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MEMORANDUM

TO: Princeton Board of Education

ATTN: Beth Behrend, President
Steve Cochran, Superintendent

FROM: Robert S. Powell, Jr.

RE: Public School Age Children Impact of Final Town of Princeton 2019 Housing
Element and Fair Share Plan for Affordable Housing

Date: January 11, 2020

At your request, I have examined the final agreement (“Plan”) between the Municipality of Princeton (“Princeton”) and Fair Share Housing Center (“FSHC”) dated December 18, 2019, pursuant to which Princeton will seek a judicial declaration of compliance with its *Mount Laurel IV* affordable housing obligations under the *Mount Laurel* doctrine and Fair Housing Act of 1985, for the Prior Round (1987-1999) and Third Round (1999-2025). This report replaces my report to you dated July 25, 2019 on Princeton’s draft 2018 interim affordable housing plan. That draft 2018 plan has been replaced by Princeton’s final Plan described herein.

The final Plan was approved by the Princeton Town Council at a special meeting December 18, 2018. The details of the Plan may be accessed on the website for Princeton at www.princetonnj.gov. On the website, click the link “Affordable Housing Update – January 3, 2020” and then click on “Documents from the December 18 Council Meeting.”

This report has one specific focus: to project the number of public school age children (PSAC) the Plan would likely produce if confirmed in its current form. The results of my analysis are summarized below, and documented in attachments to this report. As further revisions to the Plan are made, I reserve the right to adjust my analysis accordingly.

The Analytical Methodology for PSAC Projections

I have relied in developing these projections on the most current and detailed demographic data for public school student multipliers. The information has been developed by Community Data Analytics (CDA). CDA is a unit of Econsult Solutions, Inc., a Philadelphia-based consulting company providing economic study services. The multipliers are derived from the 5-year American Community Survey Public Use Microdata Sample (ACS-PUMS). These records are released every year, enabling CDA to update multipliers each year. The current CDA multipliers use the 2019 ACS release for newly moved-in households for 2013-2017. The data are thus far more accurate and reflective of current demographic trends than state-wide data from the 1990s used in most prior studies.

The data separate school age children who attend public school (PSAC) from those school age children who attend private school or are home schooled. A more detailed description of ACS-PUMS methodology and data collected by CDA is attached here as a Technical Appendix.

The data are collected at a level of geography called Public Use Microdata Area (PUMA) which is a geographical unit of at least 100,000 people. These records contain detailed responses by households on each person in the household and the housing units in the ACS survey. CDA then uses the variables for the time a householder moves into the unit, the year the unit was built, the age of each member of the household, the grade level of students in the household, and other demographic factors to prepare a variety of demographic multipliers. This particular data set was drawn from a sample of 8 PUMAs in the region which includes Princeton, or are comparable to Princeton demographically, including portions of Somerset, Hunterdon, Monmouth and Western Morris Counties.

Findings and Conclusions - Increase in Princeton Public School Enrollment

- As set forth in the first worksheet attached (“SUMMARY – ALL SITES”), the Princeton Plan can be expected to generate a total of 329 Public School Age Children.
- The analysis distributes those 329 students across grade levels K-12, with the highest number (185) attending elementary grades K-5.
- Another 83 PSAC are projected to attend grades 6-8.
- The remaining 61 PSAC will attend high school grades 9-12.
- In the SUMMARY worksheet, I have also projected the time frames during which these students will be generated, into two periods: before 2025, and after 2025. See further discussion of the timing projections below.
- The final Worksheet in the attachments (“Compare 2018 – 2020 Plans”) compares the Draft 2018 Princeton Plan with the Final 2020 Plan. As a result of a heavier reliance in the 2020 Plan on 100% affordable projects as well as the addition of an age-restricted affordable project, the 2020 Plan achieves compliance while significantly reducing the number of total new units to be built in Princeton (from 1243 down to 880); notably, the revised Plan also reduces projected new public school age children generated from 453 (2018 Plan) down to 329 (2020 Plan).

Following the SUMMARY worksheet, I have attached detailed PSAC projections for each of the 10 affordable housing sites in the Plan.

As noted on the SUMMARY, the Plan will provide zoning and financial incentives which are projected ultimately to lead to construction of approximately 880 new housing units in Princeton, both affordable and market-rate. For context, in 2017 Princeton had a total of 10,901 housing units.¹ The Plan, if and when fully built-out, could thus result in an increase in the number of housing units in Princeton of approximately 8%.

The Timing of Affordable Housing Developments

Princeton’s final Plan merely establishes *new zoning entitlements and financial incentives* for developments on certain parcels of land in Princeton. Adoption of the Plan does not necessarily mean that actual housing units will be built on all the sites in the near-term, or even at all.

For actual development to occur on a particular site, a developer would need to establish site control, develop design plans, obtain planning board and other governmental approvals, secure financing for the project, and then

¹ American Community Survey 2017 data, from U.S. Census.

undertake the construction and marketing of the project. This development process, in my professional experience, typically take years from beginning to end.

Thus, my projections for increased PSAC enrollment have taken into account the estimated time frame each project is likely to commence and be completed. In performing this assessment, I have obtained relevant site-specific information for each of the ten locations in the Plan which inform my estimates of the timing.

In the first attached worksheet (SUMMARY-ALL SITES), I have separated projects into two groups: **Group A** sites I have assumed to be built out no later than 2025. **Group B** sites are projected to be completed after 2025. With the exception of the Terhune & Harrison Inclusionary site, all of the sites in **Group A** are currently under control by owners/developers which intend to redevelop the sites. Here is a brief summary of each site in this group.

- 900 Herrontown Road is under contract to RPM Development, a prominent affordable housing developer which applied for 9% low income housing tax credits in September, 2019 to finance this 64-unit 100% affordable project. RPM's application was not approved by the N.J. Housing and Mortgage Finance Agency for the 2019 round of funding. Presumably RPM will resubmit its application in the 2020 round of tax credits. If RPM is not successful in obtaining 9% tax credits within 3 years, Princeton has committed in the Plan to use municipal funds to fill the funding gap in the absence of 9% tax credits.
- Thanet Road-Avalon Inclusionary site is under contract to Avalon Bay Properties which has announced its intention to develop an inclusionary apartment project on the site. Avalon Bay has already submitted an application to the Princeton Planning Board for site plan approval. Princeton and Avalon Bay have agreed that this project will have the benefit of a financial agreement permitting payments in lieu of taxes (PILOT) for 30 years. Princeton will receive 95% of these PILOT payments, and will use this revenue to provide municipal financial support for the *Thanet Road Senior Project* (see below).
- Thanet Road Senior Project 100% Affordable site is part of the Thanet Road site under contract to Avalon Bay. Avalon Bay has agreed that once its inclusionary development plan has received approvals, it will subdivide and contribute this 2.5-acre parcel to Princeton, which will in turn contribute the land to a designated developer of a 100% age-restricted affordable housing project. This project will not seek 9% tax credits per the Plan agreement, but instead will pursue 4% tax credits and other sources of funding. Without a 9% tax credit award, this project will have a funding shortfall. In the Plan, Princeton has agreed to use municipal funds to cover this shortfall no later than December 21, 2021, which means construction is likely to commence in 2022.
- Franklin-Maple site on Franklin Avenue (2.472 acres) is owned in part by the Princeton Housing Authority and in part by the Town of Princeton. Princeton plans to designate Princeton Community Housing Corp. (PCH) as the developer who will seek 9% federal tax credits in the 2020 application cycle. If PCH is not successful in obtaining 9% tax credits for the project, and is able to obtain only 4% tax credit funding, Princeton has committed to provide municipal funds in lieu of 9% tax credits to cover this funding gap. Princeton has further committed to cause this project to commence construction within 3 years.
- Terhune & Harrison Inclusionary site (4.509 acres) will be rezoned to permit development of 60 new multifamily units, with 20% set aside for low and moderate income households.
- Princeton Shopping Center Inclusionary site (29.093 acres) is the southern portion of this existing retail center, where existing parking will be repurposed as a site for 200 apartments, of which 44 will be low and moderate income units.

- Princeton Community Village is an existing affordable housing development off Bunn Drive owned and managed by Princeton Community Housing Corp. (PCH). The Plan includes a commitment by Princeton and PCH to construct 24 new affordable housing units at this site. The Plan indicates that no tax credits of any kind are contemplated for funding these new units. Instead, PCH will obtain tax-exempt bond financing from NJ HMFA. PCH anticipates that this bond issue will include funds for a portion of the cost of these 24 new units, but also consist of a refinancing of the agency's entire Bunn Drive project, developed a number of years ago. The refinancing is anticipated to generate sufficient excess proceeds to cover 100% of the costs of the 24 new units.
- Supportive & Special Needs/Group Homes: Princeton has committed to sponsor and develop four 100% affordable group home projects that will contain a total of 16 bedrooms. All these units are to be developed and ready for occupancy no later than June 30, 2025. The Plan does not indicate sources of funding for this project other than municipal funds which are committed by Princeton from its affordable housing trust fund and, presumably, municipal bonding.

The sites in Group B are subject to new "overlay zoning" in the Princeton Plan. This means these sites retain their current zoning under the master plan, but also now are entitled to be developed with higher density multi-family residential use, conditioned upon 20% of the new units being set aside for low and moderate income households.

Unlike the sites in Group A, the parcels in the Group B overlay zones are not under common control of individual owners. Most of the lots referenced in both zones are small, less than an acre, so that any significant redevelopment would first require an assemblage of several smaller lots. Here is a brief description of the two overlay zones.

The Herrontown Rd/S-2 Zoning parcel encompasses 25 acres of individual but contiguous lots with disparate ownership. Most of the parcels are currently improved with retail and commercial buildings which may not be easily repurposed into new apartments.

The Nassau Street Affordable Housing Overlay Zones AHO-1, AHO-2 and AHO-3 cover 28 separate lots (not contiguous) along Nassau Street, beginning with the Jewish Center property at 457 Nassau Street, and then running west to the property at 195 Nassau Street at the corner of Charlton Street across from St. Paul's Church. These 28 separate lots have a total land area of only 13.82 acres. Only 2 of the lots are in excess of one acre, and only 8 lots are a third of an acre or larger.

The Plan permits inclusionary development on these overlay zones at a residential density of approximately 15 units per acre. The zones permit up to three stories of development, provided that the first floor area be commercial or retail.

For the most part, lots in these overlay zones are currently improved with income-producing commercial buildings. It is very unlikely, in my opinion, that more than 25% of these properties could be successfully assembled and repurposed for mixed-use apartments, even in a time frame extending beyond 2025. The projected PSAC numbers in the SUMMARY worksheet reflect this modest development forecast for the sites.

Thus, in summary, taking into account these timing factors, I estimate that the final Princeton Plan is likely to generate a total of 274 new public school age children by the year 2025, with an age distribution as shown in the SUMMARY worksheet. Another 55 PSAC will likely be generated after the year 2025, for a total of 329 PSAC.

Finally, I should add two cautionary notes about the limitations of the projections in this report on increased school enrollment before and after 2025.

First, the public school impact of the final Princeton Plan for affordable housing is focused solely on how to address the town's Third Round *Mt. Laurel* obligations for affordable housing. The methodology established by the court for Third Round obligations sets these obligations *only for the ten-year period 2015-2025*. Absent an unlikely Supreme Court reversal of decades of consistent judicial rulings on the matter, or an intervention by the N.J. Legislature, ***all municipalities will face a Fourth Round of obligations for affordable housing for the decade 2025-2035***. The methodology for this Fourth Round which the courts are likely to follow was established by Judge Jacobson in her authoritative and impactful opinion in the *Princeton and West Windsor* decision in 2018.² In my opinion, Princeton should expect its Fourth Round obligations for that next decade to be materially similar to its current Third Round obligations through 2025.

Second, the near-term school enrollment projections in this report measure the impacts of only 10 new developments, enabled by the final Plan. There are a number of other sites in Princeton not in the Plan currently zoned residential which will undoubtedly be developed in Princeton in the coming years, and which are likely to generate additional school-age children. As examples, the 2018 draft of the Princeton Plan included Princeton University multi-family sites at Butler Tract and Lower Alexander Road. In discussions with the University, the town determined these sites are not likely to be developed by 2025, but the sites remain planned for multi-family use longer term. These two sites, when developed, could add approximately 750 new multi-family units to Princeton's housing stock. In addition, numerous new residential subdivisions (which may or may not be inclusionary) will inevitably move forward in Princeton as the town (and the Central New Jersey economy) continue to grow. Currently, for example, the Princeton Planning Board is considering a 30-unit single-family residential development by Lanwin Development on Herrontown Road. These and other similar developments already zoned in the Princeton Master Plan may move forward over the period before or after 2025, and will have an additional impact on public school enrollment, beyond the impacts described in this report.

If further revisions are made to this final Plan, I am prepared to revise my findings and conclusions accordingly.

Respectfully submitted,

Robert S. Powell, Jr.
Managing Director

Attachments

² *In the Matter of the Application of the Municipality of Princeton and West Windsor Township, Opinion on Fair Share Methodology to Implement the Mount Laurel Affordable Housing Doctrine for the Third Round, Judge Mary Jacobson, A.J.S.C. Superior Court of New Jersey, Law Division: Mercer County, Docket Nos. MER-L-1550-15 and MER-L-1561-15.*