

Old Bridge (0+4), UL v. current

(1984)

~~Use~~ Conference call between 0+4 and Allan

7 pgs

A blue sticky note

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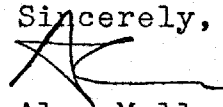
RE: Old Bridge

Dear Barbara:

I have prepared a short outline, along with explanatory table, showing how the type of approach we talked about in Henry Hill's office yesterday might work. While I am not by any means certain about the particular numbers on the attached example (although they seem to be reasonable, from an intuitive, rather than analytical, standpoint), I find the concept appealing.

Let's discuss this further.

Sincerely,



Alan Mallach

AM:ms  
enc.  
cc: B.Gelber, Esq.

# DRAFT

## HYPOTHETICAL OLD BRIDGE LOWER INCOME HOUSING ADJUSTMENT FORMULA

1. The starting point is the conventional Mount Laurel formula: developments must contain 10% low income and 10% moderate income units as a setaside.
2. The provision of least cost housing permits an adjustment in the low/moderate income mix, and the total amount of lower income housing. Least cost housing is defined as housing affordable to a household earning at or below the area median income, adjusted for family size.
3. Provision of least cost housing in excess of a set minimum amount will also create credits which the municipality can take against its fair share obligation.
4. For the first up to 30% of the total number of units in the development (or any phase of the development) that are least cost, the low/moderate income mix of the required lower income housing can be modified, on the basis of for every 5% of the units that are least cost, the low income requirement may be reduced by 1%; moderate income units are to be substituted for any low income units eliminated, so that the total lower income setaside remains at 20%.
5. If the total of 30% least cost units is provided, the resulting low/moderate mix is 4% low income and 16% moderate income units; no reduction in low income units below 4% may be made.
6. For provision of least cost units in excess of 30% of the total number of units, and up to 50%, adjustments in the total setaside may be made as well as upward adjustments to the community's compliance with its fair share goals, for each 6% additional least cost housing:
  - The developer may reduce the required percentage of moderate income units by 1%; and
  - The municipality may increase its credit toward its fair share obligation by 2%
7. After 50% of the units are provided as least cost housing, no further adjustments to the setaside percentage may be made, but the municipality may increase its credit toward its fair share obligation by 2% for each 5% additional least cost housing units.

HYPOTHETICAL OLD BRIDGE LOWER INCOME HOUSING ADJUSTMENT FORMULA

TOTAL UNITS	LEAST COST UNITS	MARKET UNITS	LOW INCOME UNITS	MODERATE INC UNITS	FAIR SHARE CREDIT
100%	0%	80%	10%	10%	20%
↓	5	75	9	11	20
↓	10	70	8	12	20
↓	15	65	7	13	20
↓	20	60	6	14	20
↓	25	55	5	15	20
↓	30	50	4	16	20
↓	36	45	4	15	22
↓	42	40	4	14	24
↓	48	35	4	13	26
↓	54	30	4	12	28
↓	60	25	4	11	30
↓	65	20	4	11	32
↓	70	15	4	11	34
↓	75	10	4	11	36
↓	80	5	4	11	38
↓	85	0	4	11	40



O&Y Expert  
(OYE):

Market analysis by O&Y indicates the market can absorb units in the mid \$60,000 range in Old Bridge. There is still a wide range of moderate housing need in the \$30,000 to \$60,000 range.

Allan:

If the market dictates it, makes sense you will be doing it anyway. Since there is a spread, target the lower end and

80% - 120% of median income with credits for  
sair share

Moderate income in Old Bridge is \$31,800 thereby allowing moderate income family of four to spend \$6233 a year in housing costs. Current conventional mortgages are 13 3/4 with a buydown of 12 1/4. A family of four can thus afford a \$40,200 2-bedroom home.

OYE:

This is not a situation like Bedminster where lots cost \$40,000 to \$60,000 alone. It is a blue collar neighborhood. With houses at \$65,000, \$68,000 or \$70,000 including land the market buildout would be too long. Even if no Mt. Laurel the project would not make sense therefore seek out the level of absorption without carrying costs for a buildout. Mid \$50,000 range would be \$5000-\$10,000 under market \$55,000 includes the higher and lower: low of \$40,000 to mid \$60,000 top of the line. Diversity is necessary because of size in types of housing

Henry Hill  
(HH):

The subjective design standards in Old Bridge will preclude this. The project is a modern day Levittown. Old Bridge will object to being another Levittown.

Allan:

Architectural differentiation is still necessary.

HH:

There must be a mechanism for variation between Old Bridge and Princeton based on housing economics. Within these parameters to allow situation to be socially beneficial.

HH:

Absorption will be increased from 500 to 1,000 by meeting the lower end of the market. The town should be given some degree of credit for this.

Allan:

It could be structured that from 70% to 100% of median for every X number of units in this range a certain shift from low and moderate

80% of median is \$43,000  
100% of median is \$55,000

HH:

Mt. Laurel says it does not mean development of \$55,000 units.

- ALLAN: \$50,000 units are below what is available in the market. If you provide 70% to median, you are creating "least cost housing" in the Mt. Laurel sense by enhancing trickle down to lower income brackets within the used housing market.
- HH: Twin Rivers (in E. Windsor) is reputed to be comprised of 85% of people in Brooklyn. O/B is parochial. Old Bridge will buy it only if the F/S is reduced and they get what they want: repose.
- Allan: If Old Bridge pushes up to 1,000 units a year, 20% gives O/B a substantially larger number than they are willing to support. If "least cost" housing is increased above a certain amount, excess affects the fair share. Example: At 30% least cost adjust the mix and credit against the fair share
- 10% low
  - 10% moderate
  - 0% least cost
- Each 5% shifts % of mix
- 10% low 8-12
  - 30% 16-4 low
- 4% minimum - beyond 30% added to Old Bridge fair share.
- If: 20% low and moderate                      4%-16% moderate  
40% least cost                                      20% least cost used  
40% market rate                                      to satisfy F.S
- OBE Low units require a \$15,000 subsidy and moderate units a \$5,000 subsidy.
- Allan: Moderate units are a wash.
- HH: The argument of Old Bridge will be that we are flooding the least cost housing market.
- OBE: The arguments in response should be that this is a housing sector that is not covered and it gives maximum filtration without minimum diversion so a multiplier is necessary.
- HH: There must be a mechanism for adding to priorities of low and moderate without a housing authority to monitor least cost housing.
- OBE: Plus the one family free standing units will attract family.
- Allan: Identically priced condos will attract first time buyers, singles, and will not free up units. It is a legitimate theory that it will free up existing stock.

- Hill: If methodology has support of O&Y and Urban League, can put Allan and George on the stand to justify.
- Allan: We have other settlements in Middlesex less than 20%, i.e., Hovnanian.
- Concept is: Up to 1st X % mix shifts  
After X % 20% reduced on same formula  
Least cost 0-30% - from 10% to 4% low  
50% - 4% low - moderate % 16%  
greater than 50% - 4% - 16% moderate
- OYE: It could be argued that "least cost" is confiscatory. Unless court allows, in blue collar suburbia a developer cannot develop.
- HH: Lloyd, could never make it up in infrastructure. He has too much money in land and could not recoup the money. I could make it a success, he will go.
- Allan: Why should we give you credit for doing what you will do anyway?
- HH: Absorption rate increases, profits decrease with the increase in absorption. This will create a statewide solution.
- Allan: The inclusionary zone based on Mt. Laurel will be pegged at a 15% set aside, 20% is cast in stone. There must be a rationale and basis for adjustment.
- : Mix of 50% - 50% will be modified. 20% but modification of mix at threshold will decrease.
- Allan: It could be 10% low - 10% moderate but build 200 low and moderate first at the front end for a credit for building at front end with next 800 at market. Build the next 40 low and 160 moderate with next 500 least cost. Next 40 low, 120 moderate, etc.
- OBE: The cash flow on front ending would be \$2 million. The alternative would be to borrow against the land, arbitrage it and set on the land.
- Allan: You could make more money by arbitrage.
- HH: Levittown approached O&Y. Interested in participating. Not ITT but William Levitt.
- OYE: Urban League must make a determination if appropriate. Chain of logic to support it must be developed. Settlement proposed.

- HH: It must be treated differently but consistently based on nature of the marketplace. A contin\_\_\_\_\_ must be developed which varies between Camden and Princeton.
- HH: If not very expensive it cannot subsidize the low, the gap must be made up. The very rich can subsidize the very poor and must be room for the moderate.
- Allan: It's a large state and he's not too concerned. It's a large region with many permutations. In Mahwah they got the density given land costs. The high density dictated the non-luxury market.
- HH: Splitting the mix and decreasing the low income will be the hardest to sell. It is crucial to make it work. The small % of low income goes against the statistical need. Least cost low and moderate 60% - 40% is a concession to economic reality.
- HH: 2100 is the approximate fair share O&Y can build. 1800 is a 10-12 year period. Would require \_\_\_\_\_ other developers ≠ build without similar set aside if given comparable densities.
- : Discussion housing market and interests. O&Y will be prepared by us for the Urban League. Allan and O&Y will prepare a performance based \_\_\_\_\_ based on "least cost" and low and moderate. OYE and HH will prepare legal justification, equal protection, etc. and will prepare a total settlement package. Package for Urban League within next month with settlement proposal for December/January.