

THE INSTITUTE FOR ADVANCED STUDY

Minutes

Meeting of the Special Committee on Land Development

April 4, 1979

Present: Messrs. Dilworth (Chairman), Hansmann, Houghton, Petersen, Segal, Taplin, Woolf.

Also, Messrs. Hunt (Secretary), Arthur Collins, Donald Elliott, James Harvey, Paul Marshall, Peter Pattison, James Schmidt, Robert Venturi, Richard Weinstein.

Presiding Officer: Mr. Dilworth, the Chairman, opened the meeting at 10:00 a.m. and asked Mr. Weinstein for his report.

Consultant's Report: Mr. Weinstein began by introducing his associates from New Sources of Funding. He then presented a project status report, which is attached, in outline form. After reviewing the Objectives and Conclusions set forth in the report, he requested authorization to proceed in the immediate future with the preparation of a draft letter of intent defining future arrangements between Arthur Collins and the Institute for submission to the Board at its next meeting. Recommended for action at the Board meeting were the following items:

- A. Designate Arthur Collins as the developer;
- B. Authorize the negotiation of a contract with Mr. Collins, subject to independent appraisal;
- C. Retain New Sources of Funding or secure the services of a similar entity for the continued servicing of the project.

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Mr. Segal asked if other developers had been considered. Mr. Weinstein indicated that several developers had been considered in the initial steps of the selection process, and that three developers had been interviewed by the Special Committee on Land Development.

The Chairman instructed the Secretary to prepare a précis of the history and development of the project for circulation to the Board prior to its forthcoming meeting. The Chairman then asked Robert Venturi to make his presentation to the Committee.

Mr. Venturi presented by means of a series of drawings and other illustrations his work in progress based on a conception and a general direction which he now feels are satisfactory. Among the points Mr. Venturi noted were these:

- A. The basic approach has been to work within the natural characteristics of the site;
- B. The rural quality of the site should be maintained as much as possible;
- C. Several varieties of housing types are encouraged, grouped in clusters according to their designation;
- D. The clusters are arranged on the site in such a way that open spaces and fields will be prominent;
- E. Historically considered, the point of contact in architectural tradition for the housing envisaged will be the Regency style.

At the Chairman's request, Mr. Collins then made his presentation with the assistance of James Harvey. This presentation was organized around four central points:

- A. The evolution of the overall plan, and how the present density was decided on;

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- B. The evolution of the financial model;
- C. The development of a joint venture project palatable to the Institute;
- D. The working out of harmonious relationships between the Institute and the community.

Mr. Harvey reviewed in some detail the market situation in and around Princeton, and described the background of the selection of different types of housing for different income levels. He pointed out that while the Planning Board's density allowances were much higher than those envisaged by Collins' present plan, aesthetic and other considerations suggest a much lower density than that which the community's master plan would allow.

In describing the various elements of the proposed arrangement, Mr. Harvey stressed control by the Institute, maximum return from the land itself, minimal risk, and a percentage of gross sales which would meet the question posed by continuing inflation. Mr. Harvey stated that various considerations had led the planning group to abandon the leasing concept, and proposed that some combination of the following elements of control be substituted for it:

- A. The Institute would be on the Board of the Condominium's Associates;
- B. The Institute would have the right at any time to buy units, at the moment of sale or resale;
- C. The Institute would retain ownership of the forest and of a buffer zone around the forest.

Mr. Harvey estimated that from the moment of formal approval by the community, the time required to complete the project would be six to eight years.

The Chairman thanked Mr. Venturi, Mr. Collins, and their associates for their presentation, and excused them from the meeting. He then asked the New Sources of Funding group to continue its presentation.

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Mr. Pattison said that he would be proposing an arrangement with the developer whereby Mr. Collins would contribute to the initial funds required and at the next stage in this process, if all is going forward as planned, Mr. Collins would purchase land from the Institute in order to proceed.

Mr. Pattison stated that his present view is that there would be an assured return to the Institute through land sale of \$10 million, and that participation in sales could produce as much as \$4 million. He indicated that independent appraisals would be needed for these figures. Details of the proposed arrangement are attached.

Mr. Elliott pointed out that the recommended approach involving a percentage of gross sales is designed to take into account both inflation and likely changes in real estate values.

Mr. Petersen asked if there would be a commercial development on the property.

Mr. Dilworth mentioned the existence of two shopping malls already in existence at the end of Quaker Bridge Road, and commented that the road would have to be improved in time.

Mr. Houghton inquired about potential opposition in the community.

Mr. Weinstein said that although there was no opposition at the moment, it was likely that there would be concern from neighbors about congestion and possibly an effort to load subsidized housing on the project. He commented that there are also serious sewer problems which could cause delay.

Mr. Petersen emphasized the need to deal with the problem of inflation in working out the arrangement with Mr. Collins.

Mr. Marshall stated that Mr. Collins has agreed in principle to this point.

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Dr. Woolf then said that a draft letter of intent would be prepared and cleared with counsel preparatory to submitting it to the Board for approval on April 28.

The Chairman then called for an executive session of the Committee, which was attended by all Trustees present except Mr. Segal, who could not be present because of another engagement.

The Chairman instructed the Secretary to secure from Mr. Weinstein whatever documents would be required at the April 27 meeting of the Committee, and to circulate them as soon as possible.

He then raised the question of whether New Sources of Funding should be retained as consultants to the project for its realization.

It was agreed that while there was no need to engage permanent Institute staff for this purpose, someone would be needed to fulfill the function carried out to this point by New Sources of Funding.

The Chairman remarked that Mr. Weinstein had indicated a fee of something on the order of \$75,000 for carrying the project through the preparatory stages. Work to this point has been provided at no cost to the Institute.

There was general agreement among the Trustees present at the meeting that while there was every reason to be satisfied with the performance of New Sources of Funding to this point and no one had reservations about continuing, it would nevertheless be in order to seek possible alternatives and to talk to those at the Museum of Modern Art who had worked with Mr. Weinstein and associates in the past.

The Chairman offered to examine possible alternatives and to get advice on independent appraisers for the financial proposals to be presented to the Board.

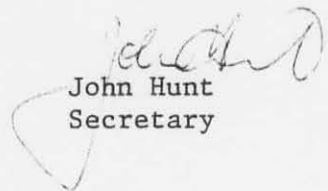
Mr. Houghton then stressed the need to find out from New Sources of Funding--should this group be selected as our continuing consultants--how they

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would intend to proceed in Princeton, and
whether they would need to enlarge their staff
for local purposes.

There being no further business, the meeting
was adjourned at 11:30 a.m.



John Hunt
Secretary

M E M O R A N D U M

TO: Land Development Subcommittee
Institute for Advanced Study

April 4, 1979

FROM: Richard Weinstein

SUBJECT: Land Development Proposal

Objectives

- . Optimize financial potential of the land
- . Retain control over the character of the development
- . Limit Institute's financial exposure
- . Develop a proposal which is inflation-sensitive
- . Develop a proposal responsive to community interests

Conclusions

- . Financial Potential - It appears that very substantial financial benefits can be obtained from the development of the Institute's land. (Item 3 on Agenda)
- . Lease v. Sale of Land - Leasing the Institute's land does not appear to be feasible without a loss in potential revenue.

- . Control of Character of the Development - We are confident that the character of the development can be controlled by covenants, owner's association with Institute involvement, and rights of first refusal running to the Institute.

- . Limitation of Exposure - Commencement and then abandonment of development would alter character of the land, but only major financial exposure is responsible for real estate taxes. This will have to be solved before a contract.

- . Community Interests - The community has asked us to proceed on our own until they have published their master plan this spring. Nevertheless, informal contracts have permitted us to gain a good sense of the direction they would wish us to pursue. Some serious gesture toward providing housing at lower rentals or cost is indicated. Perhaps a portion of the site could be developed at no cost by the developer with land contributed by the Institute.

- . Recommendation for Immediate Action - Authorize New Sources of Funding to negotiate a Letter of Intent based on the materials to be presented today.

Recommendation for Action at the April Board Meeting

- . Designate Collins Development Corp. as the developer of the project.
- . Authorize the negotiation of a contract based on the letter discussed above, subject to an independent appraisal procedure, and negotiations with the community.
- . Retain New Sources of Funding or equal to provide staff assistance to the Institute.

To: Richard Weinstein
From: Paul Marshall
Re: Institute For Advanced Study
April 3rd, 1979

Several meetings have been held to determine an equitable arrangement for IAS and Collins. A 1000 unit development is believed feasible and the resulting economics are estimated as follows:

Collins pays IAS the market value of its land,* \$12,000 per unit for the detached housing and \$10,000 per unit for the townhouses.

400 Single Homes at \$12,000/unit	\$4,800,000
400 Townhouses at \$10,000/unit	<u>4,000,000</u>
Total	8,800,000 =====

In addition, IAS will receive a stipulated percentage of the gross sales price from the residences. Although it has not yet been agreed upon it will be between 5-10%. This will provide an inflation hedge for IAS and based on 1979 prices should amount to an additional \$4.0 - 8.0 million.

Total income to IAS from the sale of land for residences should range from \$12.8 - 16.8 million. Payments would be received over a period of 6 - 8 years.

The land used for 200 rental units will be sold to Collins for \$5,000 per unit or \$1,000,000. In addition, IAS will own 10% of the completed project. No estimate of the value of the 10% interest has been made.

To sum up, IAS receives over a period of 6 to 8 years (to commence after zoning and other approvals are received):

	Low (\$MM)	High
Land sales	\$9.8	9.8
Percentage of gross sales	4.0	8.0
Interest in rental units - 10%	<u>--</u>	<u>--</u>
Total	13.8	17.8

See attached for timing of receipts and their present value.

*To be determined by independent appraiser. Amounts used are estimates only.

Estimate of Receipts by Institute of Advanced Study (1979 Dollars):

1981	\$790,000
1982	1,580,000
1983	1,580,000
1984	2,370,000
1985	3,160,000
1986	3,160,000
1987	<u>3,160,000</u>
Total	15,800,000 =====

Estimate of Present Value of Receipts

Assume:

1. 1980 base year
2. Discount rate of 10%
3. Gross receipts from Collins increase by 10% per annum commencing 1983

	<u>Gross Receipts</u>	(\$M)	<u>Present Value</u>
1981	790		718
1982	1,580		1,369
1983	1,738		1,369
1984	1,911		1,369
1985	3,154		2,053
1986	4,205		2,489
1987	<u>4,626</u>		<u>2,489</u>
Total	18,004		11,856 =====