

ECONOMIC FEASIBILITY MODEL AND DATABASE DEVELOPMENT



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State of New Jersey
Council on Affordable Housing
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2010



The New Jersey Council On Affordable Housing (COAH) hired Econsult Corporation to construct an economic feasibility modeling platform for new housing developments. COAH uses this platform to help it determine whether to grant requests for variance from required affordable housing levels. In addition, it has been used by a special master and judge for tax credit purposes in a town outside COAH's jurisdiction.

The platform has two components – a pro-forma based model to assess the financial feasibility of a development project and a database of proposals for cross-project comparisons.

Based on information provided by the developer, augmented by historic information and independent research, the model estimates net operating income, cash flows, and return on investment over time. The model is flexible enough to analyze a wide variety of building programs, including rental housing, sale housing, or a combination of both, multiple phase projects, and mixed use projects. It agrees with industry standard models, is in a format that is familiar to developers and financiers, and has additional flexibility to address analytic complexities driven by affordable housing financing issues.

The database component collects information on proposals according to development type, location, and other distinguishing characteristics, and allows the user to compare a proposed development with important metrics for projects that have preceded it.

Because the model is flexible, and the same model can be used to analyze multiple projects, it allows COAH and others to compare housing proposals with one another. This is a significant benefit for COAH because each developer typically develops a project specific pro-forma that is not comparable to other pro-formas.

Further, the model enables COAH officials to change a wide variety of “policy levers” in order to achieve an economically feasible project with a level of affordable housing that is as close to compliance as possible. Policy levers may include offering a density bonus on the property, a one-time or ongoing subsidy, or regulatory relief designed to increase revenue or lower development costs.