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Dilworth
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Weinstein
Elliott

THE INSTITUTE FOR ADVANCED STUDY

Minutes

Meeting of the Special Committee on Land Development

August 1, 1979

Present: Messrs. Dilworth (Chairman), Hansmann, Woolf.

Trustee Members Absent: Messrs. Petersen, Taplin.

Also Present: Messrs. Hunt (Secretary), Donald Elliott, Paul Marshall, Peter Pattison, Richard Weinstein.

Presiding Officer: Mr. Dilworth opened the meeting at 9:00 a.m. Referring to the draft Memorandum of Intent (attached) between the Institute and Collins Development Corporation, he pointed out that the new arrangement envisaged in the Memorandum was fundamentally different from the earlier proposal in that it was now essentially a land sale with some Institute participation in the projected increase in land values. Mr. Dilworth then raised the question of Mr. Collins' financial capabilities in light of the fact that the present Memorandum of Intent calls for the Institute to give Collins a purchase money mortgage.

Mr. Elliott pointed out that Mr. Collins would have to supply a bank letter of credit to guarantee the mortgage.

The Chairman then raised the question of possible Institute participation in rental income.

Mr. Hansmann asked if a formula could be developed to enable the Institute to share in the projected rise in value of rental income.

Dr. Woolf then suggested that the Institute might form a separate corporation for the purpose of investing in the development and thereby participating in the anticipated rental income.

Mr. Elliott thought that ownership of some of the rental units could be treated as part of the endowment and thus be part of the Institute's investment portfolio, the income from which is not taxed.

Mr. Hansmann then asked for certain clarifications regarding various stipulations in the draft Memorandum and asked if the choice of interest rates referred to on the bottom of page 3 would be binding for the overall project.

Mr. Elliott stated that this would be the case.

Mr. Dilworth then indicated that of the two alternatives offered, 12 percent over eight years would probably be the best choice.

The Chairman then asked Mr. Marshall to summarize his Memorandum (attached) for the Committee.

Following a discussion of the Memorandum, the Chairman suggested that the assumptions regarding the number of units to be constructed be enlarged to include alternative groupings of 600 units, 800 units, and 1000 units; and that an expanded version of the Marshall Memorandum be prepared for distribution to the Land Development Committee, in view of a September meeting of the enlarged Committee (to include Messrs. Houghton, Segal, and Straus in addition to the members of the Committee) to consider again the proposed Letter of Intent. In answer to a query concerning Mr. Collins' figures, Mr. Dilworth said that the review of the financial data by Mr. Robert Von Ancken, senior appraiser of William A. White who is acting as consultant to the Committee, generally supported Mr. Collins' financial assumptions and conclusions.

Dr. Woolf then suggested that a control factor be included in the Memorandum of Intent which would assure that each building segment--at whatever density--would give an appearance of completion. He then asked if the present proposal called for Collins to purchase lots only or the indicated plot of land in its entirety.

Mr. Elliott said that the inclusion of the desired control factor would be taken into consideration in the next draft of the Memorandum, and that the present understanding was that the Institute would not own or control any portion of the plot of land designated for development by Mr. Collins.

In reference to a query from the Committee about ways of providing a buffer zone of woodland between the development and the Institute, Mr. Weinstein spoke of the possibility of creating such a buffer zone and turning it over to the

Trust for Public Lands. Mr. Weinstein will explore the various aspects of such an arrangement and prepare a report for the Committee showing the financing and community relations impact of such an arrangement.

Mr. Weinstein then described his presentation of the Institute's proposed development project at the Princeton community hearing on the master plan, and reported on the results of discussions he had held since that time with various community representatives. He asked the Committee's approval for a series of meetings with interested groups in Princeton, primarily in order to develop if possible a strategy which would permit the Institute's development plan to secure the necessary approvals in the reasonably near future if it appears that the production of the master plan is encountering further delays.

The Chairman expressed the view of the Committee that Mr. Weinstein should proceed with such consultations. He also asked that the Princeton Packet article on the master plan hearing be distributed to the members of the Committee.

There being no further business, the meeting was adjourned at 10:00 a.m.

John Hunt
Secretary

7/23/79

MEMORANDUM OF INTENT

The Institute for Advanced Study, Princeton, New Jersey (Institute) intends to sell to Collins Development Corporation, 1445 East Putnam Avenue, Old Greenwich, Connecticut (Collins) the land shown as "Development land" on the annexed Schedule A and to restrict the future use of the woods, the historic land and the wetlands shown as "restricted land" on Exhibit A to permit Collins to construct and sell no less than 600 and up to 1,000 units of housing on the development land.

Venturi & Rauch have been retained by Collins and have prepared a preliminary site plan. Collins intends to construct approximately 200 rental units, 400 townhouses and 400 free standing houses. The Institute must approve the architect, the allocation between building types, the site plan and the design concept for the units prior to the sale of the land.

Collins agrees to carry out and pay for all necessary architectural, planning, engineering, legal and other services that may be required to properly develop the project.

Collins will seek, with the assistance of the Institute, to gain all necessary federal, state and local approvals (Government Approvals). In the event that approval for less than 600 units is achieved either Collins or the Institute may elect to terminate this agreement.

The land will be appraised now by an appraiser acceptable to Collins and the Institute on the basis of eventual development of 600, 800 and 1,000 dwelling units. Collins and the Institute agree that the present appraised value is not less than $5,600,000, $6,800,000 and $8,000,000 at the indicated densities.

After the Government Approvals are achieved the land will be reappraised at the approved density.

Collins shall then have the option to purchase at least one-third of the land for the then appraised value or the original appraised value, whichever is higher. To exercise this option, Collins must pay at least 20% of the purchase price in cash and the Institute will give him a purchase money mortgage for the balance for a term not to exceed 5 years at 12% interest or prime plus 1% (as determined by the Chase Manhattan Bank) if Collins adequately guarantees payment.

Within four years of his first purchase, Collins may purchase at least an additional third of the land for the price of his original purchase plus 12% a year compounded (or 1% over prime) to the date of the second purchase.

Within 8 years of his first purchase, Collins may buy the balance of the land at a price determined in the same way as the second purchase. Collins agrees to pay at least 20% of the purchase price in cash each time and the Institute agrees to give him a purchase money mortgage for the balance on the same terms as the original mortgage.

Collins also agrees to pay, quarterly as it is received, as part of the purchase price, the following percentages of the selling price per unit actually received for each unit that he sells:

First one-third of the houses that he is authorized to build. 1%

Second one-third of the houses that he is authorized to build. 2%

Third one-third of the houses that he is authorized to build. 4%

The purchase price determined above shall be modified, if necessary, so that Collins will pay no less than 11% of the gross sales prices of the units sold and no more than 15% of the gross sales prices if 1,000 units are permitted or no more than 17% of gross sales prices if 600 units are permitted.

Failure of Collins to make any purchase within the time provided herein will free the Institute to sell the remaining land to persons other than Collins.

The Institute shall determine whether the interest rate and increase in purchase price described above shall be 12% or 1% over prime within 30 days of the signing of this memorandum and communicate its decision to Collins.

The land will be subject to certain restrictions and covenants which are to be negotiated and which are designed to achieve development and operation compatible with the purposes of the Institute and which will include:

(a) Provision for the forest and a buffer strip remaining open space in perpetuity.

(b) Approval by Institute of the rules and regulations governing operations, with the Institute having a veto over changes in certain enumerated sections.

(c) An option of first refusal for the Institute to purchase any unit offered for sale at any time.

Collins agrees to diligently pursue this project and seek approval to build as soon as possible. The Institute agrees to assist him in every reasonable way.

If Collins fails to pursue the project diligently for a period of 90 days, the Institute may terminate this agreement by written notice giving Collins 30 days to cure his default and again commence diligent work on the project. This agreement may also be terminated by either party if no purchase of land has been made by Collins within six months after Government Approvals or regardless of any approvals by

September 1, 1982.

The Institute and Collins will each pay their own expenses and not seek reimbursement from the other. However, the Institute agrees to reimburse Collins for expenses actually incurred including fees of Collins personnel if the Institute refuses to consummate the sale because it plans to use the land for other purposes, but in no event will those costs exceed $150,000.

This letter is intended to set forth the intent of Collins and the Institute with respect to the sale of the Institute's land. The sale is conditioned upon the Institute receiving a ruling from the Internal Revenue Service that the proceeds of the sale will not be taxable to the Institute. It is further conditioned upon the Institute and Collins negotiating a mutually acceptable contract of sale based on this memorandum of intent but no legal obligations other than those expressly undertaken in this letter will arise until such contract is formally executed by both parties. The parties will diligently pursue negotiating a formal written contract and intend to execute such a contract no later than January 1, 1980, unless extended by mutual agreement. Failure by either party to execute a contract shall give no cause to the other for damages of any kind.

Dated: , 1979

INSTITUTE FOR ADVANCED STUDY

By______________________________

COLLINS DEVELOPMENT CORPORATION

By______________________________

MEMORANDUM

To: Richard Weinstein
From: Paul G. Marshall
Re: Institute for Advanced Study (IAS)
Date: July 30th, 1979

Basic agreement has been reached with Collins Development Corporation on terms for the development of IAS property in Princeton, N. J. A Memorandum of Intent dated 7/23/79 which Don Elliott has drawn, sets out the agreement.

The negotiations with Collins have been lengthy and have undergone many changes. On April 26th, I reported to you on the status of the negotiations with Collins and you in turn presented my report to the Board of IAS. The changes that have occurred since then are as follows:

1. The interest which IAS is to receive from Collins and the appreciation factor applied to the land held for Collins but not yet purchased by him, is to be either 12% or 1% over the prime rate of Chase Manhattan Bank, at the option of the IAS. This previously had been on open item, Collins offering 10% and we asking 12%.

2. The appraisal of the property is to be undertaken now (when convenient) and again after final zoning is received. Collins agrees that the value of the land is not less than $8,000,000 if zoning permits 1,000 units; and not less than $6,800,000 if zoning permits 800 units; nor less than $5,800,000 if zoning permits 600 units. There will be no re-appraisal of the property once development begins. Cost of the appraisal will be paid by IAS but will be re-imbursed by Collins upon the purchase of the first parcel of the land. IAS has suggested that the property be re-appraised from time to time. Collins has resisted this, contending that the increases in value will result from the development of the property.

3. Collins will purchase the land in 3 tranches, paying IAS 20% down and the balance over 5 years at an interest rate as set out above. IAS will agree to subordinate its mortgage but it will receive such other collateral from Collins as to make receipt of the money undoubted. Collins will be allowed not more than 4 years from the date of the initial purchase to make the second purchase; and not more than 4 years thereafter to buy the balance of the land. Previously, Collins was to purchase 10% of the land at the closing and draw down the balance over 8 years.

4. Collins will pay IAS a percent of the gross sales proceeds received from the sale of the housing as an Additional Payment.

First one-third of houses sold	1%
Second one-third of houses sold	2%
Third one-third of houses sold	4%

This payment is subject to adjustment.* If Collins' cost of the land at the time of the purchase exceeds 15% of the gross sales proceeds, no Additional Payment will be made. If IAS has received less than 11% of the gross sales proceeds after the Additional Payment has been made, a further payment will be made, assuring that IAS receives not less than 11% of the sales price of the housing from the sale of its land.

In my earlier report to you, this item was open, with Collins offering 1-1/2% and IAS asking 3% of the sales proceeds as an Additional Payment. There had been no floor - ceiling arrangement earlier. This affords IAS some further inflation hedge in the event prices rise. Collins is protected in the event that costs rise as rapidly, or more so, than his selling prices.

Attached exhibits give projections of the following:

1. Collins' of 4/18/79 used in presentation to the Board of IAS.

2. Collins' of 7/9/79 showing effects of re-appraisals.

3. Collins' of 7/9/79 which is the basis of our agreement.

A fourth exhibit analyzes the Additional Payment.

P. G. M.

* IAS may choose a floor - ceiling arrangement of 11% - 15% or 12% - 14%.

Exhibit 1

Collins Projection Dated April 18th, 1979
1,000 units

Year	Payments to IAS ($000)
1	1,000
2	2,000
3	2,798
4	2,678
5	2,558
6	1,274
7	450
8	450
Total	13,208

Assumptions:

1. 1-1/2% Additional Payment to IAS on gross sales.
2. 6% interest factor.
3. Total sales of $180,000,000.

Exhibit 2

Collins Projections Showing Effects of Re-Appraisals

Year	Payments to IAS ($000)
1	1,000
2	1,120
3	1,254
4	1,404
5	2,000
6	7,640
7	2,508
8	4,000
Total	20,926

Assumptions:

1. 3% of gross sales Additional Payment.
2. 12% interest factor.
3. Re-appraisal at end of 3rd and 6th year, with land value doubling each time.

Exhibit 3

Collins Projection Basis of Present Agreement

1980	530,000
1981	1,311,000
1982	1,490,000
1983	720,000
1984	1,787,000
1985	2,663,000
1986	930,000
1987	2,306,000
1988	4,883,000
	16,620,000

Present Value of projected cash flow discounted at 12%:

$9,534,000

Exhibit 4

Effect of 11% and 12% Floors and 14% and 15% Ceiling on Additional Payments

Collins Projections:

	Cash Flow	Adjusted - Floor of: 11%	12%
		$000	
1980-1982	3,333	3,333	3,600
1983-1985	5,170	5,775	6,300
1986	8,119	8,119	8,400
	16,620	17,225	18,300

1. Above based on sales of $152,500,000 or $190,600 per unit (based on 1,000 unit project with 200 rental units) on average.

2. If sales total $118,700,000 or $148,400 per unit, the ceiling at 14% would limit Additional Payments based on the percent of gross sales to exactly $16,620,000. If sales total $93,700,000 or $117,100 on average, no additional payments would be made to IAS and their receipts would total $12,470,000.

3. If sales total $110,800,000 or $138,500 per unit, the ceiling of 15% would limit Additional Payments based on the percent of gross sales to exactly $16,620,000. If sales total $83,000,000 or an average of $103,700 per unit, no Additional Payments would be made to IAS and they would receive $12,470,000.

4. If sales exceed $151,000,000 then Additional Payments based on not less than 11% of the sales proceeds to be paid for the land, will be made to IAS. If sales amount to $160, 000,000 IAS will receive not less than $17,600,000.

5 If sales exceed $138,500,000 then Additional Payments based on not less than 12% of the sales proceeds to be paid for the land, will be made to IAS. If sales amount to $152,500,000 as shown, IAS will receive not less than $18,300,000.

THE PRINCET

New Jersey's

Vol. 197, No. 21 Four sections, 78 pages Phone: 609 924-3244 We

But approvals must wait

Institute housing seems to fit into master plan

by Tom Lederer
Staff Writer

The Institute for Advanced Study's plans for Princeton's largest housing development appear to coincide with a new master plan being developed for the community.

Representatives of the Institute said their studies show a 1,200-unit development is feasible for 230 "buildable acres" in the southwest portion of the township in the area of Quaker Road and the Princeton Battlefield State Park.

THOUGH IT would be a long term project, eight to 10 years, according to Institute consultant Richard Weinstein, the Institute is anxious to get going on the approval process.

He expressed disappointment Monday when told by members of the Land Use Committee of the Planning Board that consideration of the proposal would have to await completion of the master plan and new zoning ordinances, possibly nine months from now.

Mr. Weinstein is president of New Sources of Funding, a nonprofit organization established by the Rockefeller and Mellon Foundations to help land rich institutions use their property to beef up endowment.

The members of the Land Use Committee have designated much of the Institute land for potential high density devleopment on their draft land use map. However, the tradeoff for building at a high density would be providing a certain proportion of low and moderate income housing, on a so-called internal subsidy.

"AS A PRINCIPLE we want to incorporate that notion," Mr. Weinstein said, referring to the internal subsidy concept. He said a mix of housing types including rental units, detached homes, attached homes and multi-family units is intended for the project.

He said the Institute wants to build a high quality project and is working with the Collins Development Corp., a Connecticut firm that is developing Constitution Hill.

He said a traffic study had shown that a 1,500-unit project was at "the extreme upper limit" of what the road system could handle. Mr. Weinstein said he felt 1,200 units was more realistic and that it would still involve road improvements in the area. Quaker Road is subject to periodic flooding from Stony Brook.

"It appears the zoning proposed is probably on the high side," Mr. Weinstein said, but there was lengthy discussion on just what the proposed land use meant in terms of housing units.

Mr. Weinstein said that the Institute itself wants to limit the size of the development.

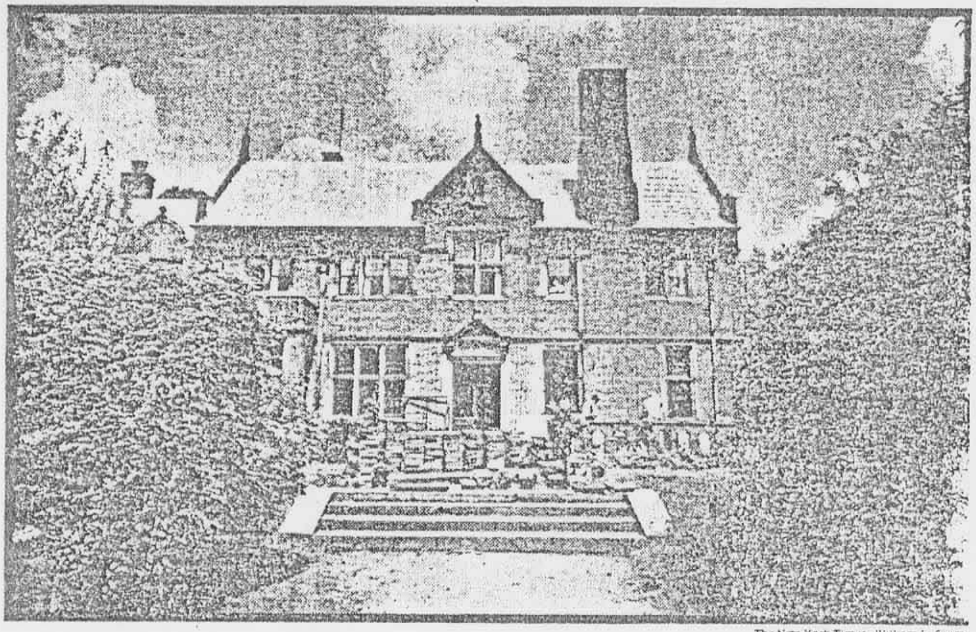
"It is concerned that if the density is too great, a policing brigade would be necessary to maintain the tranquility of the campus. We don't want to undercut the character of the place, which is a major attraction to scholars," he said.

IN CALCULATING the 1,200-unit density, Mr. Weinstein said he was including, in addition to the 230-acre building site, an additional 330 acres of woodland that would be used as permanently dedicated open space. In total, the Institute owns 625 acres of open land.

Mr. Weinstein said it would take at least two to three years to actually begin construction, once the project received the necessary approvals. But his suggestion that Planning Board consideration of the proposal being in conjunction with deliberations on the master plan and zoning ordinance was rejected by the committee members.

New Role for Old Princeton Estate

By ELLEN RAND



The New York Times / William E. Sauro

Mansion on the Morgan estate in Princeton that is being converted into condominiums

YOU say that you'd like to recapture the ambience of yesteryear by living in a large, imposing mansion surrounded by formal gardens and plenty of open acreage. But then, you say, the cost of keeping up such a home would be too high to justify such a pursuit.

Is there a solution to this dilemma? Constitution Hill in Princeton certainly represents one intriguing possibility.

The 47-acre estate has a formidable history. The land was owned originally by William Penn, and later acquired by Richard Stockton, a signer of the Declaration of Independence, from the Quaker community.

Junius Spencer Morgan, a nephew of J.P. Morgan, subsequently purchased the property from the Stockton family, and in 1897 built a 30-room Jacobean Tudor country house on it. The estate has since remained in the Morgan family, which brings us to Perry Morgan.

"We [Mr. Morgan, his wife and four children] lived in the servants' wing of the house, while my parents had an apartment at the other end of the house," said Mr. Morgan, an architect with the Princeton firm of Holt & Morgan Associates. "It just became too big to cope with."

Altrhough Mr. Morgan wanted to sell the property, he felt that it had enormous potential for something beyond the ordinary. As he put it:

"Some builders might have just seen the value of the land and would have torn down the house, which is a fine example of a rambling medieval plan. Yet, it has a light, airy, modern feeling because it has so many large banks of casement windows."

The house is also blessed with an abundance of wood-paneled walls, fireplaces and high beamed and sculptured ceilings.

Enter the Collins Development Corporation, a concern that has built a number of luxury condominium complexes in its native territory of Greenwich, Old Greenwich and Cos Cob, Conn.

"I knew Arthur Collins from my architectural school days and sought out his firm because I knew they'd do a good job," Mr. Morgan said.

The Collins concern was skeptical at first about tackling the project because of the risks that might be involved in leaving its own backyard.

"We really weren't looking to expand outside of Greenwich and Stamford," said James Harvie, the company's vice president, "but then we decided that the market in Princeton was not all that different from the market we were building for in Connecticut."

Collins retained Holt & Morgan as its architect and devised a plan whereby the house would be divided into six condominium apartments, with two apartments to be created in the carriage house-stable, a separate building. In addition, 52 one-, two- and three-bedroom semi-detached and detached clustered homes would be built on the site.

"The mansion lent itself naturally to that kind of division," Mr. Morgan observed.

There will be five two-bedroom apartments and one three-bedroom apartment in the main house. Four of these apartments are two-level suites, while the two others are flats. The reason for that, Mr. Morgan explained, is that the original master bedroom was so large that it could be converted into a living and dining area in one of the flats.

The central entrance to these apartments is through a large, 40-foot hall and up the staircase to the second floor. This paneled and beamed space will belong to the condominium association. In addition, the apartments will have individual back doors.

"The idea is to preserve almost everything that's there now," Mr. Harvie said. "The floors, ceilings, fireplaces and lead-paned windows will all remain."

Preservation also is the byword for the grounds around the house. Formal gardens will be kept, as will old trees and open fields. Manmade ponds will be added.

The new homes have been designed to complement the old house, what with brick exteriors and steep-pitched roofs.

Work on redoing the main house already has begun, and Collins Development expects to begin building the first cluster of new homes in September. The concern expects both projects to be finished a year from now, while the remainder of the homes should be completed in two and a half years.

Oddly, the apartments in the mansion will be more expensive than the new homes; starting price in the main building has been pegged at $210,000, while the new homes are expected to sell from $170,000 to $230,000.

"The cost of renovation is actually greater than the cost involved in building from scratch," Mr. Harvie pointed out.

Collins Development looks upon Constitution Hill as its "launching" project in New Jersey.

"This development shows that it is possible to get into a so-called 'strict' community and build a real jewel," Mr. Harvie said, adding that the fact that New Jersey had little quality design created more opportunities for environmentally sensitive developers to work with town fathers to build creditable housing.

Thus far, public response to Constitution Hill has shown that Collins's concept is on the right track. One sign is that the concern already has received inquiries from more than 250 prospective buyers even before opening a sales office or starting to advertise.

NEW YORK TIMES

Sunday, August 5, 1979