

**BYRAM TOWNSHIP SPECIAL JOINT TOWNSHIP COUNCIL/BUILDING SUBCOMMITTEE
MEETING - FEBRUARY 4, 2020**

CALL MEETING TO ORDER

Mayor Alex Rubenstein called the meeting to order at 6:00 p.m.

OPEN PUBLIC MEETING STATEMENT

Adequate notice of this meeting has been made in accordance with the Open Public Meetings Act, NJSA 10:4-6.

ATTENDANCE:

Town Council Members: Mayor Rubenstein, Councilman Bonker, Councilwoman Franco, Councilman Gallagher and Councilman Roseff

Also present: Township Attorney Tom Collins, Township Manager Joe Sabatini and Deputy Municipal Clerk Cynthia Church

Building Subcommittee Members present: Carlos Luaces, James Reinhold, Larry Rotter, John Morytko, Scott Yappen, Mike Pellek, Skip Danielson (late 7:00 p.m.)

Mayor Rubenstein stepped down for reasons of conflict. Deputy Mayor Bonker lead the meeting.

Deputy Mayor Bonker stated that the purpose of the meeting is for the newly reconstituted council to receive feedback from the members of the Municipal Building Sub-committee on a new proposal from Gordon Byram Associates. Deputy Mayor Bonker emphasized and applauded the role of citizen volunteers on this sub-committee and on all of the other committees within Byram Township. Deputy Mayor Bonker recognized that the sub-committee has not met since August 13th, and can imagine that several volunteers are probably frustrated with the 6 month gap since the last meeting. He said that Mr. Sabatini will explain what has happened over the last 6 months so everyone, including the public, can understand the necessity of the 6-month delay. Deputy Mayor Bonker assured each subcommittee member that their input is now being specifically sought out, by the new council in its entirety. Deputy Mayor Bonker also explained how the meeting will be run.

Mr. Sabatini gave a brief discussion on the condo scenario option. On the township website is an online under news and noteworthy with a link to all the information related to this proposal as well as some of the backup documents. There was an executive summary report that was also made public on November 23rd. Mr. Sabatini explained that this scenario started back in August 2019, initially the focus was on a lease options for some space at the ShopRite Plaza. After review of the financial liability of the leasing arrangement, it was concluded that it was not in the best interest to enter into a lease agreement with Byram Plaza as it was deemed not economically feasible. Since then the management team from ShopRite Plaza presented the township with an alternative proposal. That proposal ended up becoming what is now being referred to as the "Condo Scenario". On November 29th, the Municipal Building Subcommittee was provided with information showing how the space could be laid out, showing the location of the site, and aerial views as well. As a result of the discussion there was some clarification that has since been provide to the subcommittee. Joe put together a financial analysis comparing the Municipal Building project if it were done at the municipal site vs. the lease option that was presented in early January. Joe said that the variables that are in the analysis that were provided to the township could change. Joe presented the following comparison:

Acquisition of Condo

- \$4,550,000 - 5% down payment (required by law), 2.5% interest rate for 15 years (max years for a condo purchase per bond law - 1/2 average useful life) - added \$50,000 for legal and closing fees.
- Escalators for tax expense, insurance and CAM were provided
- Property Tax Revenue Loss = Tax Exemption of Condo Unit when Township Takes Ownership - see Property Tax Revenue Loss (Discussion of Comparison Sheet)
- Tax on Land, Insurance and CAM does not start until year 18 per the proposal.
- Condo Refresh (every 20 years of \$300,000 - arbitrary) - investments inside condo.

Building

- \$5,500,000 - 5% down payment (required by law), 2.5% interest rate for 20 years.
- Included a Reserved CAM of \$20,000 per year (snow removal, lighting, landscaping, etc.)
- Building Refresh (every 20 years of \$500,000 - arbitrary) - investments to building

Comparison

- On the analysis provided the area in green means that the condo is cheaper.
- In Year 16 the condo is cheaper because the debt service for the condo ends after year 15.
- In Year 21 the condo is no longer cheaper because debt service for building ends in year 20.
- Accumulated savings on the condo runs out at end of year 35.
- Used a 50-year schedule. Expect a new building to last a minimum of 50 years if not longer with building refresh.

The floor was given to David Romano from Gordon Byram Associates and Jim Scott the attorney representing Gordon Byram Associates. Jim Scott and David Romano gave a presentation on the proposals.

Mr. Romano thanked the council and subcommittee for allowing them to give a financial presentation on the lease option. Mr. Jim Scott gave the following presentation:

Gordon Byram Associates has agreed to fix the cost of the project at \$4.5 million. Which includes the purchase of the condominium, and all the fit up associated with the project.

1. The municipal building alternative puts all the risk on the township to come in on budget of \$5.5 million dollars. The Byram Plaza owner assumes all the cost overrun risk in the condo alternative.
2. The total project cost may exceed \$5.5 million under the municipal build alternative.
 - a. An estimated total project cost of \$5,517,375.00 or \$17,375 more than \$5.5 million.
 - b. A footnote that a new well is needed with an estimated cost of \$20,000. This cost is not included in the \$5.5 million and could be higher.
 - c. A footnote that if trailers are needed a temporary office for police and administrative personnel, the cost will be approximately \$125,000 per year. It should be determined if trailers will be needed and for what period of time so that the budget is being used for the analysis is correct.
3. The Nader budget does not include installing a fire suppression system in the new building, which would include an over or under ground water tank and a pump at a significant cost. The total cost for a fire suppression system is estimated to be \$200,000.00. All the space in the condo alternative would have a sprinkler fire suppression system.

4. The township spreadsheet included a budget of \$20,000 for “Reserved CAM” for 50 years. The amount is low and should escalate at least at the same rate as the condo alternative.
5. If the township spends \$6 million, the condo cumulative savings is positive for 46 years, and quickly moves past 50 years if there are larger cost overruns.
6. Using the figures shown on the township’s spreadsheet as savings by year, the present value is positive for all 50 years of positive and negative amounts when viewed collectively. This is because the years where the annual “savings” are greater for the municipal build option are far in the future. It is not accurate to state the savings on the condo alternative runs out at the end of year 35. The condo alternative is financially advantageous when considered in present dollars even using all the township’s assumptions.
7. The comments in the township’s “Discussion of Comparison” under “Property Tax Revenue Loss” and the corresponding “Property Tax Revenue Loss” line item on the township’s spreadsheet overstates the impact of the condo alternative. Properties are added and removed from the tax rolls in a never-ending process.
8. The actual value of the “Property Tax Revenue Loss” for 2020 associated with the condo building equates to \$10.26 in additional taxes for a typical residential unit assessed at \$200,000. That is less than \$.01 per \$100.
9. If the “Property Tax Revenue Loss” is discounted the “Cumulative Savings” analysis prepared by the township exceeds 50 years and the present value of “savings, by year” favors the condo alternative.
10. It is believed that it will also be possible to deem a pro-rata portion of the shopping center land as tax exempt, which would eliminate the remaining land real estate tax, however the research on the exemption of the land portion has not yet been completed.

In response to the Property Tax Revenue Mr. Sabatini stated that the requirement of the proposal as presented was that township had to tax exempt the property on day 1 and again in year 19 had to exempt the land tax. Therefore, if it is a nominal part of the calculation, it is a factor in the overall cost. Mr. Sabatini said that the taxpayer would end up paying for it, where it was previously being paid for by the Byram Plaza.

Mr. Romano handed out a document that summarizes the advantages of the Byram Plaza Condominium Alternative. Some of the points on the document they did not have time to discuss in the presentation.

Mr. Romano explained that it is his intent to help the township get a new building at the lowest price to the taxpayer, by offering a fixed cost to the Township.

Open for questions to the subcommittee to ask questions pertaining to this presentation:

John Morytko, asked about how they came up with the \$4.5 million number based on the buildout and how they came to determine the material and furnishings, ect. He asked if there could be overruns. Mr. Scott answered that they have done extensive plans and have received quotes from contactors for a large part of the project. Mr. Romano said that knowing what was designed before and what was provided by the Nader Group, they put together drawings and plans. He was able to take all his plans to his own contractors to get real numbers. The plan includes furniture. There is a fixed number of 126 per square foot. Mr. Morytko asked is it fair to say that the number is based on assumptions. Mr. Scott said if the price goes up on the furnishings, then that is the cost of Mr. Romano. Mr. Romano said it includes card access and a HVAC system. He said that the detail is listed in the back of the binder that was provided. They will also be using LVT flooring to help lower costs.

Jim Reinhold asked if there are any additional costs the township would bear that is not included in the plan. Mr. Scott said that it is a fixed cost, however, there may be a few exclusions including phone systems and computers.

Carlos Luaces asked what the build time is after permits are approved. Mr. Scott said it would be 12 months maximum.

Michael Pellek asked about how long the Romano family has been in business. Mr. Romano said since 1937. How long has he had the Succasunna ShopRite, Mr. Romano said since the 1970's, and has been at the Netcong location for over 30 years. Mr. Romano added that he has been in Byram for 22 years. Mr. Pellek asked how this will it affect the rest of the strip. Mr. Romano said it will not affect them. Mr. Pellek asked who is responsible for the roof or HVAC system. Mr. Romano said that the municipality would be responsible for those units after they are installed. The roof would be part of the CAM charges.

Scott Yappen asked about the hard estimates on the \$5.5 million agreement for the existing facility. There were real-estate taxes that showed 1.38% added throughout the 50 years. Mr. Scott said that they looked at the last three increases in real-estate taxes over the last three years, and they averaged 1.38%. Mr. Yappen also asked about the CAM at \$20,000 for the Mansfield Drive and \$35,000 for Byram Plaza escalation. Mr. Scott said that the spreadsheet shows the same escalation factor. Mr. Sabatini said that the existing sight would not go away if there was a move to the Byram Plaza. There would still be remaining costs associated with managing the current sight. If there is a move there would have to be a decision as to what will be done with the remaining building. Mr. Yappen also asked about the infrastructure. Mr. Romano said Byram Plaza is a self-sufficient center for over 22 years, being off of Rt 206 makes it very easy for first responders, they also have 160-gallon water tank with a fire pump that is tested twice a year. They function as a water utility as the water needs to be treated. They also have propane gas, at a very low cost. They have high speed fiberoptic internet. They are fully ADA compliant and are a class 4 essential building, with card access.

Skip Danielson asked if this is an essential building. David said yes, they will provide an essential class 4 building including a generator.

John Morytko –asked if a this is going to be a class 4 building will there be additional costs that will need to be absorbed by the Township. Mr. Romano believes that they are well within the budget. Mr. Morytko asked how to reconcile the numbers and assumptions on overruns. Mr. Scott said we are contractually bound at whatever the cost is.

Open to public only to questions for Gordon Byram Associates. No comments.

Close to the public.

An opportunity for a qualitative discussion will be scheduled ASAP, the council will come up with a date that will work by the end of the regularly scheduled Township Council meeting.

ADJOURN

Motion by Councilman Gallagher, second by Councilman Roseff to adjourn the meeting at 7:30 p.m. All members in favor.

Cynthia Church, Deputy Municipal Clerk

Alexander Rubenstein, Mayor