\$5,908,605,420	86.40%
Farm	162	0.82%	\$26,281,511	0.38%
Commercial	258	1.30%	\$580,677,001	8.49%
Industrial	48	0.24%	\$45,193,900	0.66%
Apartments	18	0.09%	\$135,054,100	1.97%
<b>Total</b>	<b>19,772</b>	<b>100.00%</b>	<b>\$6,839,028,189</b>	<b>100.00%</b>

Sources: NJ Division of Taxation, 2021 Ocean County Abstract of Ratables; Analysis by Phillips Preiss LLC

**Table 7.2: Summary of Jackson Township Real Property Tax Base, 2021**

Type	# Parcels	% Total Parcels	Assessed Value	% Total Value	% of Tax Base
Residential	17,977	90.92%	\$6,043,659,520	88.37%	89.65%
Non-Residential	306	1.55%	\$625,870,901	9.15%	5.35%
Other	1,489	7.53%	\$169,497,768	2.48%	5.01%

Sources: NJ Division of Taxation, 2021 Ocean County Abstract of Ratables; Analysis by Phillips Preiss LLC

According to the 2021 adopted budget of the Township, the total tax levy raised for municipal services is \$34,268,855.32. Fire District #4 raised \$1,825,920.53, which translates to a combined tax levy of \$36,094,775.85. The total property tax supported cost for non-residential uses for municipal service providers is thus estimated at \$1,931,070.51. Finally, based on the total estimated employee population in Jackson of 11,716 from the 2019 (most recent) NJ Quarterly Census of Employment and Wages, the per employee municipal cost is approximately \$165 (see Table 8).

**Table 8: Per Capita Cost for Employees**

Total Municipal Tax Levy (including Fire District #4)	% Tax Levy for Non- residential Uses	Total Employees	Per Capita Cost
\$36,094,775.85	5.35%	11,716	\$165

Sources: NJ Division of Taxation, 2021 Ocean County Abstract of Ratables; Township of Jackson 2021 adopted budget; NJ Quarterly Census of Employment and Wages, 2019; Analysis by Phillips Preiss LLC

As shown in Table 9, the increase in 432 employees at full build-out is thus expected to generate annual service costs totaling \$71,280 to the municipality (including Fire District #4). Because no school children will be generated, there are no additional cost impacts to the public school district.

**Table 9: Annual Service Cost of Proposed Development (Full Build-out)**

	Total Employees	Per Capita Cost	Annual Service Cost
Municipality (including Fire District #4)	432	\$165	\$71,280
School District	N/A	N/A	\$0

Sources: Analysis by Phillips Preiss LLC

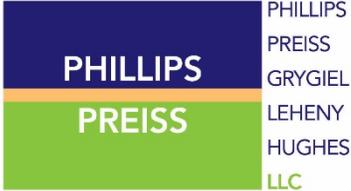
### III. AD VALOREM TAXATION ANNUAL FISCAL IMPACTS

Table 10 summarizes the resulting annual net fiscal impacts of the proposed development at full build-out. Jackson Township (including Fire District #4) is expected to receive an annual surplus of \$262,531 while Jackson School District will also receive an annual surplus of \$772,691. The combined annual net fiscal benefit to local service providers is \$1,035,222.

**Table 10: Annual Net Fiscal Impacts of Proposed Development (Full Build-out)**

	Annual Tax Revenues	Annual Service Costs	Annual Net Fiscal Impacts
Municipality (including Fire District #4)	\$333,811	\$71,280	\$262,531
School District	\$772,691	\$0	\$772,691
<b>Combined</b>	<b>\$1,106,502</b>	<b>\$71,280</b>	<b>\$1,035,222</b>

Sources: Analysis by Phillips Preiss LLC



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Compared to existing conditions,<sup>1</sup> the proposed development is thus expected to result in a net increase of \$245,609 in annual net fiscal benefit to the municipality (including Fire District #4) and \$733,521 in annual net fiscal benefit to the public school district (see Table 11).

**Table 11: Net Increase in Annual Net Fiscal Impacts Compared to Existing Conditions**

	Proposed Development	Existing Conditions	Net Increase in Annual Net Fiscal Impacts
Municipality (including Fire District #4)	\$262,531	\$16,922	\$245,609
School District	\$772,691	\$39,170	\$733,521
<b>Combined</b>	<b>\$1,035,222</b>	<b>\$56,092</b>	<b>\$979,130</b>

Sources: Analysis by Phillips Preiss LLC

**III. SUMMARY**

In conclusion, the proposed industrial development would result in significant positive fiscal impacts in the long-term for local service providers. The annual property tax revenues generated will greatly surpass the annual service costs needed to service the increase in employees, resulting in annual net fiscal benefit of \$262,531 to the municipality (including Fire District #4). Because no residential component is proposed, the regional school district will also benefit significantly by receiving an annual surplus revenue of \$772,691 from the project. Further, the proposed development would redevelop the subject property into a more productive use: compared to the existing conditions, the proposed development will result in a net increase of \$51.9 million for the Township’s ratable base and a net increase of \$979,130 in combined annual net fiscal benefit to the municipality (including Fire District #4) and the public school district.

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<sup>1</sup> This analysis assumes that existing conditions require little to no public service costs because the property currently consists of mostly vacant land with a vacant single-family residence. As such, the net fiscal impact under existing conditions is assumed to equal property tax revenues.