ML2 Cranbury 24-Jun-85

- Report of Richard Thomas Coppola + Associates on the issue of whether 2,000 residential units together w/comm. service area can be constructed on Garfield Co property in accord. w/ sound planning principles.
- Report of the Martin organizat. on the issue of whether 2,000 resid. units together w/ comm. service area can be constructed on Garfield Co's property in accor. w/ sound plann. principles.
- Reports of Richard B Redoling Assoc. on the issues of financial feasibility + calculation of rental + sale price of subsidized units
- Report of Van-Note Harvey + Assoc. on the issue of water + sewer availab. for high density resid. develop. of the Garfield tract.

pgs. 30

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WARREN, GOLDBERG, BERMAN & LUBITZ

A PROFESSIONAL CORPORATION

COUNSELLORS AT LAW

112 NASSAU STREET
P. O. BOX 645
PRINCETON, NEW JERSEY 08542
(609) 924-8900

219 EAST HANOVER STREET
TRENTON, NEW JERSEY 08608
(609) 394-7141

June 24, 1985

PLEASE REPLY TO: PRINCETON

Honorable Eugene D. Serpentelli
Superior Court of New Jersey
Ocean County Court House
CN 2191
Toms River, New Jersey 08754

Re: Urban League v. Carteret (Cranbury Township)

Dear Judge Serpentelli:

Pursuant to your letter of June 19, 1985, enclosed please find the following reports which are being filed on behalf of Garfield & Co.:

1. Report of Richard Thomas Coppola and Associates on the issue of whether 2,000 residential units together with a commercial service area can be constructed on Garfield & Co.'s property in accordance with sound planning principles.

2. Report of the Martin organization on the issue of whether 2,000 residential units together with a commercial service area can be constructed on Garfield & Co.'s property in accordance with sound planning principles.

3. Reports of Richard B. Redding Associates on the issues of financial feasibility and calculation of rental and sale price of subsidized units.

4. Report of Van-Note Harvey & Associates on the issue of water and sewer availability for high density residential development of the Garfield tract.

Yours very truly,

WARREN, GOLDBERG, BERMAN & LUBITZ

By
William L. Warren

WLW/dc
Enclosures
cc: Stephen E. Barcan, Esq.
Thomas R. Farino, Esq.
Michael J. Herbert, Esq.
William C. Moran, Jr., Esq.
Allen D. Porter, Esq.
Joseph L. Stonaker, Esq.
Harry S. Pozycki, Esq.
Carl S. Bisgaier, Esq.
Martin E. Sloane, Esq.
Guilet D. Hirsch, Esq.
John Payne, Esq.
Richard Schatzman, Esq.

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June 24, 1985

Honorable Eugene D. Serpentelli
Superior Court of New Jersey
Ocean County Court House
CN 2191
Toms River, New Jersey 08754

Re: Urban League v. Carteret (Cranbury Township)

Dear Judge Serpentelli:

Pursuant to your letter of June 19, 1985, enclosed please find a March, 1984 report of Ronald Curini which is being filed on behalf of Garfield & Co.

Yours very truly,

WARREN, GOLDBERG, BERMAN & LUBITZ

By
William L. Warren

WLW/dc
Enclosure
cc: Stephen E. Barcan, Esq.
Thomas R. Farino, Esq.
Michael J. Herbert, Esq.
William C. Moran, Jr., Esq.
Allen D. Porter, Esq.
Joseph L. Stonaker, Esq.
Harry S. Pozycki, Esq.
Carl S. Bisgaier, Esq.
Martin E. Sloane, Esq.
Guilet D. Hirsch, Esq.
John Payne, Esq.
Richard Schatzman, Esq.

van note-harvey associates

Research Park, 327 Wall Street
Princeton, New Jersey 08540
(609) 924-0413

vnh
consulting engineers,
planners & land surveyors

June 24, 1985

William L. Warren, Esq.
Warren, Goldberg, Berman & Lubitz
112 Nassau Street
Princeton, New Jersey 08540

RE: Water and Sewer Availability
Garfield Site
Cranbury Township, N.J.
VNH #22461

Dear Mr. Warren:

In accordance with our recent discussions, we have reviewed Cranbury Township's Mount Laurel II compliance program as it pertains to the Garfield site, referenced as Site #1 in said report. Additionally, we have contacted various utility authorities and Township utility departments in the surrounding area to determine their viewpoints with respect to water and sewer availability being provided by their entity for the proposed project.

Based on the results of our investigation, it can be concluded that significant flexibility exists with respect to the provision of both water and sewer service to the site. Further, the site is in an excellent position to be a significant contributor to potential solutions to existing regional-wide needs.

Additional work will be required in order to determine the magnitude of participation for the various potential participants and the proposed project itself. A brief summary of our findings is contained below:

PROPOSED PROJECT

The proposed project is located on approximately 219 acres in the eastern part of Cranbury Township abutting the western portion of the New Jersey Turnpike. Cranbury-Half Acre Road roughly bisects the site.

It is currently proposed to develop the site into clustered units with a density of approximately 8 to 9 units per acre resulting in a potential of approximately 1,750 to 2,000 units.

For purposes of this report we have assumed that approximately 1,850 units would be provided.

Assuming base water and wastewater needs or approximately 200 to 250 gallons per day per unit, would result in needed utility availablity for capacities of between 370,000 and 400,000 gallons per day.

POTABLE WATER AVAILABILITY

In reviewing the available documents, it seems clear that the existing water system currently serving the village area of the Township would not be adequate for the project's needs. Further, the Township is apparently desirous of having water service provided to its residents by others.

Current New Jersey Department of Environmental Protection trends seem to point towards a period of significantly less reliance on groundwater as a sole means of providing potable water to communities. In recent documents, the DEP has stressed that development and provision of alternate sources of supply for areas heavily dependent on groundwater for consumption.

While preliminary investigation of DEP's critical area mappings indicate the property in question lies outside the regional critical areas, regional critical margins, and outcrop areas in the vicinity of the site; it is not possible to definitively say that groundwater diversion rights would be granted for this site. While on-site wells may be a feasible solution for water supply to the tract in question, it is quite likely that significant public comment might be received at the time of application. This is especially true if on-site wells were to be the sole source of potable water supply for the project. Use of same as an interim development step might prove viable.

In light of the DEP's current stance, we have contacted other utilities in the area to determine their willingness to provide service to the project. Both the Monroe Township Municipal Utilities Authority and the Elizabethtown Water Company have expressed a willingness to participate. The Monroe Township Municipal Utilities Authority has indicated that their current water supply is supplied solely through subsurface wells and they have been informed that the DEP may cut back on their diversion rights in the near future. Elizabethtown Water Company, on the other hand, currently provides potable water through both surface

and groundwater supplies and has expressed a willingness not only to service this site, but also a long term desire to explore the establishment of the water franchise in Cranbury Township.

The current terminus of Elizabethtown's lines is currently located in Plainsboro Road just west of the Cranbury Township border in Plainsboro Township. Lines would have to be extended approximately 3 miles to the site. Overhead storage currently exists at the Turnpike rest area, Carter-Wallace and other individually developed parcels in the immediate area. The project site itself has portions of the northerly property approaching elevation 120, some of the highest ground in the area and a potential location for additional overhead storage should it be necessary.

The extension of the Elizabethtown main could be a key issue in providing regional solutions to current water supply issues. Namely, an interconnection of the main with the village system would provide an emergency source of water, especially during fires. Further, additional extensions across the Turnpike and into Monroe Township to provide an interconnecting with the Monroe Township Municipal Utility Authority system would provide an alternate source of supply to the Monroe Township area.

Recent conversations with the Monroe Township Municipal Utility Authority have indicated that a group comprised of approximately 11 developers in the immediate area are desirous of obtaining both water and sewer service for their proposed developments. Such an interconnection could go a long way in their search for same.

The regional nature of this approach would also aid the site with this proposed Mount Laurel housing, by further permitting other users to participate in extending utility service, thus reducing the cost per unit for providing potable water service to the project.

WASTEWATER DISPOSAL

Similar to the water service discussed above, significant flexibility exists for the providing of wastewater disposal service to the project. Depending on actual project layout, an on-site treatment plant might be possible. Adequate acreage for spray irrigation is unlikely. Due to the potential for

stringent discharge criteria for Cranbury Brook, it is expected that such facilities would be costly. It is quite likely, based on discussions with the NJDEP, that advanced treatment including nutrient removal would be required.

The village area of the Township is currently served by wastewater facilities which convey Township generated wastewater via a pump station to South Brunswick Township in the vicinity of Broadway Road. From there the wastewater is pumped three additional times to its discharge into the Middlesex County Utility Authority's system for ultimate treatment and disposal at the MCUA's Sayreville treatment plant. Utilization of this plan would require the upgrading of the existing Cranbury pump stationin the immediate future with possible additional upgradings necessary to two of the South Brunswick pump stations dependent upon on flow maturation in both the project and South Brunswick Township areas.

It may also be necessary to renegotiate the South Brunswick Township service agreement as it pertains to wastewater disposal areas and quantities in the Cranbury Township area.

As mentioned in the water availability discussion above, approximately 11 developers in Monroe Township have formed a group to investigate the ability to provide water and sewer service to their sites. With respect to wastewater disposal, it seems quite likely these developers, together with Carter-Wallace, a Cranbury Township industry, would provide the funding to permit the conversion of the utility authority's existing wastewater treatment plant to a 4.5 MGD pump station to convey waste via a recently completed Jamesburg pump station to the Middlesex County Utility Authority system for treatment and disposal at their Sayreville plant. Conversations with the Authority have indicated their willingness to consider the addition of the Garfield site into this study group. Current time frames for the availability of service range in the 1-1/2 to 2-1/2 year category.

An additional alternative with respect to wastewater disposal could be the provision of a Cranbury Township wastewater treatment facility at the site of or further west of its existing pump station. Such a plant would serve not only the project's

needs but also those needs of the expanding area. Effluent discharged from such a plant would also be maintained in its current drainage basin and not transported across basin boundaries to the Raritan River as in the case of the Monroe and South Brunswick alternatives discussed above.

One significant drawback with respect to this option is timing. It is expected that up to six months could be required for the Department of Environmental Protection to provide discharge criteria for such a plant before design of same could even begin. Design of such a facility could range between one and two years with construction requiring another two years to complete. Such a facility, while regional in nature, would probably not be available for at least five years for the use of the project. Such a scheme might be more long range with the above options perhaps serving as substitutes during the initial phases of project development.

SUMMARY

In conclusion, significant flexibility exists with respect to the availability of water and the provision of wastewater disposal to the project. Coupled with this flexibility is the potential for the project to be a part of a solution to regional water and wastewater problems in the surrounding area.

I trust this is the information you have requested and should you have any questions I would be pleased to discuss them at your convenience.

Very truly yours,

VAN NOTE-HARVEY ASSOCIATES

Donald E. Fetzer, P.E.

DEF/law

cc: William Warren, Esq.

RICHARD B. READING ASSOCIATES

759 STATE ROAD, PRINCETON, NEW JERSEY 08540 AREA CODE 609/924-6622

MEMORANDUM

To: William L. Warren, Esquire
Warren, Goldberg, Berman & Lubitz
112 Nassau Street
Princeton, New Jersey 08540

From: Richard B. Reading

Date: June 21, 1985

Subject: Mount Laurel II Compliance/Cranbury Township

In accordance with your instructions at our meeting on Monday June 17, 1985, I have reviewed the development assumptions, cost estimates and sales prices set forth in the analysis prepared on behalf of Cranbury Township. This information, which is attached hereto as Appendix 1, is entitled Basis for Determining the Density Required to Permit the Provision of a 20% Mount Laurel Set-Aside, Cranbury, New Jersey, December, 1984. Out initial review of the information contained in Appendix 1 has disclosed a number of problems, foremost of which are: 1) the density assumptions; 2) a lack of detail in the cost estimates; and 3) the reasonableness of the cost, margin and sales prices. A brief summary of our comments in these regards is provided hereafter.

Development Density

Although the analysis attached hereto (Appendix 1) is entitled Basis for Determining the Density Required to Permit the Provision of a 20% Mount Laurel Set-Aside..., such a title is a misnomer based upon the information and analysis actually provided therein. Rather than preparing a development model where "density" is the variable, the subject analysis estalishes a density of 7.0 gross units per acre as the base development assumption and then proceeds to

hypothecate costs integrant to this underlying premise. Accordingly, the subject analysis is not "determining" an appropriate development density, but is merely assuming such a density.

Having assumed a gross development density of 7.0 dwelling units per acre, the analysis then proceeds to adjust the sales price as if it were a totally independent variable--which it is not. There is more than a casual relationship between value (real or perceived) and price. One cannot merely increase price to cover subsidy shortfalls without some commensurate increase in value (costs). This is precisely the approach that the subject analysis has taken, wherein sales prices are merely increased in order to maintain a pre-established profit margin at a pre-established density.

In the research that was undertaken by Reading Associates in September of 1984 (see Memoranda 9/18/84 and 9/25/84), market conditions and pricing competition were found to be the dominant factors to be considered in establishing density/set-aside ratios. Within a competitive environment where "market" projects are offering attached housing products at prices ranging from $59,000 to $93,000 at gross development densities averaging 8.12 units per acre, it would be unrealistic to presume the marketability of a "mixed-income" development with a lower density and higher prices than those in a competing "market" project. For these reasons, and cognizant of the housing competition extant for attached products in the surrounding communities (Plainsboro, East Windsor, Hamilton and South Brunswick), it was determined that a gross density of 10.0 dwelling units per acre with a 20 percent set-aside would be appropriate. Such development density would enable the "market" units in a mixed-income development in Cranbury to achieve some modicum of competitive parity with "market" products in the surrounding area.

The appended analysis has concluded that market units could be developed and sold in a mixed-income (Mount Laurel) project in Cranbury at a lower development density (5.6 vs. 8.12 DU/Acre) and at a higher price ($84,122 average vs. $75,163 average) than currently exists for "market" (non-Mount Laurel) projects in the surrounding communities. This illogic overlooks and/or ignores the realities of the housing marketplace that is necessary to furnish the incentives for the undertaking of a Mt. Laurel II development.

Insufficient Detail in Cost Estimates

The foregoing comments relative to development density are premised upon a presumption of reasonableness in the preparation of cost estimates for a contemplated development. A presumption of reasonableness (anything may be reasonable to the extent that it is not totally unreasonable) necessarily includes some degree of completeness. A review of the cost estimates that are set forth in Appendix 1, however, discloses what appears to be only a partial enumeration of the component costs involved in the production and delivery of housing. The specific cost estimates that have been itemized in the appended analysis are limited to eight (8) items:

Itemized Housing Cost Components

1. Land Cost
2. On-Site Infrastructure
3. Off-Site Infrastructure
4. Professional Costs
5. Basic Construction Costs
6. Financing
7. Sales Expense
8. Margin (Return on Investment)

While it may be possible to "group" costs into such a limited number of cost components, it is difficult to ascertain where such various development costs may have been categorized. Equally possible, and quite probable in view

of the total cost levels estimated in the subject analysis, is the omission of a significant number of critical cost components. Indeed, of the 60 or more cost components typically found in development cost estimates, nearly 90 percent are not itemized in the cost estimates provided in Appendix 1.

Typical Development Cost Components

I. LAND

- A. Cash at Closing
- B. Other Land Costs

II. ENGINEERING AND ARCHITECTURAL COSTS

- A. Soil Investigation
- B. Site Plan Processing Fees
- C. Sewer and Water Connection Fees
- D. Architectural and Engineering Fees
- E. Testing, Inspection and Surveys
- F. Consultants and Blueprints

III. CONSTRUCTION COSTS

- A. Building Permit Fees
- B. Off-Site Work
- C. Site Work
  - 1. Roads and Parking
  - 2. Water
    - a. Distribution
    - b. Tanks
    - c. Pumps
  - 3. Sewer
    - a. Distribution
    - b. Holding Tanks
    - c. Pumps
  - 4. Retention Basin or Lake
  - 5. Site Electric and Lighting
  - 6. Earth Movement
  - 7. Landscaping
  - 8. Amenities
    - a. Playgrounds
    - b. Swimming Pool and Cabana
    - c. Tennis Courts
    - d. Gatehouse
    - e. Other

III. CONSTRUCTION COSTS (continued)

- D. Buildings
  - 1. Direct Construction Costs ($/sq ft)
    - a. Low Income Units
    - b. Moderate Income Units
    - c. Market Units
      - 1. Flats
      - 2. Townhomes
- E. Appliances
- F. Other

IV. OPERATING AND ADMINISTRATION COSTS

- A. Insurance
- B. Real Estate and Personal Property Taxes
- C. Administration, Overhead and Development Fees
- D. Deferred Development Fees

V. FINANCING COSTS

- A. Construction Loan Fees
- B. End Loan Fees
  - 1. Transfer Taxes
  - 2. Document Stamps
  - 3. Mortgage Taxes
  - 4. Legal Fees
  - 5. Title Insurance
  - 6. Other Closing Costs
- C. Appraisal and Feasibility Studies
- D. Bank Inspections
- E. Brokerage Fees for Financing
- F. Interest on Pre-Construction Financing
- G. Interest on Construction Loan
- H. Contingency

VI. MARKETING COSTS

- A. Sales Materials
- B. Models
- C. Model Maintenance
- D. Direct On-Site Overhead Expense
- E. Advertising
- F. Miscellaneous Promotions
- G. Condominium Documents
- H. Data Processing and Accounting
- I. Contingency

VII. TOTAL COSTS

VIII. PROCEEDS OF SALE

A. Gross Sales Proceeds
   1. Less Sales Costs
      a. Total Development Costs
      b. Commissions
      c. Direct Sales Overhead Expense
B. Net Proceeds of Sale
C. Other Income
   1. Less Other Expenses

IX. NET INCOME

A. Income/Sales (%)
B. Income/Costs (%)

While it cannot be concluded that the appended analysis has omitted the foregoing costs, there is no indication as to where and to what extent such costs have been included. The proposition that the set-aside units can be delivered at an average cost of $37,183, however, is so far below the estimated costs of $43,919(1) to $45,217(2) for set-aside units in other Mt. Laurel II cases that one might suspect that some costs have been overlooked and/or omitted. Similar questions also arise as to the total (pre-subsidy) cost of $69,888(3) for the average 1,180 square foot market unit.

The appended analysis would not appear to have fully considered the substantial "soft" costs involved in the production and delivery of attached housing products not does there appear to be a distinction between the gross margin of sales over direct costs and net income. Development fees, contingencies, supervision, overhead, construction and sales management are not apparent in the appended cost estimates.

(1) AMG vs. Warren
(2) Calton vs. Princeton Township
(3) $80,371 - $10,483 = $69,888

Reasonableness of Cost, Margin and Sales Prices

Due to the aforenoted lack of detail, it is difficult to specifically analyze the reasonableness of the individual cost components in the appended analysis. Notwithstanding the difficulties presented by these shortcomings, several questions do arise with respect to the cost estimates which have been provided. While it would be possible to develop a hypothetical site plan, prepare individual unit design specifications and develop detailed cost estimates therefor, such an undertaking is beyond the scope and intent of this research assignment.

The appended analysis estimates a land cost of $20,000 per acre which is to be fully allocated to the market units. At a gross density of 5.6 market units/acre, the estimated land cost amounts to $3,571 per market unit. The per unit land cost ($3,571) is significantly below the prevailing per unit land cost of $10,144/unit ascertained in 18 land sales involving 3,250 attached housing units in AMG vs. Warren, and well below the $6,000 to $7,000 per unit land value found in the appraisal of Cranbury's PD-MD and PD-HD zones by Mr. Ronald Currini in March of 1984. Using the lower land value of $6,000 per unit, a land cost of $33,600 per acre, rather than $20,000 per acre, would be derived. This difference in land cost amounts to $2,429 per market unit ($6,000 - $3,571 = $2,429) and would reduce the "return on investment" (margin) on the market units from $10,483 to $8,054 on an indicated cost of $69,888. The resulting "return on investment" would be reduced from 15.0 percent ($10,483/$69,888 = 15.0%) to 11.1 percent ($8,054/$69,888 + $2,429 = 11.1%).

Even if all of the other costs in the appended analysis were found to be reasonable, the adjustment to land cost, alone, would significantly impair the attractiveness of the subject development opportunity. Alternatively, an

adjustment to sales price to include the higher land cost would require a base sales price of $83,165 plus an internal subsidy increase of $3,754 for an average sales price of $86,919 in order to yield a 15.0 percent return on an investment of $72,317 per market unit.

The appended analysis assumes that the sales price of the market units can be increased by the amount of the internal subsidy (average of $11,568 per set-aside unit) in order to maintain a 15.0 percent "return on investment". This internal subsidy increases the average sales price from $80,371 to $84,125. With an average market unit sales price of $80,371 and the assumed $20,000/acre land price, the "return on investment" (before subsidy increase) had declined to 9.59 percent on cost:

Per Acre Cost, Sales and Margin

	Per Unit	Per Acre
Market Units (5.6 DU/Acre)		
Sales	$80,371	$450,078
Cost	69,888	391,373
Margin	10,483	58,705
Set-Aside Units (1.4 DU/Acre)		
Sales	$25,615	$ 35,861
Cost(4)	37,183	52,056
Margin	(11,568)	(16,195)
Total Units (7.0 DU/Acre)		
Sales	$69,420	$485,939
Cost	63,347	443,429
Margin	6,073	42,510

In order to increase the overall "return on investment" to 15.0 percent, an increase in sales price for the average market unit to $84,125 is indicated. Relative to the average cost of these market units of $69,888

(4) Excludes any return on investment

($80,371 - $10,483 = $69,888), the adjusted market unit sales price of $84,125 requires a margin of 20.4 percent on each market unit. The presumption in the appended analysis that sales prices may merely be increased to furnish an internal subsidy and a desired overall rate of return must take into consideration the resulting price/value ratio and the exigencies of a housing market where competing "market" projects are not so encumbered. This factor will become an increasingly critical concern when, as here, market units are developed at a lower per acre density with concomitantly higher per unit land and infrastructure costs than exist in higher density "market" projects.

When higher per unit costs are then encumbered with a physical and financial set-aside obligation, it will become increasingly difficult to maintain marketability, particularly so at an above-market sales price.

APPENDIX 1

Basis for Determining the Density Required to Permit the Provision of a 20% Mount Laurel Set-Aside

Cranbury, New Jersey
December, 1984

1. Assumptions

Land Area	50 Acres
Density Permitted	7 DUs/Acre
Total Units in Project	350
Conventional Units	280
Mt. Laurel Units	70

Bedroom Distribution and Unit Size -- Conventional Units

1 - Bedroom (850 s.f.)	10%, or	28 units
2 - Bedroom (1000 s.f.)	30%, or	84 units
2/3 - Bedroom (1200 s.f.)	35%, or	98 units
3 - Bedroom (1500 s.f.)	25%, or	70 units
		280 units

Mt. Laurel Units	Low Income	Moderate Income
Studio (550 s.f.)	12	10
One Bedroom (660 s.f.)	18	18
Two Bedroom (850 s.f.)	5	7
TOTAL	35 units	35 units

Construction Costs (Based on RPPW Survey of Actual Construction Costs in the Immediate Area)

	Conventional	Mt. Laurel
Studio	--	$38.00/s.f.
1 - Bedroom	$40.00/s.f.	38.00/s.f.
2 - Bedroom	39.00/s.f.	37.00/s.f.
2/3 - Bedroom	38.00/s.f.	--
3 - Bedroom	37.00/s.f.	--

Infrastructure Costs	Conventional (Townhouses)	Mt. Laurel
On-site	$10,000/DU	$5,000/DU
Off-Site	1,000/DU	1,000/DU

Professional Costs - $2,500/DU

Land Costs (All allocated to Conventional Units) - $20,000/Acre
Financing Cost - 7% (Based on one year @ 14%)
Sales Costs - 5.00%
Return on Investment - 15.00%

Operating Costs (Insurance and Condo Fees) - $140/$10,000 of sales price

Taxes - $3.02/$100 of equalized value
Equalization Rate (1983) - 53.7%

2. Minimum Sales Prices

Conventional Units

Average Construction Cost/S.F. = $\frac{(28\text{x}40.00)+(84\text{x}39.00)+(98\text{x}38.00)+(70\text{x}37.00)}{280}$ = $38.25/s.f.

Average Floor Area/DU = $\frac{(28\text{x}850)+(84\text{x}1{,}000)+(98\text{x}1{,}200)+(70\text{x}1{,}500)}{280}$ =

$\frac{(23{,}800 + 84{,}000 + 117{,}600 + 105{,}000}{280} = \frac{330{,}400}{280}$ = 1,180/s.f.

Basic Construction Cost = 1,180 x 38.25 =	$45,135
Infrastructure Costs	
On-Site	10,000
Off-Site	1,000
Professional Costs	2,500
Land Cost @ $20,000/Acre = $\frac{1{,}000{,}000}{280}$ =	3,571
Total Land and Production Cost	$62,206
Financing @ 7%	4,354
Sales @ 5%	3,328
Return on Investment @ 15%	10,483
Minimum Sales Price	$80,371

3. Mt. Laurel Units

	Studio	1-Bedroom	2-Bedroom
Basic Construction Costs	$20,900	$25,080	$31,450
Infrastructure			
On-Site	5,000	5,000	5,000
Off-Site	1,000	1,000	1,000
Professional Costs	2,500	2,500	2,500
Land Cost	0	0	0
Total Land and Production Cost	$29,400	$33,080	$39,950
Financing @ 7%	2,058	2,316	2,797

4. Housing Costs Contributed by Mt. Laurel Households

Assumptions

(a) All studio units will be occupied by 1-person households; 1-BR units will be occupied by 2-person households; 2-BR units will be occupied by 4-person households.

(b) All units will be of the sales type.

(c) All purchasers will make a 5% down-payment.

(d) The annual housing cost (excluding utilities) will not exceed 28% of income.

(e) 12 studios, 18 - 1 bedroom and 5 - 2 bedroom units will be sold to low income households; 10 studios, 18 - 1 bedroom and 7 - 2 bedroom units will be sold to moderate income households.

(f) Income Limits* and Maximum Annual Housing Costs

Persons in	Low Income		Moderate Income	
Household	Income Limits	Max. Housing Costs	Income Limits	Max. Housing Cost
1	13,100	3,275	20,150	5,038
2	14,700	3,675	22,700	5,675
3	16,350	4,088	25,200	6,300
4	17,650	4,413	26,750	6,688

*Based on 1983 HUD determinations for 11 - County Northeastern Region.

(g) Downpayments (@5% of Sales Price)

Studios	$1,899
1-Bedroom	$2,137
2-Bedroom	$2,581

(h) Unit Sales Price Less Downpayment

Studio	$36,087
1-Bedroom	$40,604
2-Bedroom	$49,036

Operating Costs - Mt. Laurel Units

	Studio	1-Bedroom	2-Bedroom
Real Estate Taxes*	616	695	837
Insurance and Condo Fees @ 140/$10,000 sales price	532	598	724
Total Operating Cost	1,148	1,293	1,561

*1983 Equalization Rate = 53.7%; 1983 Tax Rate = $3.02/$100 equalized value.

Available for Debt Service

5. Required Subsidies

Low Income		
12 Studios	(36,087x12) - (16,138x12) =	239,388
18 - One BR	(40,604x18) - (18,073x18) =	405,558
5 - Two BR	(49,036x 5) - (21,639x 5) =	136,985
Moderate Income		
10 Studios	(36,087x10) - (29,514x10) =	65,730
18 - One BR	(40,604x18) - (33,247x18) =	132,426
7 - Two BR	(49,036x 7) - (38,900x 7) =	70,952
	Total Required Subsidy	1,051,039

6. Resources Available to Cover Required Subsidies

Total Market Rate Units		280
Required Sales Proceeds per Average Unit in Excess of Minimum Sales Price	(1,051,039) / (280)	$ 3,754
Average Minimum Sales Price/Conventional Unit		$ 80,371
Required Sales Price		$ 84,125
Average DU Size		1,180 s.f.
Required Sales Price/s.f.		$ 71.29

7. Required Market Rate Unit Sales Prices

1-BR (850 s.f.)	$ 60,597
2-BR (1,000 s.f.)	$ 71,290
2/3-BR (1,200 s.f.)	$ 85,548
3-BR (1,500 s.f.)	$106,935

RICHARD B. READING ASSOCIATES

759 STATE ROAD, PRINCETON, NEW JERSEY 08540 AREA CODE 609/924-6622

September 25,1984

William L. Warren, Esq.
112 Nassau Street
Princeton, New Jersey 08540

Re: Garfield & Company/Cranbury Township

Dear Mr. Warren:

In support of the analysis and findings set forth in our Memorandum of September 18, 1984, we are providing herewith more detailed information concerning the competitive products and unit pricing discussed on pages three and four of the Memorandum. Whereas our visual inspection of condominium/townhouse developments in the surrounding communities (Plainsboro, East Windsor, Hamilton and South Brunswick Townships) suggested gross development densities in the range of eight to ten units per acre, our subsequent investigations disclosed a range from 7.2 to 8.9 dwelling units per gross acre with an average density of 8.1 dwelling units per gross acre.

The competitive market units are being constructed without any "set-aside" requirement. Accordingly, for developments with a "set-aside" requirement to be competitive with the market units, a density 25 percent in excess of the market density, or 10.0 units per acre would be required just to maintain a comparable unit land cost from the "market" units.

When the magnitude of the internal subsidy is considered as a negative to the builders margin on the market units, or as an added cost thereto, it is likely that a density bonus only 25 percent above the market competition may prove to be less than sufficient.

Very truly yours,

RICHARD B. READING ASSOCIATES

Richard B. Reading
President

RBR/jn
Enclosure

DEVELOPMENT DENSITY AND PRICING
OF
CONDOMINIUM/TOWNHOMES
IN
THE CRANBURY AREA

Development	Acres	Units	Units/ Acre	Sales Price ($000)
Aspen at Princeton Meadows, Plainsboro	39.8	352	8.84	68.9-83.9
Georgetowne East Windsor	25.0	172	6.88	78.0-93.0
Pebble Creek Hamilton	13.6	98	7.20	59.0-78.0
Whispering Woods South Brunswick	65.0	542	8.34	62.5-78.0
TOTAL/AVERAGE	143.4	1,164	8.12	59.0-93.0

RICHARD B. READING ASSOCIATES

759 STATE ROAD, PRINCETON, NEW JERSEY 08540 AREA CODE 609/924-6622

MEMORANDUM

Date: September 18, 1984

To: William Warren, Esq.
112 Nassau Street
Princeton, New Jersey 08540

From: Richard B. Reading

Subject: Garfield & Company/Cranbury Township

In accordance with your request, I am providing herewith a preliminary review of the economic and market factors which should be considered in seeking a gross development density necessary to provide the internal subsidies required to construct and deliver "set aside" housing units affordable to low- and moderate-income families. The determination of the overall (gross) density requirements for a particular parcel of land may be addressed from economic and/or market points of view. Inasmuch as the absorption of "market" units will control the ability of the developer to deliver the "set aside" units, the economic and market factors shold be examined comtemporaneously. Even for the preliminary purposes of the research undertaken herein, some parameters, or assumptions must be established in order to assess the magnitude of remedy in the context of development density. Based upon our discussions as well as my conversations with Mr. Richard Cappola, the following parameters shall be used:

1. The "set aside" proportion is twenty (20) percent and evenly divided between low-income (10 percent) and moderate-income (10 percent) units.

2. The region for the purpose of income and income/affordability calculations is the "present need" region, encompassing the eleven (11) counties in the northern portion of the state.

3. The income levels controlling the affordability/housing cost relationships in Cranbury are the "Section 8 Income Limits" published by H.U.D. for "very low" (low) and "lower" (moderate) income families, the most recent of which were prepared on March 1, 1984,

5. The housing cost/income ratios to be utilzied are those proposed by the "Consensus Method" in the Urban League case of 28 percent of gross monthly income for purchased housing (inclusive of principal, interest, taxes, insurance and condo fees, if applicable) and 30 percent for rental housing (inclusive of total monthly rental cost plus all tenant-paid utilities.

6. The "set aside" units on the subject property are to be "rental" units whereas the market units shall be condominiums, flats and townhouses, fee simple with association.

Prospective Site and Development

The property owned by Garfield and Company is a 220 ± acre tract of land situated along Half Mile Road to the east of U.S. Route 130 and to the west of the New Jersey Turnpike. There are no major environmental concerns apparent on the subject property and the site is serviced by one of the better collector raodways (Half Mile Road) in the eastern portion of the township. Neither public water nor sewer is presently available upon the subject property despite its inclusion in the Township's Planned Development-High Density Zone (PD-HD) which permits maximum net and gross(1) densities of ten (10) and four (4) dwelling units per acre.

Under the master plan zoning (PD-HD), the subject site could have been developed for 880 market housing units, or 935 market housing units and 165 low- and moderate-income units, for a total of 1,100 units, under the provisions of 150-30.B.(11). All densities in the PD-HD zone above 0.5 DU/acre presume the availability of Transfer Development Credits.

Income Parameters

The affordability requirements for lower- and moderate-income level families are determined by the weighted median family income levels of the families in the eleven-county "present need" region. The median used for this calculation is the most recent "median" published by H.U.D. in their "Section 8 Income Limits" (see Schedule 1). For the applicable region, this median computes to $30,152. Therefore, under the guidelines of the Consensus Method,

(1) The inclusion of lower cost units would permit a gross development density of 5.0 units per acre with 15 percent, or 7.5 dwellinmg units per acre required for low- and moderate-income occupancy.

four-person low-income families would have incomes up to $15,076 (50 percent x median) while moderate-income families would have incomes between $15,077 and $24,121.

The monthly housing cost threshold for rental housing at the 30 percent level suggested by the Consensus Method would amount to:

Monthly Housing Cost Threshold

Low Income	Moderate Income
$376.92	$603.02

Absorption Prospects

In a market-based analysis, the potential for the sale (absorption) of new dwelling units is traditionally determined through the delineation of the applicable housing market area and the quantification of the demand for such housing arising from employment opportunities, sociological changes (family size) and repressed demand. The peculiar situation at hand, which is as much a function of judicial and land use factors as market-demand, pre-empts existing supply/demand factors by edict. As a result, the absorption rate, as here, is ordered rather than generated. In Cranbury Township, the judicial need for 816 low- and moderate-income housing units by 1990 will, at the consensus set-aside ratio of 20 percent, dictate the development of 4 080 total housing units by 1990, or 680 units per year. The market component of the ordered supply is 80 percent amounting to a total of 3,264 units, or 544 units per year through 1990.

When absorption level is a "known" or "given" quantity, the remaining question involves the price at which the market must be sold to generate the desired (required) absorption. The rate of absorption is price sensitive due to competition from other existing and new multi-family units in the surrounding municipalities and, to a lesser degree, from resales of existing single family houses in this same area.

Pricing

In order to achieve the absorption of 544 market units a year over the next six years within Cranbury Township, the units offered for sale must not only be fully competitive with existing market offerings, but more than fully competitive. Within the immediate surrounding area, a survey of current market offerings of non- Mt. Laurel projects discloses selling prices ranging from $66,740

(three bedroom, two-story townhouses at Pebble Creek - Hamilton Township) to $89,900 for a Patio Home at Princeton East (East Windsor Township). Even lower prices are apparent to the north in North and South Brunswick Townships with new and resales in the Hovnanian projects in the very low $60's.

Preliminary observations of these competitive non-Mt. Laurel market projects indicate densities of eight to twelve units per acre. Accordingly, for the proposed set-aside development to be priced competitive within Cranbury, with market sales prices ranging from the mid-$60's to $90,000, equivalent market unit densities must be obtained. With a competitive market density of at least 8.0 dwelling units per acre, a minimum overall density (subject to subsequent economic-cost analysis) of 10 dwelling units per acre would be appropriate (8.0 DU/acre divided by .80 = 10 DU/acre).

Given sufficient time, we would appreciate the opportunity to prepare an economic/cost analysis to verify the financial viability of the contemplated development at the market-based density of 10 dwelling units per acre.

SCHEDULE 1

Section 8 Income Limits
Effective as of 5/11/84

State: New Jersey
Prepared: 3/1/84

		PROGRAM	INCOME LIMITS 1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8+Perso
MSA:	Allentown-Bethleham, PA-NJ (Warren)	Lower Income	15700	17900	20150	22400	23800	25200	26600	28000
		Very Low Income	9800	11200	12600	14000	15100	16250	17350	18500
MSA:	Atlantic City, NJ (Atlantic, Cape May)	Lower Income	14850	16950	19100	21200	22500	23850	25200	26500
		Very Low Income	9300	10600	11900	13250	14300	15350	16450	17500
PMSA:	Bergen-Passaic, NJ (Bergen, Passaic)	Lower Income	15300	17500	19650	21850	23200	24600	25950	27300
		Very Low Income	9550	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	8650	9900	11100	12350	13350	14350	15300	16300
PMSA:	Middlesex-Somerset-Hunterdon, NJ (Middlesex, Hunterdon, Somerset)	Lower Income	18900	21600	24300	27000	28700	30400	32050	33750
		Very Low Income	11800	13500	15200	16900	18200	19550	20900	22250
PMSA:	Monmouth-Ocean, NJ (Monmouth, Ocean)	Lower Income	17700	20250	22750	25300	26900	28450	30050	31650
		Very Low Income	11050	12650	14200	15800	17050	18350	19600	20850
PMSA:	Newark, NJ (Essex, Morris, Sussex, Union)	Lower Income	18050	20600	23150	25750	27350	28950	30600	32200
		Very Low Income	11450	13100	14700	16350	17650	18950	20250	21600
PMSA:	Philadelphia, PA-NJ (Burlington, Camden, Gloucester)	Lower Income	15600	17850	20050	22300	23700	25100	26500	27900
		Very Low Income	9850	11300	12700	14100	15250	16350	17500	18600
PMSA:	Trenton, NJ (Mercer)	Lower Income	17450	19950	22450	24950	26500	28050	29650	31200
		Very Low Income	10900	12500	14050	15600	16850	18100	19350	20600
PMSA:	Vineland-Millville-Bridgeton, NJ (Cumberland)	Lower Income	13700	15700	17650	19600	20850	22050	23300	24500
		Very Low Income	8600	9800	11000	12250	13250	14200	15200	16150
PMSA:	Wilmington, DE-NJ-MD (Salem)	Lower Income	16450	18800	21150	23500	24950	26450	27900	29400
		Very Low Income	10300	11750	13250	14700	15900	17050	18250	19400

THE MARTIN ORGANIZATION
22nd and Summer Sts., Philadelphia, Pa. 19103 (215) 665-1080

ARCHITECTS AND LAND PLANNERS

PRINCIPALS
RICHARD D. MARTIN, A.I.A.
CHARLES D. HARKER, A.I.A.
VICTOR L. BARR, A.I.A.

June 19, 1985

Mr. William L. Warren, Esquire
Warren, Goldberg, Berman and Lubitz
112 Nassau Street
Princeton, NJ 08540

RE: Garfield Tract

Dear Mr. Warren:

This is to confirm that our firm has reviewed the Garfield Tract, consisting of approximately 218 acres in the eastern section of Cranbury Township, between the Turnpike and Route 130 off Half-Acre Road. In our professional opinion, 2000 residential units with attendant commercial service areas could be constructed without violation of sound land planning principals.

Respectfully,

THE MARTIN ORGANIZATION

James Wentling

James Wentling, A.I.A., Esq.
Vice President

JW/rd

Richard Thomas Coppola
and Associates

609-799-5050

17 Candlewood Drive · P.O. Box 99 · Princeton Junction · New Jersey 08550

June 18, 1985

William L. Warren, Esq.
112 Nassau Street
Princeton, New Jersey 08540

Dear Mr. Warren:

In accordance with your request, we have re-examined the property owned by Garfield and Company abutting Half Acre Road in the eastern portion of Cranbury Township, and reaffirm our previous conclusion that a planned development of two thousand (2000) residential dwelling units, together with a relatively small neighborhood type commercial area to service those units and the immediately surrounding area, can be designed and constructed in accordance with sound planning principles. Our conclusion is based upon the size of the tract, the abundance of road frontage, the tract's rectangular shape and the lack of any environmental constraints.

Should you require any additional information or documentation, please do not hesitate to call.

Truly yours,

Richard Thomas Coppola, P. P.

RTC:e

WARREN, GOLDBERG, BERMAN & LUBITZ
A PROFESSIONAL CORPORATION
COUNSELLORS AT LAW

112 NASSAU STREET
P. O. BOX 645
PRINCETON, NEW JERSEY 08542
(609) 924-8900

219 EAST HANOVER STREET
TRENTON, NEW JERSEY 08608
(609) 394-7141

PLEASE REPLY TO: PRINCETON

June 24, 1985

Honorable Eugene D. Serpentelli
Superior Court of New Jersey
Ocean County Court House
CN 2191
Toms River, New Jersey 08754

Re: Urban League v. Carteret (Cranbury Township)

Dear Judge Serpentelli:

Pursuant to your letter of June 19, 1985, enclosed please find the following reports which are being filed on behalf of Garfield & Co.:

1. Report of Richard Thomas Coppola and Associates on the issue of whether 2,000 residential units together with a commercial service area can be constructed on Garfield & Co.'s property in accordance with sound planning principles.

2. Report of the Martin organization on the issue of whether 2,000 residential units together with a commercial service area can be constructed on Garfield & Co.'s property in accordance with sound planning principles.

3. Reports of Richard B. Redding Associates on the issues of financial feasibility and calculation of rental and sale price of subsidized units.

4. Report of Van-Note Harvey & Associates on the issue of water and sewer availability for high density residential development of the Garfield tract.

Yours very truly,

WARREN, GOLDBERG, BERMAN & LUBITZ

By
William L. Warren

WLW/dc
Enclosures
cc: Stephen E. Barcan, Esq.
Thomas R. Farino, Esq.
Michael J. Herbert, Esq.
William C. Moran, Jr., Esq.
Allen D. Porter, Esq.
Joseph L. Stonaker, Esq.
Harry S. Pozycki, Esq.
Carl S. Bisgaier, Esq.
Martin E. Sloane, Esq.
Guilet D. Hirsch, Esq.
John Payne, Esq.
Richard Schatzman, Esq.

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PLEASE REPLY TO: PRINCETON

June 24, 1985

Honorable Eugene D. Serpentelli
Superior Court of New Jersey
Ocean County Court House
CN 2191
Toms River, New Jersey 08754

Re: Urban League v. Carteret (Cranbury Township)

Dear Judge Serpentelli:

Pursuant to your letter of June 19, 1985, enclosed please find a March, 1984 report of Ronald Curini which is being filed on behalf of Garfield & Co.

Yours very truly,

WARREN, GOLDBERG, BERMAN & LUBITZ

By
William L. Warren

WLW/dc
Enclosure
cc: Stephen E. Barcan, Esq.
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