

ML Piscataway 18th Sept. - 1984

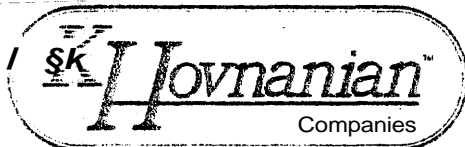
Memo from Don Dairns showing the methodology used for determining the affordable sales price and rental charges to be used at Affordable Condominiums in Society Hill.

⊕ cover letter

pgs = 7

MLC00552D

cc
Plan
Go



K. HOVNIANIAN COMPANIES OF NEW JERSEY, INC.

10 HIGHWAY 35, P.O. BOX 500, RED BANK, NEW JERSEY 07701 Q (201) 747-7800

September 18, 1984

Les Nebenzahl, P.P, AICP
Township Planner
Public Works Center
455 Hoes Lane
Piscataway Municipal Complex
Piscataway, NJ 08854

RE: Application of Society Hill
at Piscataway - Calculation
of Affordable Sales Prices

Dear Les:

Pursuant to our discussion of September 18, 1984, please find enclosed a copy of my memorandum dated September 14, 1984 containing the calculations and methodology used for determining the affordable sales prices and rental charges to be used for the approximately 110 Affordable Condominiums in Society Hill at Piscataway.

If I can be of any further assistance, please do not hesitate to contact me.

Very truly yours,

K. HOVNIANIAN COMPANIES OF NEW JERSEY, INC.


Donald R. Dairies
Associate Legal Counsel

DRD:jac

Enclosure

MEMORANDUM

RE: Calculation of "Mt. Laurel" Sales Prices
Piscataway

FROM: Don Daines J/✓

DATE: September 14, 1984

1. Income Limits as of May 11, 1984 for Middlesex County, PMSA

# of Bedrooms	Family Size	Moderate	28%	Low	28%
2	4	27,000	7,560	16,900	4,732
3	5	28,700	8,036	18,200	5,096

2. Factors to be used:

Interest Rate	Mortgage P & I	Property Taxes	Home Owners Insurance	Condominium Dues	Total Factor
8	.07186	.0225	.002	.005	.10136
9	.07925	.0225	.002	.005	.10875
10	.08960	.0225	.002	.005	.1191
11	.09478	.0225	.002	.005	.12428
12	.10285	.0225	.002	.005	.13235
13	.11109	.0225	.002	.005	.14059
14	.11947	.0225	.002	.005	.14897

(Mortgage and Insurance factors from Alan Mailach's expert report in the Urban League vs. Carteret, et. al. Home Owners insurance is being included because Piscataway is in the same litigation against the Urban League as was East Brunswick)

Explanation of Factors:

Mortgage factor = 90% of mortgage constant to reflect 10% downpayment

Property taxes = property taxes per \$100 assessed times equalization ratio (different for each municipality), ie, \$4.75 per \$100 times .54 equalization ratio = .0225

Home Owners Insurance = estimate \$20 per \$10,000 value = .002, ie., \$40,000 unit yields \$80 per premium

Condominium Association = 33% of market condominium dues, estimate \$150 per \$10,000 per year, ie., \$70,000 unit yields \$1,000 per year or \$83 per month - factor = $\frac{150}{10000} = .015 \times .33 = .005$

3. Methodology from Alan Mallach's expert report:

- (a) (Income Limit) (.28) * Total Factor = Maximum Preliminary Sales Price
- (b) (Maximum Preliminary Sales Price) (.90) = Actual Maximum Sales Price (required in East Brunswick)

September 14, 1984

RE: Calculation of "Mt. Laurel" Sales Prices - Piscataway

4. Calculations of Sales prices using methodology.

Interest Rate	<u>Two Bedroom Moderate Income</u>		<u>Three Bedroom Moderate Income</u>	
	Maximum (Preliminary)	Actual (Final)	Maximum (Preliminary)	Actual (Final)
	<u>Selling Price</u>	<u>Selling Price</u>	<u>Selling Price</u>	<u>Selling Price</u>
14%	50,750	45,670	53,940	48,550
13%	53,770	48,400	57,160	51,440
12%	57,120	51,410	60,720	54,650
11%	60,830	54,750	64,660	58,190
10%	63,480	57,130	67,470	60,730

All numbers rounded to nearest \$10.00

Interest Rate	<u>Two Bedroom Low Income</u>		<u>Three Bedroom Low Income</u>	
	Maximum (Preliminary)	Actual (Final)	Maximum (Preliminary)	Actual (Final)
	<u>Selling Price</u>	<u>Selling Price</u>	<u>Selling Price</u>	<u>Selling Price</u>
14%	31,770	28,590	34,210	30,790
13%	33,660	30,290	36,250	32,620
12%	35,750	32,180	38,500	34,650
11%	38,080	34,270	41,000	36,900-
10%	39,730	35,760	42,790	38,510

All numbers rounded to nearest \$10.00

5. Calculation of rental charges:

Methodology from Alan Mallach's report

[(Income Limit) (30%)] * 12 = Gross monthly rental X 90% = Actual Gross Monthly
 Actual Gross Monthly Rental less utilities = Actual Monthly Rental

Low Income

FajnilyTf^e

Income Limit

4 (2 BR)
 5 (3 BR)

16,900 X .30 = 5,070 * 12 = 423 X .9 = 381 - 70 = \$311
 18,200 X .30 = 5,460 * 12 = 455 X .9 = 410 - 90 = \$320

Moderate Income

4
 5

27,000 X .30 = 8,100 * 12 = 675 - 70 = \$605
 28,700 X .30 = 8,610 * 12 = 718 - 90 = \$628

XMCOME LIMITS - EFFECTIVE MAY ", 1984

JUN 18 1984

STATE: NEW JERSEY
PREPAREO: 3-1-84

PROGRAM	I N C O M E L I M I T S								
	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8+PERSON	
MSA : ALLENTOWN-BETHLEHEH, PA-NJ Warren >	LOWER INCOME	15700	17900	20150	22400	23800	25200	26600	28000
	VERY LOW INCOME	9300	11200	12600	14000	15100	16250	17350	18500
MSA : ATLANTIC CITY, NJ Cape May	LOWER INCOME	14350	16950	19100	21200	22550	23850	25200	26500
	VERY LOW INCOME	9300	10600	11900	13250	14300	15350	16450	17500
PMSA: BERGEN-PASSAIC. NJ	LOWER INCOME	15300	17500	19680	21850	23200	24600	25930	27300
	VERY LOW INCOME	9150	10900	12300	13650	14750	15850	16950	18000
PMSA; JERSEY CITY, NJ Hudson	LOWER INCOME	13850	15800	17750	19750	21000	22200	23450	24700
	VERY LOW INCOME	0650	9900	11100	12350	13350	14350	15300	16300
PMSA: MIDDLESEX-SOMERSET-HUNTERDON. NJ	LOWER INCOME	18,900	21600	24300	27000	28700	30400	32050	33750
	VERY LOW INCOME	11,800	13500	15200	16900	18200	19550	20900	22250
PMSA: MONMOUTH-OCEAN. NJ	LOWER INCOME	17700	20250	22750	25300	26900	28450	30050	31650
	VERY LOW INCOME	11800	12650	14200	15800	17050	18350	19600	20850
PMSA: NEWARK, NJ Essex, Union, Morris Sussex	LOWER INCOME	mood	70600	23150	25750	27350	28950	30600	32200
	VERY LOW INCOME	11450	13100	14700	16350	17650	18950	20250	21600
PMSA: PHILADELPHIA, PA-NJ Hurlington, Cnnulcu, Gloucester	LOWER INCOME	15600	17850	20050	22300	23700	25100	26500	27900
	VERY LOW INCOME	9830	11300	12700	14100	15250	16350	17500	18600
PMSA: TRENTON, NJ Mercer	LOWER INCOME	17,430	19950	22450	24350	26500	28050	29650	31200
	VERY LOW INCOME	10900	12500	14050	15600	16850	18100	19350	20600
PMSA: VINELAND-MILLVILLE-DRIOGCTON, NJ Cumberland	LOWER INCOME	13700	15700	17650	19600	20850	22050	23300	24500
	VERY LOW INCOME	0600	9800	11000	12250	13250	14200	15200	16150
PMSA: WILMINGTON. DE-NJ-MO Salem	LOWER INCOME	16450	18800	21150	23500	24950	26450	27900	29400
	VERY LOW INCOME	10300	11750	13250	14700	15900	17050	18250	19400

EFFECTIVE JULY 1, 1984 FOR PUBLIC HOUSING



K. HOVNIANIAN COMPANIES OF NEW JERSEY, INC.

10 HIGHWAY 35, P.O. BOX 500, RED BANK, NEW JERSEY 07701 D (201) 747-7800

September 19, 1984

2 S \$
2^ 2£ ^
\$2 DIVISION O P #2: 4B OF PISCATAWAY RECEIVED

Mr. Lester Nebenzahl
Township Planner
Public Works Center
Piscataway Municipal Complex
455 Hoes Lane
Piscataway, New Jersey 08854

Dear Les:

By way of supplement to the Affordable Housing Plan, and the memorandum dated September 14, 1984 previously forwarded to you, please be advised as follows:

- 1. The calculation of the rental charges for Moderate Income condominiums should be corrected to read as follows:

Family Size

Table with 2 rows: 4 (2 BR) 27,000 X .30 = 8,100 • 12 « 675 X .9 = \$608 - 70 - \$538; 5 (3 BR) 28,700 X .30 = 8,610 * 12 - 718 X .9 = \$646 - 90 = \$556

My calculations in the Memorandum failed to reflect the 90% adjustment. The Affordable Housing Plan will be corrected to show these correct rental charges.

- 2. Use of 4 person family for 2 bedroom units:

We understand that Carla Lerman's Fair Share Report of March 7, 1984 prepared for the Urban League of Greater New Brunswick v. Carteret et al. states on page 23 that the HUD's maximum income for a three person household will be used for a 2 bedroom unit. This has not been followed in any subsequent litigation or actual plans.

In the settlement terms for the Township of East Brunswick which was approved by the Honorable Eugene Serpentelli, J.S.C. by Order dated July 12, 1984, the income limit for a family of 3.5 persons was used in connection with a 2 bedroom unit. On August 14, 1984, the Borough of Lincoln Park adopted amendments to its zoning ordinances which implement the terms and conditions of the settlement entered in the litigation against Lincoln Park to provide for affordable housing in which Lincoln Park provides, in part, that the income limits of a 4 person household is to be used in determining qualifying income for a 2 bedroom unit. A hearing is scheduled before the Honorable Stephen Skillman, J.S.C, during which Judge Skillman will render his decision in connection with this settlement. We have also submitted similar plans showing 4 persons for a 2 bedroom unit in Somerset and Bernards. The Bedminster plan (a copy of which is enclosed for your reference) fails to even specify a family size.

Handwritten notes: ? and Any decision yet? what is position

In addition, Alan Mallach's report on page 54 refers to HUD minimum standards which provide for a 2 bedroom unit of 660 square feet and a 3 bedroom unit of 800 square feet. Section 401-31. The 5302, two bedroom being proposed for Society Hill at Piscataway contains approximately 1,173 square feet.

The decisions subsequent to Ms. Lerman's report of March, 1984 have failed to use the 3 person family and we believe there is ample support and authority for using a four person family for a 2 bedroom unit.

3. Use of 80% PMSA median income for moderate and 50% of PMSA median income for low (adjusted for family size.) Ms. Lerman's report uses "regional" median income rather than PMSA median income for calculating fair share allocation. This use of regional median income for calculating fair share allocation was followed in the recent decision concerning the Township of Warren decided by Judge Serpentelli on July 16, 1984

Neither Ms. Lerman's report nor Judge Serpentelli used the regional median income for determining affordable sales prices.

wrong!

In the aforementioned settlement involving East Brunswick, the Court determined that East Brunswick's median income was higher than the Middlesex County PMSA median income. The settlement, "therefore, used 94% of the PMSA median income" before 7/31/90 and 96% of the PMSA median income after 7/31/90 as the median income for East Brunswick.

*wrong!
PMSA - not E.
Brunswick is
94% higher
than PMSA*

It is our position that the median income of Piscataway is equal to the median income for the Middlesex County PMSA, therefore, no such adjustment is necessary. The use of the PMSA income rather than regional median income to determine affordable sales prices is consistent with Alan Mallach's expert report, our submittals in Somerset and Bernards and East Brunswick.

4. General. The Affordable Housing Plan for Society Hill at Piscataway combines the Moderate Income Housing Plan for Society Hill East in East Brunswick and the plan by the Hills Development Company for the Bedminster development. Both of these plans were approved by Judge Serpentelli, the Society Hill East plan in connection with the settlement with the Urban League, and the Bedminster plan in connection with the Allan Deane Corporation et al. v. Township of Bedminster as noted in paragraph 15.03, page 41 of the Bedminster plan.

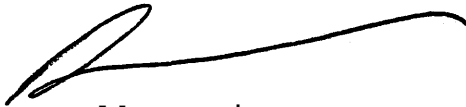
We feel that this Affordable Housing Plan presents a workable plan in conformance with the precepts of Mt. Laurel II and the recent decisions following Mt. Laurel II. We would be agreeable to receiving an approval containing the condition that the Affordable Housing Plan, as with the Master Deed and By-Laws, be prepared to the satisfaction of the Township Planner and the Planning Board Attorney.

Page 3
September 19, 1984
Lester Nebenzahl

I hope that this augments and supplements the Affordable Housing Plan,
If you need additional information, please do not hesitate to contact me.

Very truly yours,

- K. HOVNIANIAN COMPANIES OF NEW JERSEY, INC.



Donald R. Daines
Associate Legal Counsel

DRD:jac

Enclosure

cc: Angeio Dalto.Esq.