U.L. v. Carteret, Piscataway

Jan./1985

An Economic Evaluation of the Development Opportunities for Lower Cost Housing in Piscataway

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AN ECONOMIC EVALUATION OF THE DEVELOPMENT OPPORTUNITIES FOR LOWER COST HOUSING IN PISCATAWAY TOWNSHIP

RICHARD B. READING ASSOCIATES
PRINCETON, NEW JERSEY

JANUARY 1985

AN ECONOMIC EVALUATION OF THE DEVELOPMENT OPPORTUNITIES FOR LOWER COST HOUSING ON A 67 ACRE TRACT OF LAND IN PISCATAWAY TOWNSHIP MIDDLESEX COUNTY, NEW JERSEY

Richard B. Reading Associates
Princeton, New Jersey

January 1985

INTRODUCTION

The ensuing evaluation, which has been prepared at the request of Mr. Lawrence Zirinsky, provides an assessment of the economic factors and considerations relevant to the development of lower cost housing on a 67-acre(1) tract of land in Piscataway Township, Middlesex County. The specific property under consideration, which is situated along the westerly side of Interstate Route 287 between River and Possumtown Roads, extends nearly 6,000 feet along Route 287 but is less than 500 feet in width along its entire length.

The owner of the subject property has been seeking permission for its development for office use rather than the half-acre residential zoning which is permitted thereon. The non-residential use sought by the owner would be consistent with the prevailing development patterns along Route I-287 and on the adjacent properties to the north and west.

Under the Mt. Laurel II litigation brought by the Urban League, and in which Piscataway Township is a defendant, the subject property has been suggested as a possible site for higher density residential development with an obligation that at least 20 percent of the total housing units be "set aside" for low- and moderate-income families. On the following pages, the variety of market, social and economic factors which provide the physical, functional and financial parameters for the proposed Mt. Laurel II development shall be considered and addressed.

A large part of the following report is devoted to the development of objective statistical analysis and research of the data and factors related to the determination as to whether or not the subject property could furnish an economically viable opportunity that could realistically be expected to result in the construction of housing units for low- and moderate-income families necessary to satisfy Piscataway's Mt. Laurel II obligations.

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(1) A contiguous 8 +/- acre property has been acquired for Possumtown Road access, but not for development.

The intent of this overall structure is to provide sufficient underlying rationale to support the findings herein, to demonstrate the soundness of the procedure and to substantiate the conclusions of the evaluation.

INCLUSIONARY ZONING

In the Supreme Court's Mt. Laurel II decision, a municipality's obligation to provide a "realistic opportunity" for lower income families to obtain housing was found to require a community to undertake "affirmative measures" as an inducement to produce such housing. A "realistic opportunity" is not meaningless zoning amendments, but is "...one that is at least sensible for someone to use," (92 N.J. 100-101). Two basic types of "affirmative measures" were outlined in Mt. Laurel II: (1) encouraging or requiring the use of available state or federal housing subsidies; and (2) providing incentives for or requiring private developers to set aside a portion of their developments for lower income housing.

The Court was cognizant of the fact that while subsidies are a permanent part of the housing scene, they area less available now than in the past; and there is no indication that the availability of subsidies is likely to increase in the near future (92 N.J. 103). When the probable absence of subsidies was considered with the companion finding that "...the construction of lower income housing is practically impossible without some kind of governmental subsidy", the focus of a community's obligation to undertake "affirmative measures" to provide a realistic opportunity for lower income housing was shifted to "inclusionary zoning devices".

Of the two most commonly used inclusionary zoning devices, incentive zoning and mandatory set-asides, the latter (mandatory set-asides) was identified as the "more effective inclusionary zoning device", particularly since sole reliance upon "incentive" techniques may prove to be insufficient to achieve compliance with the constitutional mandate (92 N.J. 109-110). Through the foregoing logic and findings, the mandatory set-aside has emerged as the dominant land-use technique and "affirmative measure" for providing a realistic opportunity for lower income housing and, as such, for complying with the edicts of the Decision. The discussion found in Mt. Laurel II at 111, 114 and 129 further suggests that the goal of including a "substantial amount" of lower income housing with mandatory set-asides would be expected to include, as a reasonable minimum, 20 percent of all units for lower income families (92 N.J. 129). Thus, "builder's remedies" with mandatory set-asides wherein four market units (80 percent) provide an internal subsidy for one set-aside unit (20 percent) have become the most common inclusionary zoning device employed to secure compliance with Mt. Laurel II.

The significance of the foregoing discussion is its illustration of the shift of the subsidy burden from the public sector to private developers. The shift of the subsidy burden to the private sector has accentuated the importance of economic and housing market factors in determining whether or not there is sufficient economic viability to actually induce a private builder to undertake a "set-aside" development. Among the critical factors which must be fully addressed in reaching such a determination are the nature and economic character of the existing housing market, the functional specifics of the set-aside mechanism, and the particular physical and developmental characteristics of the property or properties in the "set-aside" district.

Inasmuch as the set-aside mechanism is dependent upon the private housing market for its success, the magnitude, and physical and financial characteristics, of the housing market extant in the site community is an initial and frequently crucial concern.

PISCATAWAY TOWNSHIP

The physical and economic characteristics of the housing market in Piscataway Township will substantially influence the type and pricing of the market housing units which can be produced therein and, concomitantly, the ability of such market units to provide the necessary margin to subsidize the "set-aside" housing units. Accordingly, a review of the basic socio-economic and housing market factors in the subject municipality is a logical starting point for such analyses.

Community Profile

The Township of Piscataway is situated in the northwest corner of Middlesex County at its boundary with Somerset and Union Counties. The Township is bounded by Dunellen Borough, Edison Township, Highland Park Borough, Middlesex Borough, New Brunswick City and South Plainfield Borough in Middlesex County; by South Bound Brook Borough and Franklin Township in Somerset County; and Plainfield City in Union County. Piscataway Township, itself, is a well-developed suburban community encompassing a land area of 18.9 square miles and a total population of 42,213 persons as of the 1980 Census. The Township's 1980 residential density of 2,233 persons per square mile was 16.6 percent above the Middlesex County density of 1,916 persons per square mile and more than double (2.27 times) the New Jersey residential density of 983 persons per square mile.

Residential Density
(Persons Per Square Mile)

	1970 Census	1980 Census
Piscataway Township	1,927	2,233
Middlesex County	1,877	1,916
New Jersey	958	983

Notwithstanding the substantially higher population density of Piscataway relative to New Jersey, it is surprisingly similar to the State in many other characteristics. The average (mean) family income reported for Piscataway at the time of the 1970 Census (1969 income)of $1 2,468 was slightly (4.3 percent) below the Statewide average of $13,025at that time. According to the 1980 Census, the average income of families in Piscataway Township was $28,413, a level similar to, albeit 7.9 percent above, the Statewide average of $26,336.

Consistent with the income similarities observed, housing values and monthly rents in Piscataway have also paralleled the Statewide average. At the time of the 1970 Census, the median housing value and monthly rents in Piscataway of $25,000 and $141, respectively, were not distinctly different than the corresponding Statewide medians of $23,400 and $111. According to the 1980 Census, the median housing values and monthly rents in Piscataway of $64,200 and $279, respectively, were still quite similar to the Statewide medians of $61,400 and $228, respectively.

The composition and tenancy of the existing housing stock in Piscataway is also remarkably similar to the Statewide norms. One-unit structures in Piscataway account for 66.9 percent of all year-round housing units compared to 58.2 percent Statewide. Closer still are the occupancy statistics for Piscataway Township relative to the Statewide norms. According to the 1980 Census, renter-occupancy accounted for 34.0 perent of all housing units in Piscataway compared to 38.0 percent Statewide. These comparative statistics are summarized on the following page.

Comparative Statistics
1980 Census

	Piscataway Township	New Jersey
Population		
Persons/Sq. Mi.	2,233	983
Income		
Average Family Inc.	$28,413	$26,336
Housing		
One-Unit Structure - %	66.9	58.2
Two or More - %	33.1	41.8
Owner-Occupied	66.0	62.0
Renter-Occupied	34.0	38.0
Median Value	$64,200	$61,400
Median Rent	$ 279	$ 228

The preceding data along with the more detailed information contained in Table 1 discloses many similarities in the socio-economic and housing composition of Piscataway Township and the Statewide norms. More importantly, the Township would not appear to mirror the highly affluent, sparsely developed, single-family character of the typical defendant municipality in *Mt. Laurel II* litigation. Indeed, Piscataway's dissimilarity to other *Mt. Laurel II* defendants such as Princeton, Warren, Colts Neck, Bernards, Bedminster, etc.(2), is much more striking than the Township's similarity to Statewide norms.

Housing Demand

The supply and demand forces shaping the housing market in Piscataway Township are inextricably related, particularly in a substantially developed community with more than 2,200 persons per square mile, to the nature and composition of housing in the community and in the surrounding region. During the past twenty-four years (from January 1, 1960 through December 31, 1983), Piscataway Township

(2) These other Township's had respective median housing values of $132,100, $110,300, $120,200 and $115,000 at the time of the 1980 Census when Piscataway's median housing value was $64,200.

TABLE 1

GENERAL SOCIAL, ECONOMIC
AND HOUSING CHARACTERISTICS
PISCATAWAY TOWNSHIP, MIDDLESEX COUNTY

Population	1970 Census	1980 Census
Total Population	36,418	42,223
In Households	35,362	37,382
In Group Quarters	1,056	4,841
Housing		
Total Occupied Units(1)	10,447	12,683
Occupied	10,269	12,299
Owner	6,513	8,122
Median Value	$25,000	$64,200
Renter	3,756	4,177
Median Rent	$ 141	$ 279
Vacant	178	384
Units in Structure		
One Unit	6,894	8,486
Two or More	3,553	4,197
Mobile Home	-----	-----
Income		
Median Family	$11,695	$26,778
Mean Family	$12,468	$28,413
Median Household	----	$24,636
Average Household	$12,236	$26,310

(1) Year-round housing units
Source: 1970 and 1980 Census of Population and Housing

authorized the construction of 9,002 new dwelling units, of which 48.7 percent, or 4,386 units, were for multi-family dwellings containing five or more units. During this entire 24 year period, an average of 375 new housing units have been authorized by building permits each year. Since 1970 (1970 through 1983), the average number of housing units authorized by building permits has declined to 193 units per year. This information is further detailed in Table 2.

Between the 1970 and 1980 Census, the number of occupied housing units in Piscataway Township increased from 10,269 to 12,299, indicating an average increase of 203 households per year during the decade of the 1970's. When resales are considered along with new housing construction in Piscataway, reports from the Division of Taxation reveal an average annual sales volume of 365 units per year during the eight-year period from 1976 through 1983. This information, which is set forth in Table 3, indicates that the majority of all residential sales in Piscataway have been at prices less than $75,000. According to this information, there has been little increase in the median prices of homes sold in Picataway Township since 1980. In 1980, the median value (Census) of all homes in the Township, was $64,200 while the median sales price of homes sold that year (1980) was $62,355. The median sales price of all homes sold in Piscataway increased to $66,506 in 1981, to $69,612 in 1982 and to $69,844 in 1983. Thus, in the three-year period from 1980 to 1983 housing sales prices in Piscataway increased 12.0 percent, or approximately 3.85 percent per year.

At the present time (January 1985), a total of 69 homes are listed[3] for sale in Piscataway Township. The asking prices for single-family homes, which ranges from $48,900 to $154,900, have a median of $95,900. Townhomes in Piscataway which are currently for sale are offered at

(3) Midlesex County Multiple Listing System, Volume 2, January 14, 1985

TABLE 2

NEW RESIDENTIAL CONSTRUCTION
AUTHORIZED BY BUILDING PERMITS
PISCATAWAY TOWNSHIP

Year	One-Family	Two to Four Family	Five or More Family	Public Housing	Total Units
1960	323	0	0	0	323
1961	271	0	0	96	367
1962	231	0	0	0	231
1963	219	0	172	0	391
1964	299	0	240	0	539
1965	299	0	668	0	967
1966	281	0	532	0	813
1967	206	0	1,700	0	1,906
1968	129	0	522	0	651
1969	107	0	0	0	107
1970	229	0	0	0	229
1971	231	0	116	0	347
1972	143	0	24	0	167
1973	65	0	0	0	65
1974	92	0	0	0	92
1975	124	0	0	0	124
1976	204	0	0	0	204
1977	238	0	192	0	430
1978	223	0	0	0	223
1979	202	0	0	0	202
1980	103	0	106	0	209
1981	89	4	18	0	111
1982	125	0	0	0	125
1983	179	0	0	0	179
1984(1)	*	*	*	*	80

Source: State of New Jersey, Office of Demographic and Economic Analysis, Division of Planning and Research, Department of Labor, New Jersey Residential Building Permits

(1) Through September
* Not reported

TABLE 3

SALES PRICES
NEW HOMES AND RESALES
PISCATAWAY TOWNSHIP

Year	Less Than $20,000	$20,000 29,999	$30,000 39,999	$40,000 49,999	$50,000 74,999	$75,000 99,999	$100,000 and over	Total
1976	3	14	87	136	51	1	1	293
1977	3	21	105	183	101	6	2	421
1978	6	16	84	189	149	8	4	456
1979	3	7	55	139	263	43	5	515
1980	2	6	21	58	259	74	10	430
1981	2	5	8	32	156	79	18	300
1982	0	2	9	7	116	71	12	217
1983	0	2	6	8	160	88	22	286

Source: State of New Jersey, Department of the Treasury, Division of Taxation, Average Assessment/Sales Ratio in New Jersey by Taxing District - by Property Class, 1976 - 1983.

prices from $91,900 to $99,000 with a median asking price of $92,400. The range of prices of homes currently for sale in Piscataway Township is summarized in Table 4.

All the foregoing facts describe a local housing market with a demonstrated ability to absorb 193 to 203 new housing units annually. When resales of existing housing units are considered, a total purchase market (new and resales) averaging 375 units annually has prevailed in Piscataway over the past eight years. The pricing structure of the local housing market is moderate to middle-income with median sales prices of $69,844 recorded in 1983 and a median asking price of $95,900 at the present (January 1985) time. The existence of a vacancy rate in excess of 3.0 percent at the time of the 1980 Census does not reflect an unusually "tight" housing market. The majority of all homes sold through year-end 1983 were sold for prices below $75,000 and the majority of homes presently available are offered at prices below $100,000.

Overall, the housing market in Piscataway is other than the "premium" housing market found in the typical Mt. Laurel II litigation. As a result, it is clear that no unusually large or particularly favorable margins would be anticipated by prospective developers. This is contrary to the situation in Warren, Princeton and other affluent communities where townhomes selling for $130,000 to $200,000 with concomitantly higher margins have been suggested.

In Piscataway Township, a much more moderate price scale exists with a market for condominium flats and town-homes priced from the high 60's to low 90's. With higher densities[4] and larger-sized projects, a pricing structure from $67,900 for condo-flats to $92,900 for larger town-homes would appear to be appropriate. Under these parameters, an average sales price of $80,400 and an expected

(4) Ten to twelve dwelling units per gross acre.

TABLE 4

AVAILABLE HOUSING
BY OFFERING PRICE
PISCATAWAY TOWNSHIP
JANUARY 14, 1985

$48,900	$91,900[1]	$102,500
56,900	91,900[1]	105,000
64,900	92,500	109,500
67,500	92,900[1]	109,900
69,900	93,000	114,000
73,900	93,500	114,900
77,900	93,900	114,900
77,900	93,900	116,900
78,900	94,900	119,500
79,900	94,900	119,900
81,500	95,000	119,900
84,900	95,900	124,000
84,900	95,900	126,500
84,900	95,900	135,000
85,000	96,500	137,900
85,900	97,000	139,000
85,900	97,000	139,000
88,500	97,500	139,900
88,900	98,500	139,900
89,900	98,900	140,000
89,900	99,000	144,500
89,900	99,000[1]	149,500
90,500	99,900	154,900

Median	- All	$95,900
	- Single Family	$95,900
	- Townhome	$92,400
Mean	- All	$102,051
	- Single Family	$102,551
	- Townhome	$ 93,925

Source: Middlesex County Multiple Listing System, Vol. 2, January 14, 1985

(1) Townhome

margin amounting to 15 percent of the sales price (17.6 percent of total development costs, fees, management and overhead). While these sales prices may appear to be modest vis-a-vis that suggested in other Mt. Laurel cases, the single-family sales market (new plus resales) in Piscataway Township has a current median asking price of $95,900...a level only 3.2 percent above the upper range ($92,900) suggested herein.

The sales prices suggested for the comtemplated market units in a set-aside development would probably have to be reduced significantly if the number of housing units found to be needed in Piscataway in the Urban League case were to be implemented. According to Tables 16A and 16B in the April 5, 1984 Fair Share Report of the Consensus Group chaired by Carla Lerman, Piscataway Township has a need for 3,744 low- and moderate-income housing units by 1990. If the report's findings relative to Piscataway Township were to be implemented with a 20 percent set-aside, 14,976 market housing units would have to be produced over the next six years along with the 3,744 lower-income housing units. The possibility for the production and delivery of 2,496 market housing units each year through 1990 would create a housing supply well in excess of the local absorption experience and would require strong price competition to deliver even one-third of this annual volume in a given year. Clearly, the provision of the number of market housing units suggested in the Consensus Group report through set-aside developments would create such a supply that cheap product discounts are impliedly required.

Set-Aside Factors

In the preceding section it was estimated that market condominium flats and townhomes in large scale projects could anticipate an average sales price of $80,400 with a $12,060 gross sales margin (15 percent). Based upon the prevailing experience and estimates developed in the Branchburg, Warren and Princeton litigations, the estimated cost (excluding land) for a typ' al lower-income "flat" was estimated by the Plaintiff in AMG vs Warren to be $43,919, and has been estimated by Princeton Township's planning consultant to cost $45,217. Even if it could be presumed that housing might be more efficiently built in Piscataway than in these more affluent communities, it is doubtful that the lower-income housing units could be delivered for less than $42,500. The extent to which such a lower-income housing unit would have to be subsidized by the market units in the development is primarily a function of the income levels established for low- and moderate-income families.

According to the recommendations of the Consensus Report in the Urban League case the median family income levels reported for the counties in the "Present Need Region" as reported by H.U.D. should be used to determine low- and moderate-income ceilings. Using the weighted (and corrected) median incomes prepared by H.U.D. on March 1, 1984 and published on May 5, 1984, the median family income for the eleven-county northern region (present need) amounts to $31,820.

Applying the accepted definitions of the income ceilings of 50 percent and 80 percent for low- and moderate-income families, respectively, low- and moderate-income thresholds of $15,910 and $25,456 are established for low- and moderate-income families. These income ceilings, however, represent the upper limit of the respective income categories rather than the average of the range therefrom. Using a distribution of income levels within the applicable ranges, compliance has been computed at 80 percent of the threshold or "ceiling" levels for low- and moderate-income families. Thus, target or "average" low- and moderate-income levels of $12,718 and $20,365 are derived:

Income Levels

	Low Income	Moderate Income
Regional Median	$31,800	$31,820
Percent of Median	50%	80%
Income Threshold	$15,910	$25,456
Target Level	80%	80%
Target Income	$12,728	$20,365

The "target" income levels are the income levels that a rational builder might expect to be applied in determining the "affordability" of the lower-income housing units. Affordability for the purchased housing units has been defined in the "Consensus Method" for the Urban League case as not more than 28% of gross income for mortgage payments, property taxes, insurance and homeowner's association fees, if any. With this definition, monthly housing allowances of $296.99 for low-income families ($12,728/12 = $1,060.67/month x .28 = $296.99) and $475.18 for moderate-income families ($20,365/12 = $1,697.08/month x .28 = $475.18) are derived.

Calculating the monthly insurance, property tax and common area costs at annual rates of $.32 per $100 value, $2.28 per $100 value and $1.28 per $100 value, monthly costs of $11.33 for insurance, $80.75 for taxes and $45.33 for common area fees are derived. Combined, these monthly costs amount to $137.41 and leave a residual amount of $159.58 (low) and $337.77 (moderate) available for the payment of monthly financing costs. Utilizing a 13 percent[5] interest rate for a 30 year mortgage, the residual monthly allowances of $159.58 and $337.77 would support mortgages of $14,425.97 (low) and $30,534.27 (moderate). With a 10 percent down payment, target purchase prices of $16,028.86 for low-income families and $33,926.97 for moderate-income families would result. These calculations are further detailed in Table 5.

(5) As recommended by the Court-appointed Master in AMG vs. Warren Township

TABLE 5

AFFORDABLE HOUSING PRICES[1]
PISCATAWAY TOWNSHIP

Income	Low Income	Moderate Income
Regional Median	$31,820.00	$31,820.00
Ceiling Level	x .50	x .80
Income Ceiling	$15,910.00	$25,456.00
Target Level	x .80	x .80
Income Limit	$12,728.00	$20,365.00
Affordability		
Monthly Income	$ 1,060.67	$ 1,697.08
Housing Allowance	x .28	x .28
Monthly Housing Allowance	$ 296.99	$ 475.18
- Insurance	- 11.33	- 11.33
- Taxes	- 80.75	- 80.75
- Common Fees	- 45.33	- 45.33
Available for Mortgage	$ 159.58	$ 337.77
Mortgage @ 13%, 30 yr.	$14,425.97	$30,534.27
Down Payment (10%)	1,602.89	3,392.70
Sales Price	$16,028.86	$33,926.97

Notes: Insurance @ $0.32 per $100 value
Taxes @ $2.28 per $100 value
Common Fee@ $1.28 per $100 value

(1) Urban League (Consensus) Method

With an estimated average cost (exclusive of land) of $42,500 per unit, the average low-income unit would generate a loss of $26,471.14; and a loss of $8,573.03 would be generated for each moderate-income unit. Under the foregoing conditions, the lower-income housing units would be expected to generate an average loss, and accordingly, require an internal subsidy, of $17,522.09 per unit (excluding land costs). This negative income ($17,522 per set-aside unit) will have to be offset through the margins earned on the sale of the market units. The ability of the market units to offset these costs and to furnish the builder with a reasonable overall return (after subsidy) will determine the viability of the development proposed for the Zirinsky property.

Utilizing a gross density of 12 units per acre and a 20 percent set-aside, 9.6 market units per acre would have to subsidize 2.4 lower-income units per acre. With a gross margin of $12,060 per market unit and a subsidy of $17,522 per lower-income unit, a per acre margin of $73,723 would be earned:

Per Acre Yields

	Units/ Acre	Unit/ Margin	Per Acre Margin
Market Units	9.6	$12,060	$115,776
Lower-Income	2.4	-17,522	- 42,053
Total	12.0	$ 6,127	$ 73,523

Based upon the preceding analyses and calculations, a developer could expect an overall margin of $73,723 per acre in the set-aside development on total sales of $831,787 per acre(6). Relative to the total per acre sales, the margin anticipated amounts to 8.84 percent.

(6) $80,400 x 9.6 + $24,977.92 x 2.4 = $831,787

The Subject Property

Under normal circumstances, a developer in Piscataway Township could anticipate earning a "per acre" margin of $73,523 in a 12 unit/acre, 20 percent set-aside development pursuant to the method, definitiohns and procedures suggested by the Consensus Group in the _Urban League_ case. The subject property, however, does not represent a normal development opportunity and situation. To the contrary, the linear configuration of the site with nearly 6,000 feet of frontage directly on Interstate 287 but a depth of less than 500 feet, provides distinct difficulties for developing and marketing housing units. The aesthetic drawbacks of the highway frontage, the commercial development of other "frontage properties" to the north and east, are less-than-desirable for residential use.

Another disadvantage of the site in physical, economic and market terms is the result of the Interstate Highway frontage of the site and the sound levels generated thereon. A sound level of approximately 70 decibels pervades this site which at no point is more than 500 feet from the Interstate Highway. The existing sound levels, which are in excess of those permitted by H.U.D., have physical and economic impacts upon its prospective development for residential use. According to the consultant which has measured and studied the existing sound levels on the site, a 30 foot high, planted berm would be necessary to reduce the existing site noise closer to acceptable limitys. Such a berm, with the required slopes would not only be expensive to construct, it would substantially reduce the land available for development on the subject site.

According to the plans prepared by Mr. Hintz, with the sound abatement berm, only 580 units could realistically be developed on the subject property. In addition to the effective increase(7) in per unit land cost due to the berm,

(7) 8.66 units per acre

a construction cost of $6,569,000 has been estimated for the construction of the required earth berm[8]. The cost of the earth berm distributed over the 580 housing units would equate to an added cost of $11,326 per unit (not just set-aside units, but all units).

This added cost is nearly equal to the total margin of $12,060 per market unit and in excess of the overall margin of $6,144 per total unit (including set-asides). Due to the housing market factors previously documented, the probable increase in competition and the marketing drawbacks of the subject site, the added costs for necessary sound reduction measures could not be expected to be passed on to prospective purchasers. To the contrary, in a similar, but less severe, situation in Edison Township, the management of Meadowbrook Apartments has had to discount the monthly rents of the apartments fronting along the New Jersey Turnpike. There is no reason to expect a different impact upon the subject property.

The subject property, which is physically, aesthetically and environmentally (sound) disadvantaged, would be compelled to incur substantially greater development costs for units which would have to be discounted below the market to sell. Such a set of economic circumstances is unequivocally not conducive to housing development, particularly one with the added burden of providing an internal subsidy for "set-aside" units. This particular property in a community with other-than-premium market and economic factors, simply does not offer an economically viable or realistic opportunity to a prudent builder for a set-aside development. "For an opportunity to be realistic, it must be one that is at least sensible for someone to use". (92 NJ 101)

(8) An alternative pre-formed 30 foot high concrete barrier would be more unsightly and costly.

To contend that the subject property could be developed for housing with a mandatory set-aside simply makes no sense, economically or otherwise. A private-sector, market-based Mt. Laurel II solution cannot ignore or overlook economic and housing market realities.

FIGURE 1
REGIONAL LOCATION

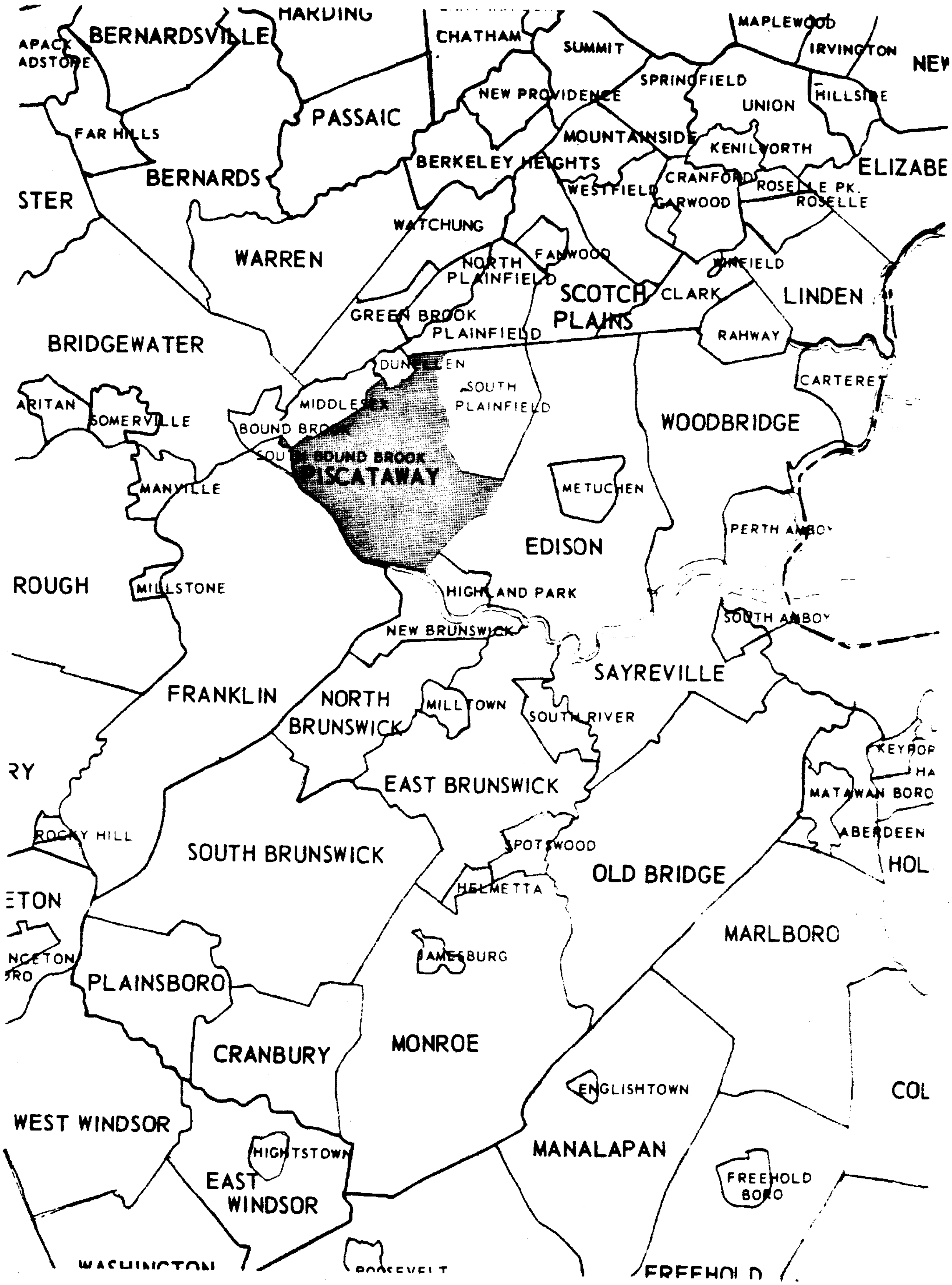

FIGURE 2
PROPOSED SITE