Report on
Region, Housing Needs and Fair Share Allocation
for Cranbury, New Jersey (Revised)

Report By: George M. Raymond
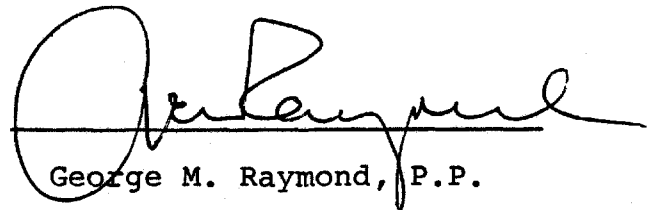
pgs. 20

CA002548F

<u>Region, Housing Needs and</u>

<u>Fair Share Allocation</u>

for

<u>Cranbury, New Jersey</u>

George M. Raymond, P.P.

License No. 552

Prepared by
George M. Raymond, AICP, AIA, P.P.
Tarrytown, New York

<u>Revised -- March 19, 1984</u>

Table of Contents

A. Introduction

The purpose of this report is to help quantify Cranbury Township's housing obligations under Mount Laurel II (92 N.J. 155). Pursuant to that decision, each municipality in the State of New Jersey must "provide a realistic opportunity" for "low and moderate income housing in terms of the number of units needed immediately, as well as the number needed for a reasonable period of time in the future "(92 N.J. 215 et seq.). The specific "number of units" which represents this obligation must provide a realistic opportunity for

(1) "...decent housing for at least some part of its resident poor who now occupy dilapidated housing "(92 N.J. 214)-emphasis supplied;

(2) its fair share of the amount of housing needed to help reduce the incidence of "indigent poor" who, presumably, also occupy dilapidated housing, in those municipalities in which "they represent a disproportionately large segment of the population as compared with the rest of the region" (92 N.J. 215); and

(3) "a fair share of the region's...prospective low and moderate income housing need" (92 N.J. 214).

1

As the Supreme Court noted, "the determination of fair share...(is) the most troublesome issue in _Mount Laurel_" (92 N.J. 248). The Court felt the need for a firm determination of "the regions of New Jersey, their present and prospective lower income housing needs, and the allocation of those needs among all of the municipalities of the state charged with the _Mount Laurel_ obligation" to end the uncertainty which undermines the very "constitutional doctrine" under-lying its decision (92 N.J. 253). Absent such a determina-tion, "parties (can)...continue to prove region, need, and fair share with (a)...profusion of facts and expert opinions but without knowing whether the court would regard the evidence as persuasive or even relevant" (92 N.J. 252).

To help resolve this perplexing issue of the appropriate methodology for arriving at the necessary determinations, planners involved directly or indirectly in the case of _Urban League of Greater New Brunswick v. Carteret_ attempted jointly to assist the court-appointed expert, Carla L. Lerman, P.P. to produce a "consensus" approach (hereinafter referred to as the "consensus formula"). The resulting report[1] prepared for the court by Ms. Lerman is made a part

---

[1]Carla L. Lerman, _Fair Share Report, Urban League of Greater New Brunswick v. Carteret et. al._, March 7, 1984. Supplemented by _Amendment to Fair Share Report_, March 13, 1984 (hereinafter referred to as the Lerman Memorandum).

hereof. Having participated in its development, I am accepting the reasoning and conclusions advanced in that report in all instances other than those which are specifically questioned and dealt with in this report.

B. <u>Cranbury's Region</u>

1. Cranbury's <u>prospective need region</u> consists of six counties: Burlington, Mercer, Middlesex, Monmouth, Ocean and Somerset (Lerman Report, Table 9).

2. Cranbury's <u>present need region</u> consists of the 11-county northeast New Jersey area that includes Bergen, Essex, Hudson, Hunterdon, Middlesex, Morris, Passaic, Somerset, Sussex, Union and Warren Counties (Lerman Report, p.5).

C. <u>Cranbury's Fair Share of the Regional Need</u>

1. <u>Present Need</u>

The <u>present need</u> in the region consists of the aggregate of units in all the municipalities in the region which are overcrowded or lack adequate plumbing or heating and which are occupied by lower income households (hereinafter referred to as <u>Mount Laurel</u> households)--(Lerman Report, Appendix A, A.(1), p.1).

(a) Cranbury's Indigenous Need. Cranbury's indigenous

portion of the present need, as defined above,

consists of the following (based on Lerman Report,

Table 3):

Deficient Plumbing	19
Deficient Heating	7
Sub-Total	26
Overcrowded, but otherwise standard	9
Occupied by Mt. Laurel households (82% of above):[2]	
Physically deficient	21
Overcrowded	7

Units of the type identified above as deficient

are not necessarily in need of replacement.

Unless the unit is physically dilapidated beyond

economical redemption, plumbing and heating

deficiencies can usually be corrected. In fact,

the availability of subsidies frequently neutral-

izes even the economic factor (as in the federal

Community Development Block Grant program).

The problem of overcrowded units that are other-

wise standard can be corrected by the creation of

a sufficient vacancy rate in the lower income

---

[2]Lerman Report, p. 8.

housing supply to create mobility, thus providing the larger households with the opportunity of finding more appropriate quarters. This view of what needs to be done about standard but over-crowded units seems to be sanctioned by the Supreme Court's stress (cited above) on the inclusion of resident poor "who now occupy dilapidated housing" (emphasis supplied).

Given that, as detailed below, the satisfaction of Cranbury's Mount Laurel obligation will require a major amount of new construction, I do not believe it to be appropriate to consider the 28 units which represent that Township's indigenous need on a par with the fair share of its excess present need and its prospective need. The latter must, largely, be provided in the form of additional housing units. A remedy for Cranbury's indigenous need problem should be sought first through a municipal survey of the actual conditions and the mounting of a local rehabilitation or other program tailored specifically to the needs so identified. This is particularly appropriate in an instance where the total number of units involved is so small.

It is to be hoped that such a program will result in all of Cranbury's "resident poor" being provided with "decent housing." Recognizing, however, that the problem presented by the housing conditions of the resident poor is a moving target over time, a serious effort to remedy substandard conditions but which, for good and sufficient reasons, falls short of total success would still comply with the Court's directive that the municipality assure the provision of decent housing to "at least some part of its resident poor"-- (emphasis supplied).

(b) Use of the "land in growth area" factor in the "consensus formula." The "consensus formula" for determining the municipal fair share of both, the prospective and reallocated excess present need, includes the following (with certain adjustments):

(1) Municipal land in growth area (as delineated in the State Development Guide Plan) as a percent of such land in the region (Lerman Report, p. 18); and

(2) A 20 percent addition to the actual computed fair share anticipating that some

6

municipalities will lack sufficient vacant
land to accommodate their fair share of
present need (Lerman Report, p. 9) and
prospective need (Lerman Report, p.20).

The inclusion of the "land in growth area" factor
was suggested because of the absence of reliable
data regarding the availability of vacant develop-
able land, municipality by municipality. In my
opinion, "land in the growth area" is a most
inadequate surrogate for vacant developable land.
As an example, let us assume that two municipal-
ities have equal amounts of land in the growth
area. In one of the two all of such land may be
fully developed whereas in the other it may be
substantially vacant.

The Supreme Court's concern with the growth area
as delineated in the State Development Guide Plan
is limited to assuring that "remedial solu-
tion(s)...impose the Mount Laurel obligation only
in those areas designated as "growth areas" by the
SDGP" (92 N.J. 236). Nowhere in Mount Laurel II
does the court imply that a municipality which has
a sufficient quantity of vacant developable land
to satisfy its obligation has any right to pass it

on, in whole or in part, to another municipality simply because the latter has more of its land in the "growth area" or because it has more vacant developable land. In fact, the court very specifically stated that "there is (no) justification for allocating a particular regional need equally among municipalities simply because they have enough land to accommodate such equal division. There may be factors that render such a determination defensible, but they would have to be strong factors, and certainly not the simple fact that there is enough land there" (92 N.J. 350).

The devising of a formula that does not result in the shifting of responsibilities on unsupported grounds finds sanction in the Supreme Court's clear joining of employment growth with ratables in its instructions as to the proper fashioning of a fair share formula" "Formulas that accord substantial weight to employment opportunities, especially new employment accompanied by substantial ratables, shall be favored..." (92 N.J. 256)--(emphasis supplied). Even if it results in a heavy Mount Laurel responsibility, a formula which emphasizes employment growth will most probably affect municipalities which have favored

the influx of ratables but not of the workers which make them possible. Such a municipality should be permitted to shift its obligation onto others only upon conclusive proof that its fair share cannot be accommodated within its borders despite the use for this purpose of all the suitable vacant developable land in its growth area at the highest appropriate density.

As stated in the Lerman Report (p. 9), "[t]his method (the 20% addition-ed.) will preclude the (need for) upward adjustment of any municipality's allocation based solely on the unavailability of vacant land in another municipality." Thus, by including a 20% surcharge in anticipation of the probability that some municipalities will lack sufficient vacant land to accommodate their fair share, the formula assures that the accommodation of the entire regional need will not be thwarted by lack of vacant land.

(c) For the reasons stated above, since the "land in growth area" factor does not measure any municipal characteristics that are relevant to the fair allocation of housing responsibilities, I believe that it should not be made part of the allocation

formula. The elimination of the "growth area"
factor would result in a formula which emphasizes
recent job growth (which is a reliable indicator
of need for housing) and currently existing jobs
in the municipality (which is an equally reliable
indicator of the relative breadth of job oppor-
tunities for lower income persons who might be
moving into the new Mount Laurel-type housing).
Such a formula would "accord substantial weight to
employment opportunities, especially new employ-
ment" (92 N.J. 256) as the Supreme Court urged be
done.

A third factor was developed to reflect the
relative wealth of the municipality (Lerman
Memorandum, p.3). This factor represents a
reliable indicator of fiscal capacity in terms of
ability of residents to assume any tax burdens
that may be imposed by compliance with Mount Larel
II.

(d) Cranbury's Fair Share of the Reallocated Excess
Present Need. Based on the modification to the
"consensus formula" discussed above, Cranbury's
fair share of the reallocated excess present need
in its region is as follows:

10

Regional Excess to be reallocated	35,014[3]
Cranbury's Employment as % of Adjusted Total for the 11-County Region	0.298[4]
The ratio of Cranbury's median household income to that of its present need region is	1.07[5]

Based on the above, Cranbury's fair share
of the reallocated excess present
need is as follows:

$$0.298 \times 1.07 = 0.319$$

$$\frac{0.298 + 0.319}{2} = \frac{0.617}{2} = 0.308 \times 35,014 = \quad 108$$

Adding 20% for reallocation by reason of lack of vacant land	22
Sub-Total	130 units
Adding 3% for vacancies[6]	4
Total	134 units

Based on the reasoning advanced in the Lerman
Report (pp. 13-14), that portion of Cranbury's
fair share of the total reallocated excess present
need from other parts of the region which should
be satisfied in the six-year period to 1990
amounts to one third of the total, or 45 units.

2. Prospective Need

The prospective increase in Mount Laurel households in

---

[3] Lerman Memorandum, p. 4.

[4] Lerman Report, Table 4.

[5] Lerman Memorandum, p.3.

[6] Lerman Report, p. 21.

Cranbury's six-county region by 1990 amounts to 83,506 (Lerman Report, Table 8).

(a) Cranbury's Fair Share of the Prospective Need

    (1) The number of persons employed in Cranbury in 1982 was 3,716. This number represented 0.625 percent of the total employment of 594,784 throughout the six-county region, exclusive of the non-growth municipalities and selected Urban Aid municipalities listed in Tables 11 and 12 in the Lerman Report, re-computed as follows:

County		1982 Employment[7]
Burlington		85,155
Mercer		110,126
Middlesex		240,832
Monmouth		131,493
Ocean		64,369
Somerset		82,957
	Total	714,932

The non-growth municipalities listed in Table 11 of the Lerman Report, together with their 1982 employment, are listed below:

----

[7] Private Sector Covered Jobs, 3rd Quarter, 1982--a Supplement to New Jersey Covered Employment Trends, 1982, New Jersey Department of Labor, December 1983. These figures differ slightly from those presented in Table 10 of the Lerman Report.

Non Growth Municipalities		1982 Employment
Burlington Co.		14,501
Mercer Co.		1,225
Middlesex Co.		--
Monmouth Co.		4,333
Ocean Co.		19,196
Somerset Co.		161
	Total	39,616

The selected Urban Aid municipalities listed in Table 12 of the Lerman Report, together with their 1982 employment, are set forth below:

Urban Aid Municipalities in:		1982 Employment
Burlington Co.		--
Mercer Co.		23,624
Middlesex Co.		32,322
Monmouth Co.		14,246
Ocean Co.		10,540
Somerset Co.		--
	Total	80,732

The total 1982 employment to be used in the fair share allocation formula is as follows:

$$714,932 - (39,416 + 80,732) = 594,784$$

(2) The average annual employment growth in the region between 1972 and 1982 was recomputed by deducting from the total covered employ- ment in the region for each year between 1972 and 1982 the employment in the non-growth and Urban Aid municipalities. A trend line,

13

derived using a linear regression model, yielded an average annual employment growth of 19,011.

(3) Cranbury's average annual employment growth during the same period was 77 (Lerman Report, Table 10), which represented 0.405 percent of the corresponding 19,011 regional average.

(4) The ratio of Cranbury's median household income to that of its prospective need region is 1.13.[8]

(5) <u>Cranbury's fair share of the 1990 prospective need in its region</u> thus equals:

$$\frac{0.625 + 0.405}{2} \times 1.13 = 0.582$$

$$\frac{0.625 + 0.405 + 0.582}{3} = 0.537 \times 83,506 = 448 \text{ units}$$

Adding 20% for reallocation	90
Sub-total	538
Adding 3% for vacancies	16
Total	554

D. Summary

Cranbury Township's fair share Mount Laurel obligation, to be satisfied by 1990, is as follows:

---

[8] Supplied by Carla L. Lerman.

Reallocated Excess Present Need	45	
Prospective Need	554	
Total	599	Units
Indigenous Need	28	Units

E.   The Limits of Effectiveness of the 20% Mandated Set-Aside

Zoning Technique

It is generally agreed that, in the absence of Federal
and/or State subsidies in major quantities and of innovative
local programs, Mount Laurel-type housing will be produced
almost entirely, if not exclusively, by means of the manda-
tory 20% set-aside in market rate developments on land
rezoned to densities that will make production of such
housing economically feasible. In fact, this is the objec-
tive of all Mount Laurel law suits.

It is, therefore, important to examine Cranbury's fair share
in the light of the limits of effectiveness of the zoning
tool in achieving Mount Laurel housing.

As indicated in Section C.2. above, the total 1990 Mount
Laurel need for the region is 83, 506 units. This number
represents 39.4 percent of the projected increase in the
region of households of all types between 1980 and 1990 of
212,749 (995,968 households projected for 1990 less 783,219

15

households existing in 1980).[9]   The 39.4 percent is based on the statewide proportion of households in the Mount Laurel income range.

Deducting 83,506 Mount Laurel-type units from the total of 212,749 leaves 129,243 as the number of unsubsidized units for which a ready market is expected to exist between now and 1990.[10]   It must be borne in mind that there will be a substantial demand for market rate units outside the framework of Mount Laurel implementation mechanisms (single family subdivisions, individually-built units, conversions of non-residential to residential uses, etc.). Under the circumstances, it would be conservative to assume that, between now and 1990, the market in Cranbury Township's region could absorb not more than some 100,000 unsubsidized units in the type of relatively dense developments that would make possible a 20% set-aside for the production of Mount Laurel units. Based on this assumption, the maximum number of units affordable to Mount Laurel households which can be produced by 1990 through zoning, alone, would amount to some 25,000. This would remain true regardless of the amount of land zoned for higher densities throughout the

---

[9] Lerman Report, Table 8.

[10] This number should rightly be further reduced to account for all the market rate units that have been added to the housing supply since 1980.

16

amount of land zoned for higher densities throughout the region except for such reasonable "over-zoning" as would increase the probability that all the market rate units for which a market will exist will actually be produced.

Assuming, further, that such "overzoning" should amount to 25 percent, the land which it is reasonable to rezone would accommodate 156,500 units, of which 20 percent or 31,300 would be intended for Mount Laurel households. With "over-zoning" amounting to 50 percent, the numbers would be 187,500 units of all types, including 37,500 units afford-able to Mount Laurel households.

Cranbury's minimum responsibility in terms of making land available for its fair share of the number of Mount Laurel units possible of achievement through zoning, alone--based on the fair share of prospective need formula used in Section C.6, above--would be as follows:

	With 25% "overzoning"	With 50% "overzoning"
	31,300 x 0.517 = 162	37,500 x 0.517 = 194
Adding 3% for vacancies =	5	6
	167 Units	200 Units

As summarized in Section D, above, however, Cranbury's <u>fair share of the regional need</u> amounts to 599 units. If its rezoning program will only make provision for 167-200 units, the difference of 399 to 432 units would have to be made up

17

by other means. The extent of the Township's ability to do this would thus determine the acreage required for the provision of higher density housing.