

U/L 2

Cranbury

24-June-85

low-income + moderate-income
levels for ddt. Laurel II Housing
in Cranbury Twp.

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MEMORANDUM

TO: William L. Warren, Esquire
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112 Nassau Street
Princeton, New Jersey 08540

FROM: Richard B. Reading Associates

DATE: June 24, 1985

SUBJECT: Low-Income and Moderate-Income Levels for
Mt. Laurel II Housing in Cranbury Township,
Middlesex County

In accordance with your request, I am providing herewith an analysis of the low-income and moderate-income levels that should be applicable to Mt. Laurel II housing in Cranbury Township.

The need for low- and moderate-income housing in Cranbury Township, as well as in other "growth area" municipalities, is perceived in the Consensus Method to emanate from three distinct sources, each of which represents a different geographic area. These three source components area: 1) Indigenous Need; 2) Present Need/Surplus Reallocation; and 3) Prospective Need. A synopsis of these needs and the income levels relevant thereto is provided hereafter.

Indigenous Need - The indigenous need for housing in Cranbury Township is the need to better house existing Cranbury Township residents that are believed to be living in overcrowded dwelling units and units lacking complete plumbing or adequate heating. This need is a local (municipal) need that, accordingly, should be related to the income levels in this particular (municipality) region. At the time of the 1980 Census (1979 income) the median family income in Cranbury Township was reported⁽¹⁾ to be \$29,408.

(1) 1980 Census of Population, General Social and Economic Characteristics, New Jersey, Municipal Profiles, VB-312

Present Need - The present need (surplus reallocation) defined for any municipality in Middlesex County in the Urban League case (Consensus Method) has been defined as the eleven-county northern New Jersey region. This definition encompasses the following counties: Bergen, Essex, Hudson, Hunterdon, Middlesex, Morris, Passaic, Somerset, Sussex, Union and Warren. The number of families and their respective income levels for each of the eleven counties in the present need region are tabulated⁽²⁾ below:

<u>County</u>	<u>No. of Families</u>	<u>Median Income</u>
Bergen	232,041	\$27,517
Essex	216,773	19,931
Hudson	145,151	17,659
Hunterdon	23,097	26,618
Middlesex	154,631	25,603
Morris	106,491	29,283
Passaic	117,676	21,011
Somerset	54,096	29,172
Sussex	30,587	23,530
Union	136,570	25,266
Warren	22,878	21,412
Region	1,239,991	\$23,929

Prospective Need - The region wherein the "prospective need" would be generated for housing in Cranbury Township was determined in the Urban League case (Consensus Method) to be represented by those entire counties that are wholly or partially included within a 30-minute driving time from the center of the subject municipality. Such a region for Cranbury Township was found⁽³⁾ to encompass Middlesex County, along with Burlington, Mercer, Monmouth, Ocean and Somerset Counties. The 1979 median family income levels⁽⁴⁾ for each of the counties in the prospective need region are tabulated on the following page.

(2) 1980 Census of Population, General Social and Economic Characteristics, New Jersey, PC80-1-C32, T-180, 32-740

Prospective Need Region

<u>County</u>	<u>No. of Families</u>	<u>Median Income</u>
Burlington	92,864	\$23,251
Mercer	78,389	\$22,972
Middlesex	154,631	\$25,603
Monmouth	131,263	\$24,526
Ocean	99,212	\$18,800
Somerset	<u>54,096</u>	<u>\$29,172</u>
Region	610,455	\$23,886

Current Income

All of the preceding income levels (indigenous, present and prospective) are historical incomes for the year 1979. Since it is impossible to commence construction in 1985 or 1986 for homes to be sold in 1979, it is necessary to bring these historical income levels forward into current dollars that would be contemporaneous with prospective purchase prices. In the Urban League case, it has been suggested that the most recent median family income estimates prepared by H.U.D. could be utilized for the purpose of establishing current income levels. This approach in our opinion, has several deficiencies. Firstly, the H.U.D. median income statistics are "estimates" and do not have the same authority or reliability as the Census income statistics. Secondly, the H.U.D. income statistics are not available for municipalities...data which is needed for the indigenous (local) need. Thirdly, the H.U.D. income figures are not published for individual counties that are situated within MSA's and PMSA's⁽⁵⁾. Finally, the H.U.D. income statistics reflect historical, rather than present, income levels and, as such, are not comparable to current construction and housing costs. To avoid the numerous problems

(5) In the situation concerning Cranbury Township, the Prospective Need Region's inclusion of only one of the counties within the Phila, PA-NJ PMSA and only one of the four Newark PMSA counties significantly distorts the income data which is reflective of a much larger (and different) area than that actually included within the relevant region.

involved with the use of the published H.U.D. income estimates, we recommend using the actual 1980 Census (1979 income) statistics expressed in current dollars using the Consumer Price Index for this purpose.

The use of the Consumer Price Index (CPI/U; U.S. City Average; All Items Index) would express the 1979 income levels published in the 1980 Census in the context of their present worth. Expressed in current (April 1985) dollars, the median family incomes in each of the three relevant regions are tabulated below:

<u>Median Family Incomes</u> <u>Cranbury Township</u>			
<u>Region</u>	<u>1979</u> <u>Median</u>	<u>Adjustment*</u> <u>Factor</u>	<u>Current</u> <u>4/85</u> <u>Median</u>
Indigenous Need	\$29,408	1.4724	\$43,300
Present Need	23,929	1.4724	35,233
Prospective Need	23,886	1.4724	35,170

* CPI-4/85 (320.1) divided by CPI-1979 (217.4) = 1.4724

As may be seen in the preceding tabulation, the current (April 1985) median family incomes applicable to Cranbury Township range from \$35,170 to \$43,300. A weighted median can now be computed to derive a single "median" based upon the proportional inclusion of the numerical housing need generated by each such region. According to the Fair Share Report prepared in the Urban League case, the following 1990 low and moderate housing needs were computed for Cranbury Township:

<u>Cranbury Township</u> <u>1990 Fair Share Allocation</u>		
<u>Region</u>	<u>1990</u> <u>Need</u>	<u>Current</u> <u>(4/85)</u> <u>Income</u>
Indigenous	29	\$43,300
Present	93	\$35,233
Prospective	700	\$35,170
Total	822	\$35,464

The preceding income calculations differ from those most recently suggested by the individuals involved with the Consensus method. In the April, 1984 Fair Share Report prepared by Carla Lerman in the matter of the Urban League of greater New Brunswick v. Carteret et al, it was suggested (page 25) that, "(T)he median income for the 11-county region will be utilized for both present need determinations and prospective need determinations". The use of an income level from one of the three housing regions responsible for the generation of such housing need is, in our opinion, inappropriate and statistically inaccurate. Such a single-region median would not realistically represent the median income of those that are intended to be housed. Whereas the median income for families in the Cranbury's present need region is below that of the "weighted need median" computed herein, in other situations it may well be higher. When the present need region median is below the weighted median, it would exclude certain moderate income families from access to moderate income housing provided on the basis of their needs. Conversely when the present need median exceeds the weighted median, it would not encourage the development of housing at costs low enough to satisfy the most economically disadvantaged families in the indigenous and prospective need regions.

Whatever the outcome, there appears to be little justification for the use of a median income that is knowingly not representative of the median income of those that we seek to house. An additional difficulty would arise with the suggested use of the present need region median income for communities not in the "Growth Area" as defined by the State Development Guide Plan. In these communities, the housing need and obligation is confined and limited to "indigenous need" families. How then can the median income of families in the present need region be utilized when it bears no direct relationship to those particular local

residents that are to be served by compliance with Mt. Laurel II. Based upon all the foregoing, we would recommend proceeding with the planning for the satisfaction of Cranbury's Mt. Laurel II housing obligations to accommodate families with incomes considered to be low or moderate vis-a-vis the weighted median family income of the relevant regions that generate such housing needs. This recommendation is made, not because it is contrary to the Consensus suggestions, but because it is more appropriate and statistically correct and more current as well.

The median family income that would be derived for the present need (11-county) region using the most recent (3/1/84) H.U.D. income levels is tabulated below:

H.U.D. Median Family
Income Levels
(3/1/84)

<u>County</u>	<u>Number Of Families</u>	<u>Median. Income</u>
Bergen	232,041	\$33,200 ⁽⁶⁾
Essex	216,773	32,750
Hudson	145,151	24,700
Hunterdon	23,097	33,750
Middlesex	154,631	33,750
Morris	106,491	32,200
Passaic	117,676	33,200 ⁽⁶⁾
Somerset	54,096	33,750
Sussex	30,587	32,200
Union	136,570	32,200
Warren	<u>22,878</u>	<u>28,000</u>
REGION	1,239,991	\$ 31,913

As is apparent from the preceding, the median family income estimated by H.U.D. for the 11 counties in Cranbury's present need region have a computed overall median of \$31,913. The H.U.D. median (\$31,913) is substantially (10.0 percent) below the current (April, 1985) weighted-region median of \$35,464 and 9.4 percent below the current (April, 1985) median for the present need region of \$35,233.

(6) Revised by H.U.D.

Between 1979 and 1984, the HUD estimates indicate an increase in the median family income in the eleven-county region from \$23,929 to \$31,913--a 33.4 percent increase. However, during this same period (1979 to June 1984) the Consumer Price Index increased from 217.4 to 310.7 for a 42.92 percent gain. Accordingly, the use of the H.U.D. income estimates would require one to assume that the residents of the eleven-county region had a decline in their real income between 1979 and 1984. The indicated loss in real income implied by the use of the H.U.D. median income estimates is contrary, not only to logic, but to other reports published by government agencies. According to the U.S. Department of Commerce, Bureau of Economic Analysis, the per capita personal income of New Jersey residents has increased from \$9,811 in 1979 to \$15,282 in 1984. Even when this 55.76 percent income growth is adjusted for inflation using the Consumer Price Index, a per capita increase (in constant 1979 dollars), representing real income growth is reported, as opposed to the losses indicated by the H.U.D. income estimates for the eleven-county region, overall. If realistic and meaningful results are sought to be achieved through a "Fair Share Method", equally realistic and meaningful data and procedures must be employed.

In the context of Cranbury Township, the difference between the expression of the historical median in current dollars (\$35,464) and the H.U.D. estimate for the eleven-county region (\$31,913) amounts to a \$3,551 difference. This difference (\$3,551) would amount to \$41.44 per month and \$66.29 per month in the four-person low- and moderate income family housing allowances (at 28.0 percent). The higher monthly housing allowances could increase the purchase price affordability limits by \$4,786.61 for low-income families and \$7,656.96 for moderate-income families. Thus, the aforementioned income difference would facilitate an

average set-aside housing price \$6,221.79 above that allowable under the H.U.D. estimates, and would reduce the per unit internal subsidy by a like amount. The use of the more appropriate income levels could reduce the amount of internal subsidies for Cranbury's 822 set-aside units by over \$5.1 million.