RICHARD B. READING ASSOCIATES
759 STATE ROAD, PRINCETON, NEW JERSEY 08540
Tel 609-924-6622 e-mail rbrprin@aol.com Fax 609-924-1628

MEMORANDUM

TO: Mr. Massimo Pinelli
Quantum Developers Group, LLC
400 South Avenue - Suite 10y
Middlesex, New Jersey 08846
mp@mspproperty.com

FROM: Richard B Reading

DATE: April 12, 2011

SUBJECT: **Proposed Residential Redevelopment**
Middlesex Borough, Middlesex County

In accordance with your request, I have received and reviewed the development alternatives discussed in the April 11, 2011 correspondence from Richard Arzberger, Sonnenfeid and Trocchia Architects. The alternatives evaluated by Mr. Arzberger were provide to reflect the impact that a three-story height limitation would have upon the previously planned and proposed residential development in Middlesex Borough.

Redevelopment Proposal - The development that was evaluated in our January 19, 2011 Fiscal Impact Analysis anticipated an upscale residential product located in four-story elevator serviced-buildings with garages. The 146 one- and two-bedroom units in the development proposal contained an average of 1.67 bedrooms per unit, 1,051 square feet of living area, an average monthly rent of $1,451 ($16.57/sf) and a capitalized value of $25,428,000:

Proposed Residential Redevelopment in Middlesex Borough

Residential	No. of Units	Size Sq. Ft.	Monthly Rent	Estimated Value[6]	Aggregate Value
1BR	48	950	$1,250	$150,000	$ 7,200,000
2BR	98	1,100	$1,550	$186,000	$18,228,000
Total (*Avg*)	146	*1,051*	*$1,451*	*$174,164*	$25,428,000
Estimated Assessment (29.52 percent)					*$ 7,506,300*

[6] Gross annual rent less 30 percent operating expenses capitalized at 7.0 percent.

Utilizing standard (Statewide) demographic multipliers published by the Center For Urban Policy Research (CUPR), the previously proposed residential redevelopment was estimated to generate a total of 285 residents including 13 public school children:

Proposed Residential Redevelopment in Middlesex Borough
Estimated Population - CUPR Demographic Multipliers

		Population Per Unit			Estimated Population		
	No. Units	Total Pop.	School Age	Public School	Total Pop.	School Age	Public School
Multi-Family							
Apt-1BR	48	1.644	0.057	0.051	79	3	2
Apt-2BR	98	2.107	0.129	0.115	206	13	11
Total	146	1.952	0.130	0.089	285	16	13

Development Alternative Comparisons

The three development alternatives prepared by Mr. Arzberger are all three-story walk up plans, without garages and include smaller residential units ranging from 700 to 900 square feet of living area. The total number of dwelling units range from 135 (Alternate 1) to 165 (Alternate 2) with average floor areas of 828 to 838 square feet. The alternate plans contain 228 to 276 total bedrooms compared to 244 in the proposed redevelopment plan. The average number of bedrooms per unit in the alternate plans (1.64 to 1.69) is essentially equivalent to the 1.67 bedrooms per unit in the previously proposed redevelopment plan.

Overall the three alternate plans reflect lower cost/value plans that would be expected to have per unit occupancies comparable to the proposed plan based upon the average number of bedrooms per unit (1.67) but would have rents and values that would be approximately 21 percent lower than the proposed plan, assuming that the same rental rate ($16.57 per square foot) could be achieved in the alternate plans for the smaller units, without elevators and without garage parking. The three development Alternates would yield essentially the same number of total bedrooms, comparable or higher numbers of residents and school children, but with project values, assessments and added revenues (tax or PILOT) that are approximately 79 percent of those that were calculated

for the proposed redevelopment plan. From a fiscal, demographic and financial perspective, development Alternates 1, 2 and 3 are less favorable developments than the previously proposed plan and would yield reduced rents, values and revenues with essentially the same allocated service costs.

The proposed four-story redevelopment plan provides a higher quality residential product, with increased amenities that represents a true alternative and to the existing multi–family housing in the Borough and surrounding areas.