

# PROPOSED MIXED- USE DEVELOPMENT

## ECONOMIC IMPACT STUDY

Econsult Corporation was retained by the New Jersey Housing and Mortgage Finance Agency (HMFA) to calculate the Internal Rate of Return (IRR) and Net Present Value (NPV) of a proposed 911-unit development at Cinnaminson Harbor. Econsult Corp. was asked to calculate returns under two different scenarios; the first was to determine the IRR and the NPV given currently allowed densities and without any subsidies. The other scenario was to calculate the IRR and the NPV with Low Income Housing Tax Credit subsidies and Burlington County HOME funding.

The financial analysis answered two main questions:

- Is the density bonus originally granted to the project sufficient to support the affordable units?
- Has the sponsor conclusively demonstrated that the market rate units are unable to internally subsidize the affordable unit obligation and, therefore, need additional subsidy from the State beyond the allocation of tax credits?

Developers often claim that they cannot make sufficient profit on the market rate component of a development to cross-subsidize the required level of affordable housing. Econsult Corp. developed an economic feasibility model to evaluate projects that request relief from normal affordable housing requirements. The model is based on a standard pro-forma analysis, and is highly customizable so that it can handle a wide variety of project types and financial arrangements. Having been tested against industry standard tools, the model allows verification of the developer's financial assumptions and their consistency with current market conditions.



### FOR MORE INFORMATION:

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