ML - Franklin

April 1984

Bundle: 1. Determination whether Franklin Twp's use regulations provide opportunities for low and moderate income housing pursuant to Mt. Laurel II, + cover letter

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2. A fair share housing allocation for Franklin Twp in Somerset & an analysis of Franklin's conformance to the ML2 decision

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3. Economic analysis for multi-family residential development in Franklin Twp which provides affordable housing under ML2.

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4. An analysis of the suitability of the Flama Construction, JZR Associates and Rakeco sites in Franklin Twp for high density residential development

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8/28 file in joint report section of Franklin files

ML000796E

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Peter U. Lanfrit
Francis P. Linnus

August 21, 1984

In Reply
Refer to File No 1094C

Honorable Eugene D. Serpentelli, J.S.C.
Ocean County Court House
C.N. 2191
Toms River, New Jersey 08753

RE: Field, et al vs. Franklin Township, et al

Dear Judge Serpentelli:

Enclosed please find report entitled, "Determination Whether Franklin Township's Land Use Regulations Provide Opportunities for Low and Moderate Income Housing Pursuant to Mt. Laurel II", prepared for Flama Construction, JZR Associates and Rakeco by Abeles Schwartz Associates, Inc. dated June, 1984.

By separate letter, I am serving copies of the same on all counsel.

Respectfully yours,

LANFRIT & LINNUS

BY:
Francis P. Linnus

FPL:cs

Enclosure

RECEIVED
AUG 23 1984
JUDGE SERPENTELLI'S CHAMBERS

DETERMINATION WHETHER FRANKLIN TOWNSHIP'S LAND USE REGULATIONS PROVIDE OPPORTUNITIES FOR LOW AND MODERATE INCOME HOUSING PURSUANT TO <u>MT. LAUREL II</u>

Prepared for

Flama Construction, JZR Ass(.ates

and Rakeco

By

Abeles Schwartz Associates, Inc.

Planning and Development Consultants

434 Sixth Avenue

New York, N.Y. 10011

June, 1984

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I. CURRENT ZONING STANDARDS

Franklin Township has eleven zones - seven residential zones, four commercial zones and one office zone - which permit residential development. They are as follows.

<u>Residential Zones</u>

R-R	Residential - Rural
R-A	Residential - Agricultural
R-40	Residential - PUD Option and R-40(1)
R-20	Residential
R-15	Residential
R-10	Residential
R-7	Residential

<u>Commercial Zones</u>

B-1	Regional Business
B-2	General Business
H-D	Highway Development - PUD Option

<u>Office Zone</u>

OPT	Office-Professional-Transition

A. SINGLE FAMILY RESIDENTIAL DEVELOPMENT

All of the residential zones and one of the office zones permit single family detached dwelling units as shown below.

A reduction in lot size is also permitted (shown as permitted modifications in the table below) if the applicant deeds the remainder of the lot (i.e. the difference between the minimum lot size and the reduced lot size) to the Township for a public purpose.

TABLE 1

MINIMUM LOT SIZES FOR SINGLE FAMILY RESIDENTIAL DEVELOPMENT IN FRANKLIN

	Minimum Lot Size (in square feet)	
Zone	Unmodified	Permitted Modifications
R-R	100,000	50,000
R-A	50,000	45,000
R-40/40(1)	40,000	36,000
R-20	20,000	18,000
R-15	15,000	13,500
R-10	10,000	9,000
R-7	7,500	6,750
OPT	10,000	9,000

Single family homes are also permitted as part of PUD developments, described later in this report.

Since the required minimum lot sizes for single-family development preclude the opportunity for providing lower income housing, the bulk and design requirements have little relevance to this discussion*.

B. TWO-FAMILY DEVELOPMENT

In the R-7 and OPT zones, two-family residences on minimum lot sizes of 10,000 square feet is permitted. A minimum lot width of 100 feet is required and minimum unit sizes for 1 bedroom and two or more bedroom units are 750 square feet and 950 square feet, respectively.

C. TOWNHOUSE DEVELOPMENT

Townhouse development is permitted as part of PUD developments described later in this report. The following standards are excessive:

a. Maximum permitted density is 3.5 units per acre in a PUD - should be 14 units per acre.

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* Bulk and design standards for single family residential zones range as follows: (1) 75'-200' minimum frontages; (2) 25'-50' minimum front yards; (3) 8'-20' minimum for one side yard, 25'-75' for two; (4) 20'-50' minimum rear yards; (5) 10%-20% maximum lot coverage; (6) 2 1/2 stories, 35' maximum height; (7) 850 s.f.-1,400 s.f. minimum gross floor area for one story building, 1,000 s.f.-1,800 s.f. for two or more stories.

b. The minimum width of each unit is required to be 25 feet - no minimum should be specified in the zoning ordinance.

c. The required minimum floor area per unit is 800 square feet, the maximum is 1,600 square feet and the maximum average aggregate is 1,200 square feet. Besides being excessive, no minimums or maximums should be specified in the zoning ordinance.

d. A maximum height of 30 feet is permitted. For townhouses, 40 feet or 3 stories should be the maximum permitted height.

e. The maximum number of units per structure is eight. No maximums should be specified.

f. The minimum distance between structures is 50 feet. Depending upon height, the minimum distances recommended for public health and safety can be as little as 20 feet between buildings.

g. The maximum number of units per cluster is 320. No maximum should be specified.

h. A ratio of 1.75 parking spaces per unit is required. The number of spaces required should be computed on the following basis:

- 2.0 spaces per 3 bedroom or larger
- 1.75 spaces per 2 bedroom unit
- 1.5 spaces per 1 bedroom unit or smaller

i. Maximum building coverage should be 30%, not 20%.

D. GARDEN APARTMENTS

Garden apartments at a density of 8 units per acre are permitted as of right in the B-1 zone and as a conditional use in the B-2 zones. The following table summarizes other area and bulk standards for garden apartments.

TABLE 2

BULK AND AREA STANDARDS FOR GARDEN APARTMENTS IN FRANKLIN

Zone	Minimum Tract Size	Minimum Lot Frontage	Building Coverage	Yard Requirements Front	Side	Rear	Height Restriction
B-1	10 acres	450'	20%	75	35	40	2 habitable 2 1/2 total stories, or 30 feet.
B-2*	5 acres	200'	20%	35	35	25	

A number of these standards are excessive. The permitted density should be 18 units per acre for 2 story buildings and 22 units per acre for 3 story buildings. There should be

* Not permitted on parcels fronting Route 27.

no minimum tract size. Lot frontage should be determined on the need for and number of access points to the development. The maximum permitted building coverage should be 30%. Yard requirements could be considerably less, determined on the basis of height of a building, orientation, placement of windows and requirements for access for emergency vehicles. Building height should be 3 stories or 40 feet.

There are other zoning standards for garden apartments which are excessive. The requirement that apartments have at least 750 s.f. of floor area, 950 s.f. for 2 bedroom apartments. Such restrictions do not belong in a zoning ordinance, besides the fact that these sizes are way beyond those minimally meeting standards of health and safety.* The requirement that one building not face the rear of another unless separated by 200 feet is excessive. The requirement that 16 units be the maximum in any one structure should be omitted. Requiring staggering, not more than 4 units to be placed in an unbroken line, is cost generating and should be eliminated. Only one doorway per unit to the outside should be required, not two. A ratio of 1.75 parking spaces per unit is excessive. The same parking standards as described for townhouses in I-C above should apply.

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* Apartment sizes of 650 s.f. for 1-bedroom and 750 s.f. for 2-bedroom units are acceptable. For elderly housing, the standards may be even lower.

E. PLANNED UNIT DEVELOPMENTS (PUDs)

PUDs are permitted in the HD/R40(1) zone and the R-40 zone under certain conditions. PUD's may be developed on tracts of 300 acres or larger and must contain a prescribed mix of single family, townhouse and garden apartment units as well as commercial and/or industrial uses and open space as shown below.

	Area Devoted to Use	
Land Use	Minimum	Maximum
Single-family residential	10%	25%
Townhouse	25%	50%
Garden apartments	25%	30%
Commercial/Industrial	5%	25%
Open Space	25%	-

In addition to the above, the maximum area devoted to residential use may not exceed 80%, and of this residential land area, a minimum of 20% must be devoted to open space. The overall maximum density is 3.5 units per acre (including the commercial/industrial uses) while the maximum gross density of the residential uses may not exceed 5.0 units per acre. Most of the density, bulk and area standards for garden and townhouse developments are the same as that prescribed for these uses in other zones (see I-C and -D). The only additional requirement is that garden apartments be no closer than 100 feet from an arterial street or property line (an excessive standard once again). The minimum lot size for single family dwellings is 15,000 s.f., and in PUDs no two adjacent single family homes may be alike. The PUD also has a provision for low and moderate income housing. The applicant is required to provide not less than 5% of the total units for low income families and not less than 15% for low and moderate income families combined. The average number of bedrooms in such housing must be the same as that of the community as a whole. In addition, if subsidies are unavailable for low and moderate income housing, the applicant may provide unsubsidized "Senior Citizens Housing" defined as persons over 48 years of age and without children.

The excessiveness of the bulk and area standards of the three types of residential uses permitted in PUDs has already been described (see I A, C and D). The discussion here will be confined to those standards of the PUD which are considered to be excessive. First the excessively large minimum tract size and density requirements should be eliminated or reduced. Small PUDs should be permitted and the standards suggested above in I-A, C and D, including density, should apply to each housing type within the PUD.

The standards pertaining to the provision of low and moderate income are in themselves close to being reasonable, but within the context of the PUD regulations and from an historical perspective of PUD developments in Franklin, provide little opportunity for such housing to be produced. Each of these points will be dealt with separately.

First, in accordance with Mt. Laurel II, the percentage of lower income housing should be increased to 20%, with 10% for low and 10% for moderate income families. Standards for such development should, as contained in the Franklin ordinances, be those established by HUD and/or NJFHA in all respects, and should apply to both subsidized and unsubsidized housing.

Second, the PUD regulations should themselves be made more reasonable (as already suggested) to increase the likelihood and number of PUDs which could be developed in Franklin. Of fundamental importance is the reduction of the minimum tract size and increase in the gross density.

Third, the assertion that both the PUD and lower income housing regulations are unreasonable and excessive as currently constituted are borne out by the history of such developments. Only two PUDs have been developed; only in one PUD was the lower income housing requirement enforced; and permission for such provision was granted only after prolonged litigation and attempts by Franklin to deny such developments (see Appendix A for a description of this history).

Fourth, in PUDs, the obligation to build lower income housing can be bypassed if subsidies for lower income housing or for senior citizens housing are unavailable. Due to the shortage of such subsidies, it is likely in many cases that such housing would not be provided. Even though the developer would be obligated to provide senior citizens housing in lieu of lower income housing, the Mt. Laurel obligation would not be met.

F. MANDATORY SET-ASIDE REQUIREMENTS

Earlier this year Franklin Township enacted a low and moderate income mandatory set aside ordinance (similar to that required for PUDs), presumably applying to all residential developments. Although not made clear, it is assumed that the mandatory set aside must apply to all residential developments. There is no differentiation between small and large projects, between different housing types or zones or if single family developments have to participate in such a program.

Similar to PUDs, at least 5% of the dwelling units in a project must be provided for low income families while at least 15% of the number of units must be provided for low and moderate families. There are also provisions for phasing in such housing as development of the entire project proceeds, and affordability controls for ensuring that the affordable units remain in the hands of low and moderate income families over time.

The applicant, instead of providing affordable housing, may sell land to a non-profit corporation or provide a rent or mortgage subsidy in accordance with HUD or NJFHA guidelines in order to satisfy his obligation. In the case of unsubsidized developments, the applicant may satisfy the obligation by "demonstrating in writing that the proposal will benefit the same number of families at the same income levels, and for the same rentals or prices which the low and moderate dwelling units are intended to ensure".

This provision, like the rest of the ordinance, is very vague, and does not provide sufficient guidelines to ensure that the applicant will meet the mandatory set aside requirements, or the equivalent thereof. Without much more specific guidelines, without economic incentives for providing lower income housing (such as density bonuses) and without significant reduction of standards (such as density restrictions) and the elimination of cost generating requirements it is unlikely that this program, as constituted, will provide any lower income housing. Reliance on evidence of past experience in Franklin with respect to low and moderate income housing, indicates there is little doubt that the ordinance will not be properly applied, and that little if any lower income housing will be produced.

G. SUMMARY

Franklin's residential zoning provisions do not adequately provide opportunities for low and moderate income housing to be constructed in the Township. A combination of unreasonable density standards, lack of provision for mobile homes, cost generating and excessive bulk and area requirements, a vague and unsatisfactory set aside ordinance, as well as a history of delaying and obstructing developments which include lower income housing, demonstrate a failure of the Township's zoning to fulfill its Mt. Laurel obligation.

II. FEES

Franklin Township in general has a reasonable schedule of fees. In some instances costs of review are pro-rated per hour for the amount of time an inspector, engineer or review board spends on the application, rather than a flat fee. This practice is sensible and acceptable.

However, due to the fact that it is the Township's obligation to provide opportunities for Mt. Laurel type housing, a flat fee of $50 per residential unit for the first 200 units in a project should be adopted, with a fee of $25 per additional unit over and above 200. This fee should cover all reviews - subdivision and site plan - which in the case of Mt. Laurel development, should be simultaneous. In addition, the Township presently has different fees for PUD approvals ($500 and $35 per acre for tentative approval and $500 and $10 per acre for final approval) than other subdivisions. No differentiation should be made in the case of Mt. Laurel developments.

One other fee seems excessive. The ordinance mandates fees for the attendance of a court reporter at all hearings. Such attendance should be at the option either of the reviewing body or the applicant, and fees should be paid only if such services are requested.

III. SUBMISSION REQUIREMENTS

The following requirements for submission for development applications are excessive.

1. Requiring either for subdivision or site plan review the floor plans or elevations for the project. Written descriptions should suffice along with the site plan or subdivision plat.

2. Other than in Mt. Laurel projects, the selling price, cost of construction and type of home to be built in a subdivision should not be required.

3. Requiring plans showing cross sections and containing intervals of 1 or even 2 feet is not reasonable. Unless floodplains are involved or if the applicant wishes to significantly alter grades, 5 feet contour intervals should suffice.

4. Requiring 25 copies of PUD plans for tentative approval is excessive. As in all other submissions, the original or a copy which is reproducible plus 15 copies is more than sufficient.

IV. OTHER DESIGN STANDARDS

The Franklin Township Ordinance also has a number of cost generating or excessive design requirements. This includes, but is not limited to, the following.

1. Requiring screening for all seasons of the year of playgrounds, parking lots and service areas from adjacent properties and streets.

2. Requiring parking stalls (for 90 degree parking) to be 10 feet by 20 feet. A more reasonable standard of 9 feet by 18 feet should be permitted.

3. Interior driveways between parking (i.e. aisles) of 24 feet are required. Twenty feet is reasonable. Where no parking is provided interior driveways should be 12 feet for one way (not 15 feet) and 18 feet for two ways (not 22 feet).

4. Private walkways need only be 3 feet wide, not 4 feet.

5. The landscaping requirements provide for specific species of trees to be used in specific circumstances (i.e. side yards, shade trees, screening, etc.). Such matters are best left to the discretion of the applicant.

6. While all possible efforts for saving existing trees on a site should be made by the applicant, requiring the engineers' approval to remove trees is excessive.

7. With respect to landscaping, the approving authority may ask that additional landscaping be provided in a project, even if the project already meets the standards. Such discretionary judgement on an issue unrelated to public health and safety could be used to unnecessarily delay or deny approval, and should thus be removed.

V. ENVIRONMENTAL IMPACT ASSESSMENT STATEMENT (EIAS) REQUIREMENTS

The Township requires the submission of an EIAS in three cases:

a. where more than 75% of a site is covered (i.e. by buildings, paving and/or other improvements)

b. for projects in which a building or buildings have 5,000 square feet of floor area

c. where a building and paved area covers 5,000 square feet.

Section 600.8 goes on to describe an exhaustive list of information which must be collected and analyzed as part of the EIAS. For projects of this small a magnitude the requirement of an EIAS is excessive.

Projects smaller than 10 acres should not be required to furnish an EIAS for developments over 10 acres, an EIAS should only be necessary if it is required by some state or federal agency or if the Township has made a finding of need. A "finding of need" would be a formal declaration by the approving authority after having studied the concept or preliminary plat or site plan, that an EIAS is required. Included would be a list of reasons stating what environmental conditions necessitate an EIAS to be drawn up, the basis on which this finding has been made and informing the applicant exactly what problems must be addressed by an EIAS.

VI. OTHER UNMET OBLIGATIONS

In respect to satisfying their fair share obligation, Franklin Township has also failed to do the following:

1. Failed to provide any tax abatements to encourage the provision of low and moderate income housing.

2. Failed to provide sufficient incentives, such as density bonuses, to encourage developers to provide low and moderate income housing.

3. Prohibited trailer camps from the Township, and by not expressly permitting mobile homes anywhere in the Township, have effectively excluded same from the Township.

4. Rescinded a resolution of need for providing lower income housing.

5. Encouraged commercial and industrial development at the same time as discouraging residential growth, leading to an unbalanced zoning plan, and not permitting prospective employees in the Township to find adequate housing in Franklin.

6. Failed to allow cost-generating and excessive land use regulations to be relaxed to encourage the provision of lower income housing.

APPENDIX A

HISTORY OF PUDs AND LOW AND MODERATE INCOME HOUSING IN FRANKLIN

The 1972 Master Plan, an update of the adopted 1968 Master Plan, was the first of Franklin's plans to recognize the need to provide affordable housing in Franklin. Included both in the Master Plan Update and in the zoning ordinance which enacted the plan, two areas of Franklin were designated for Planned Unit Development (PUD) with low and moderate inclusionary devices. In the Cedar Grove-DeMott area a PUD option permitting a density of 3.5 units per acre on a minimum size tract of 300 acres was designated. Along Route 27 a Highway PUD option at 7.0 units per acre on a minimum size tract of 100 acres was designated. Both options required that at least 5% of the total units be made available for low income families, while together not less than 15% of the units available for low <u>and</u> moderate income families.

In 1975 the Township planner produced a document entitled "Housing Demonstration Study", in which it was said that an immediate need existed for over 1,500 units of low and moderate income housing. This number did not include low and moderate prospective need, resulting from future growth and added population in Franklin.

In December 1976, the Township amended the Zoning and Subdivision Ordinance without any major policy changes - in effect endorsing the 1968 Master Plan and 1978 Update. A Land Use Committee was appointed at the time to make recommendations in regard to the Master Plan. The Township Planner reported that the only affordable housing inclusionary device existing at the time were the two PUD options, especially the Highway Development (HD) PUD option with a maximum density of 7 units per acre. As a result of this, the PUD options were retained as part of the Master Plan.

In April of 1979 during the processing of the application for the Field PUD, Ordinance 940 was adopted which reduced the density of the HD - PUD option from 7.0 to 3.5 units per acre. In 1979, the zoning ordinance was readopted pending completion of the Master Plan, despite the inconsistency of the densities for the HD - PUD option between the Master Plan and the Zoning Ordinance.

The Master Plan was finally revised in 1980. Again it recognized the need to provide low and moderate income housing and the need for 4,400 units of low and moderate income housing by 1990 to meet Franklin's fair share obligation.

In July 1981 a decision by Judge B. Thomas Leahy invalidated ordinance 940, which cut the permitted density of the HD - PUD option from 7.0 to 3.5 units per acre.

In 1981-1982 the Township's Master Plan was updated once again, this time by planning consultant Alan Dresdner. The Master Plan recognized the need for "about 3,000 least cost and/or subsidized housing units by the time the Plan is fully implemented" (at page 60). Since the adoption of the Master Plan, the Township has enacted a mandatory set aside program, the weaknesses of which have already been described in the text of this report.

Paralleling this history of the Master Planning process, in which the need for providing opportunities for low and moderate income housing has repeatedly been spelled out, is a history of the Township adopting zoning ordinances which failed to provide for this need, and the hindrance and delay of developments which were willing and able to fulfill this need. The only inclusionary device, the PUD option, has resulted in two projects: the "Bonner" PUD, in which the Township provided a waiver from the requirement of providing the required percentage of low and moderate income units in the project; and the "Field" PUD, which was granted only preliminary approval after a five year history of delays, obstruction and litigation. In addition, the Township has rescinded a resolution of need necessary for the construction of subsidized housing in Franklin and has failed to provide sewers for low and moderate income housing, while providing such services to commercial and industrial uses.

More recently another effort to develop a PUD was obstructed by the Township. In December 1983, JZR Associates filed an application for tentative approval for a PUD on their 155 acre tract. The then current zoning ordinance permitted the development of PUDs at a maximum density of 7 units per acre on minimum tract sizes of 100 acres. While the application was pending an amendment to the zoning ordinance was introduced and adopted permitting a maximum density of only 3 1/2 units per acre on a minimum tract of 300 acres, for PUDs, thereby making it impossible for JZR to develop their property as a PUD.

A FAIR SHARE HOUSING ALLOCATION FOR FRANKLIN TOWNSHIP IN SOMERSET COUNTY AND AN ANALYSIS OF FRANKLIN'S CONFORMANCE TO THE MOUNT LAUREL II DECISION

FLAMA CONSTRUCTION, JZR ASSOCIATES

Prepared by

Abeles Schwartz Associates, Inc.
434 Sixth Avenue
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April 1984

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I. INTRODUCTION

This report estimates the "fair share" allocations of present and prospective regional low and moderate income housing which must be provided for by Franklin Township in Somerset County, New Jersey.

The methodology used to determine this fair share allocation is based on a consensus reached by the planners involved in Urban League of Greater New Brunswick v. Carteret at the request of Judge Eugene D. Serpentelli. This methodology was developed to establish consistency in determining the most appropriate region and fair share numbers for specific municipalities, and combines a wide variety of expert opinion concerning data sources, estimating techniques and assumptions. Although the results of the consensus methodology may require adjustment under given circumstances, the methodology is generally well-conceived and reasonable.

This fair share plan conforms to the definitions and methodological guidelines contained in the recent New Jersey Supreme Court Decision, So. Burlington NAACP et.al. v. Township of Mt. Laurel, 92 N.J. 158 (1983), referred to hereinafter as Mount Laurel II. This decision reaffirmed and refined the doctrine, first articulated by the Supreme Court in its 1975 decision in the same case, that municipalities like Mt. Laurel must "affirmatively afford" the opportunity for decent and adequate low and moderate income housing, "at least to the extent of the municipality's fair share of the present and prospective regional need therefor", 67 N.J. 151 (1975) at 174 (hereinafter referred to as Mount Laurel I).

The determination of municipal fair share allocations involves three basic steps:

- identification of the relevant fair share housing region or regions.
- calculation of present and prospective housing needs of low and moderate income households in the region(s).
- allocation of these needs to the municipalities within the region(s) based upon predetermined criteria.

These three steps are outlined below using the consensus methodology. While major assumptions and justifications are generally noted, a more detailed discussion of the consensus methodology is contained in the Fair Share Report prepared by Carla Lerman for the Carteret case, dated April 2, 1984.

II. DEFINITION OF REGION

A fair share allocation region is a geographic area within which low and moderate income housing need is quantified and distributed to municipalities in an equitable and rational manner. Each municipality must meet both its present and prospective need. The major considerations leading to quantification and distribution differ, however, with respect to present and prospective need. Consequently, two separate regions - a prospective need region and a present need region - are used to determine a municipality's fair share allocation.

A. DEFINING THE FAIR SHARE REGION: PROSPECTIVE NEED

A municipality's relevant fair share region for determining prospective need must encompass the housing market area within which low and moderate income households seeking shelter would be expected to locate if affordable housing were available. The Supreme Court, in Mount Laurel II, reaffirming its previous decision in Oakwood at Madison, Inc. v. Twp. of Madison, defined region as

> that general area which constitutes, more or less, the housing market area of which the subject municipality is a part and, from which the prospective population of the municipality would substantially be drawn in the absence of exclusionary zoning.*

The most important determinant of residential location is accessibility to employment opportunities, and thus the composition of the relevant region depends primarily on the location of actual and prospective employment centers and the availability of transportation facilities. Low and moderate income households can be expected to seek housing

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* 92 N.J. 158 at 256, quoting 72 N.J. at 537.

readily accessible to their jobs. Accordingly, the area within 30 minutes driving time from a municipality approximates its prospective need region. This area is known as the municipality's "commutershed".

The report prepared by planners involved in Urban League of New Brunswick v. Carteret for Judge Serpentelli established the following objective standards for determining prospective need commutershed regions:

1) measurement of a municipality's commutershed will be from the municipality's approximate center;

2) the commutershed will be based on a 30-minute driving time measured at the following speeds:
   - 30 miles per hour on local and county roads;
   - 40 miles per hour on state and federal highways; and
   - 50 miles per hour on interstates, the Garden State Parkway and New Jersey Turnpike

3) the entirety of any county entered within the 30-minute driving time will be considered part of the commutershed region for prospective need allocation.

The third criterion ensures that reliable data is available from standard sources. In particular, reliable population projections are not prepared for any geographic area smaller than whole counties.

The 30-minute commutershed for Franklin Township encompasses Somerset, Middlesex, Mercer, Hunterdon, Union and Monmouth Counties. These counties constitute the prospective fair share region for Franklin.

B. DEFINING THE FAIR SHARE REGION: PRESENT NEED

In contrast to prospective need, the major consideration in the determination of present need concerns existing housing conditions. The Supreme Court, in Mt. Laurel II, stated that:

> All municipalities' land use regulations will be required to provide a realistic opportunity for the construction of their fair share of the region's dilapidated or overcrowded lower income units, including their own. Municipalities located in "growth areas" may, of course, have an obligation to meet the present need of the region that goes far beyond that generated in the municipality itself; there may be some municipalities, however, in growth areas where the portion of the region's present need generated by that municipality far exceeds the municipality's fair share. The portion of the region's present need that must be addressed by municipalities in growth areas will depend, then, on conventional fair share analysis, some municipalities' fair share being more than the present need generated within the municipality and in some cases less.*

In essence, the court postulates that a present need fair share region integrate the older urban core areas that are burdened by high levels of indigenous need and the less developed newer suburban areas that offer the resources to accommodate that need. In light of this, the following present need regions have been defined:

Region 1: Bergen, Passaic, Sussex, Morris, Essex, Hudson, Warren, Hunterdon, Somerset, Union and Middlesex Counties;

Region 2: Mercer, Burlington, Camden and Gloucester Counties

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* 92 N.J. 158 at 243.

Region 3: Monmouth and Ocean Counties; and
Region 4: Atlantic, Cumberland, Cape May and Salem Counties.

Franklin Township falls within the present need region for the northern half of the state, or Region 1.

III. [illegible] OF PROSPECTIVE NEED

[illegible]

[illegible] Laurel I and II the Supreme Court set forth a [illegible] obligation to provide a realistic opportunity for [illegible] share of the region's present and prospective low and [illegible] income housing need".* However, prospective need [illegible] defined as "the number of units...needed for a [illegible] period of time in the future".**

[illegible] purpose of this fair share plan a ten-year period [illegible] to 1990) appears to be most appropriate. While past [illegible] plans have often projected housing need for a [illegible]-year period, the reliability of such projections [illegible] rapidly with increasing time. It appears that a [illegible] sensible approach is to make shorter-term projections [illegible] are then updated as soon as new baseline data becomes [illegible]. In practical terms, the next opportunity to [illegible] a detailed picture of regional housing conditions and [illegible] will be after the next Census is undertaken in 1990. [illegible] recent existing data was collected in 1980. Thus, [illegible] ten-year period between these two dates was used.

[illegible] frame ending in 1990 also makes sense as a reasonable [illegible] horizon for municipalities seeking to adjust their [illegible] regulations to provide for low and moderate income [illegible] needs. The New Jersey Municipal Land Use Law [illegible] re-examination of each municipality's land [illegible] regulations at least every six years.*** A

* [illegible] N.J. 158 at 205.

** [illegible] at 215.

*** N.J.S.A. 40:55D-89.

housing need projection to 1990 leaves a full six-year period prior to the next required re-examination of such ordinances.

The future need for low and moderate income housing is largely determined by the rate at which new low and moderate income households are formed or migrate to the region.* This, in turn, is largely a function of population growth, although many other variables, such as the age distribution of the population, marriage and divorce rates, family composition, social forces, employment patterns and the availability of housing all contribute to determine the number of households.

B. PROJECTED POPULATION AND HOUSEHOLD CHANGE

Relatively sophisticated county population projections for 1990 have recently been prepared by the New Jersey Department of Labor.** In addition to total numbers of persons expected to reside in each county in 1990, estimates of the numbers of persons by sex and age group have been calculated.

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* The Census defines "household" as all the persons who occupy a housing unit. Thus, by definition, there is a one-to-one relationship between the number of households and the number of housing units needed.

** Office of Demographic and Economic Analysis, Division of Planning and Research, N.J. Department of Labor, New Jersey Revised Total and Age & Sex Population Projections (1985-2000), July 1983.

separate sets of projections were generated by four different models of future growth patterns. Two models (the ODEA Economic/Demographic and ODEA Demographic Cohort) are "preferred" by the Department of Labor as theoretically superior to the other two "regression" models. Both ODEA models are "cohort-component method" projections, however the Economic/Demographic model differs from the Demographic Cohort method in that migration of persons 65 years of age and under is computed based upon projected labor market conditions rather than on the basis of migration trends during the previous decade.*

As the two models project ranges of future population change, they have been combined to avoid extremities in the projections. This composite is achieved by taking the average of the two models for each age cohort. The total number of households is then derived by multiplying each of these age cohorts by the expected percentage of persons in the cohort who will be heads of households, or a "headship" rate.**

This method is used on a county-by-county basis for all those counties in the commutershed region to obtain the base number of households in the region. In the Franklin Township commutershed region the total number of households in 1990 is projected to be 901,584. This number represents an increase of 155,071 new households over 1980 (see Table 1).

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* See Id. pp. 1-8 for a full discussion of the assumptions and methodologies used to generate these two sets of projections.

** This technique uses the methodology developed by the Rutgers Center for Urban Policy Research in Mount Laurel II, Challenge and Delivery of Low-Cost Housing.

TABLE 1

PROJECTED MT. LAUREL HOUSEHOLDS, 1990, BY COUNTY

FRANKLIN'S COMMUTERSHED REGION

County	1990 Households	Minus	1980 Households	x	.394	=	Mt. Laurel Households
Somerset	89,681	-	67,368	x	.394	=	8,791
Middlesex	245,989	-	196,708	x	.394	=	19,417
Mercer	118,997	-	105,819	x	.394	=	5,192
Hunterdon	37,857	-	28,515	x	.394	=	3,680
Union	194,487	-	177,973	x	.394	=	6,506
Monmouth	214,573	-	170,130	x	.394	=	17,510
TOTAL	901,584	-	746,513	x	.394	=	61,096

C. PROJECTED LOW AND MODERATE INCOME HOUSEHOLD GROWTH

The projected share of low and moderate income households is based upon the current proportion of low and moderate income households in the State of New Jersey. Low-income households are defined as those households with incomes no greater than 50% of the median household income for the state. Moderate income households are those households with incomes that do not exceed 80%, and are no less than 50% of the statewide median. In New Jersey, 39.4% of the households are classified as low or moderate income households. The number of new low and moderate income households for the commutershed region can therefore be projected by multiplying the total number of new households by 39.4%. In Franklin's commutershed region, there will be an estimated 61,096 new low and moderate income households by 1990 (see Table 1).

IV. ALLOCATION OF PROSPECTIVE NEED

The Mount Laurel II decision requires that the housing allocation process be tied to the concept land use maps contained in the State Development Guide Plan (SDGP).* These designate "Growth Areas" (including entire municipalities and portions of municipalities) "where accessibility to employment and services make them particularly suitable for development".** The SDGP's three other major land use categories (limited growth, conservation and agricultural) are collectively referred to as "non-growth" areas by the Mount Laurel II decision, although the Guide Plan recognizes that it is neither desirable nor feasible to limit all future development to growth areas.

As a means of channelling development of low and moderate income housing to the most suitable locations in the state, the Supreme Court decided that "in non-growth areas...no municipality will have to provide for more than the present need generated within the municipality, for to require more than that would be to induce growth in that municipality in conflict with the SDGP".***

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* Division of Planning, New Jersey Dept. of Community Affairs, May 1980.

** Id., p. 47. According to the Plan these areas were delineated using the following criteria: location within or adjacent to major population and/or employment centers; location within or in proximity to existing major water supply and sewer service areas; location within or in proximity to areas served by major highway and commuter rail facilities; absence of large concentrations of agricultural land; and absence of large blocks of public open space or environmentally-sensitive land.

*** 92 N.J. 158 at 244.

Regarding the appropriate criteria to use in allocating regional housing need to eligible municipalities, Mount Laurel II says only the following:

> Formulas that accord substantial weight to employment opportunities in the municipality, especially new employment accompanied by substantial ratables, shall be favored; formulas that have the effect of tying prospective lower income residents to the total population of a municipality shall be disfavored; formulas that have the effect of unreasonably diminishing the share because of a municipality's successful exclusion of lower income housing in the past shall be disfavored.*

The planners in the Carteret case agreed that availability of land, employment opportunities, recent job growth and the economic status of the municipal population are relevant considerations in allocating prospective housing need. Four allocation criteria were selected by the group as indicators of these considerations.

1) municipal employment growth as a percentage of commutershed employment growth for the period 1972 to 1982

2) present (1982) municipal employment as a percentage of present (1982) commutershed employment

3) municipal land in the growth area as a percentage of commutershed land in the growth area

4) municipal median household income as a percentage of median household income in the commutershed.

Municipalities with no land in State Development Guide Plan "Growth Areas" are exempt from an obligation to provide for the prospective regional housing need under the Mount Laurel II decision. In addition, there was a consensus that many of the state-designated "Urban Aid" municipalities should be exempt by virtue of their already considerable housing burdens.

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* 92 N.J. 158 at 256.

Employment in non-growth areas* and selected urban aid cities** must therefore be deducted from the commutershed totals (see Tables 2 and 3). Similarly, the urban aid cities must be deducted from the commutershed totals for land in the growth area (see Table 4).

These three adjusted factors (employment growth, current employment and land in the growth area) are then averaged to establish a preliminary allocation percentage. After this preliminary allocation factor is derived, the ratio of the municipality's median household income to the median income in the region is multiplied by the preliminary allocation factor to establish a "wealth factor". The wealth factor reflects municipalities' previous land use practices. A municipality which has not been exclusionary in its zoning will generally have a lower median household income than one which has been exclusionary and should therefore receive a smaller proportion of the prospective need allocation. The wealth factor is then averaged with the other three factors to develop the final composite allocation factor. This factor is in turn multiplied by the number of projected 1990 households in the commutershed to determine the preliminary prospective need for each municipality.

Over and above this preliminary prospective need, municipalities also need to accommodate the excess prospective need of communities without adequate vacant land to accommodate their allocations. A 20 percent factor is used to anticipate the need for such a reallocation. Although a more desirable procedure would use the actual amount of vacant developable land, the 20% factor has been substituted for two reasons: (1) the amount of vacant developable land is not readily available from any

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* See Appendix 1.

** See Appendix 2.

TABLE 2

TOTAL COVERED EMPLOYMENT, 1982, BY COUNTY

FRANKLIN TOWNSHIP COMMUTERSHED

County	1982 Covered Employment	Deduct Employment in Non-Growth Areas	Deduct Employment in Urban Aid Cities (Selected)	Total For Present Need Allocation Formula
Somerset	82,891	161	0	82,730
Middlesex	240,794	0	32,322	208,472
Mercer	109,951	1,225	23,624	85,102
Hunterdon	20,465	6,987	0	13,478
Union	225,505	0	61,124	164,381
Monmouth	131,074	4,333	14,246	112,495
TOTAL	810,680	12,706	131,316	666,658

TABLE 3

EMPLOYMENT GROWTH, 1972 - 1982, BY COUNTY

FRANKLIN TOWNSHIP COMMUTERSHED

County	1972 Covered Employment (Excluding Employment in Non-Growth Areas & Urban Aid Cities)	1982 Covered Employment (Excluding Employment in Non-Growth Areas & Urban Aid Cities)	Net Covered Employment Growth 1972-1982 (Excluding Employment in Non-Growth Areas & Urban Aid Cities)
Somerset	56,942	82,730	25,788
Middlesex	141,251	208,472	67,221
Mercer	61,570	85,102	23,532
Hunterdon	9,066	13,478	4,412
Union	149,277	164,381	15,104
Monmouth	77,598	112,495	34,897
TOTAL	495,704	666,658	170,954

TABLE 4

STATE DEVELOPMENT GUIDE PLAN:
GROWTH AREA BY COUNTY, IN ACRES

FRANKLIN TOWNSHIP COMMUTERSHED

County	Growth Area	Deduct Growth Area in Urban Aid Cities	Net Total Growth Area for Reallocation Formula
Somerset	100,455	0	100,455
Middlesex	154,110	6,432	147,678
Mercer	105,086	4,800	109,286
Hunterdon	26,759	0	26,759
Union	65,875	13,050	52,825
Monmouth	156,624	4,832	151,792
TOTAL	608,909	29,114	579,795

reliable and easily accessible source, and (2) the 20% factor is of a magnitude similar to vacant land reallocation that occurred in 1978, the last time accurate vacant land data was available.

The allocation must also be increased by a vacancy factor to ensure market mobility. Generally, vacancy rates of 5.0% for rental housing and 1.5% for sales housing are considered adequate. As the construction of sales housing appears to be increasing at a greater rate than rental housing, an adequate vacancy rate for those two types has been determined to be approximately 3 percent. Thus, a 103 percent multiplier is used to derive the final prospective allocation number.

Table 5 calculates the preliminary prospective need allocation for Franklin Township. The most recent available employment figures reveal that there are 11,653 covered jobs in Franklin (col. 1). This constitutes 1.75% of the total number of jobs in the region (col. 3). The number of covered jobs in Franklin increased by 8,052 from 1972 to 1983 (col. 4). This represents 4.71 percent of the region's job growth over the same period (col. 6). Franklin was also found to have 14,330 acres of land in the growth area (col. 7) which represents 2.47% of the region's land in the growth area (col. 9).

The percentages in columns 3, 6 and 9 serve as the three preliminary allocation factors. Since each is given equal weight, they are averaged to derive a preliminary composite allocation factor of 2.98%, shown in column 10.

Table 5A demonstrates how the wealth factor affects the derivation of the preliminary composite factor. Because Franklin's median family income of $27,759 (col. 1) represents 87.8 percent of the median income in the region (col. 3), this percentage is multiplied by the preliminary composite factor to obtain a wealth factor of 2.61% (col. 5). This percentage is

TABLE 5

FRANKLIN TOWNSHIP

PROSPECTIVE ALLOCATION FACTOR

1982 Employment			Employment Growth, 1972-1982			Land in Growth Area (Acres)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Franklin	Region	Franklin as % of Region	Franklin	Region	Franklin as % of Region	Franklin	Region	Franklin as % of Region	Preliminary Composite Factor (Percentage Average of Factors)
11,653	666,658	1.75	8,052	170,954	4.71	14,330	579,795	2.47	2.98

TABLE 5A

WEALTH FACTOR

(1)	(2)	(3)		(4)		(5)	(6)
Franklin	Region	Franklin as % of Region	x	Preliminary Composite Factor	=	Wealth Factor	Composite Factor (Percentage Average including Wealth Factor
27,759	31,609	.8782		2.98		2.61	2.89

then given the same weight as the other three factors (see Table 5, cols. 3, 6 and 9) such that the average of the four factors yields a final composite factor of 2.89% (col. 6).

The final composite factor is multiplied by the projected regional low and moderate income housing need of 61,096 units, shown in Table 6. This calculation results in a prospective need of 1,765 units (col. 3). In order to accommodate the unmet need of those municipalities with insufficient vacant land, the reallocation of a total of 353 units brings the prospective need to 2,118 units (col. 4). Finally, when the vacancy factor is added, this figure is increased by another 64 units (col. 5), yielding a total of 2,182 units. This represents Franklin's total prospective need for the period 1980 to 1990.

TABLE 6

PROSPECTIVE NEED: FRANKLIN TOWNSHIP

(1) Region's Mt. Laurel Households (1990)	x	(2) Composite Allocation Factor	(3) Prospective Need	x	(4) Reallocation Factor	x	(5) Vacancy Factor (1.03)	=	(6) Total Prospective Need
61,096		2.89%	1,765		2,118		2,182		2,182

V. DETERMINATION AND ALLOCATION OF PRESENT NEED

A. REGIONAL PRESENT NEED DETERMINATION

Indigenous need refers to a municipality's obligation to correct its existing substandard housing situation. All municipalities - except those which have indigenous housing needs in excess of the overall standard of housing deficiencies in the region (see Table 7) - must meet their indigenous housing needs. They must also accommodate the reallocated indigenous need of those municipalities with excess housing needs.

The indigenous housing need within a region is computed based upon three criteria: overcrowding (more than 1.01 persons per room), units lacking complete plumbing for exclusive use of the occupants, and units lacking adequate heat. The sum of these deficiencies represents the total number of substandard units in the region. According to Tri-State Regional Planning Commission studies, approximately 82% of the region's substandard units are occupied by lower income households. Therefore, it is assumed that the total number of substandard units in the region multiplied by 82% approximates the number of substandard units in the region occupied by low and moderate income households. The proportion of substandard units occupied by low and moderate income households divided by the total number of occupied units in the region represents the percentage of substandard units occupied by low and moderate income households, referred to as the regional standard. All municipalities whose proportion of deficient housing units occupied by low and moderate income households exceeds the regional standard do not have to meet whatever surplus needs they may have. Instead, this surplus need is

Table 7

SUBSTANDARD HOUSING UNITS: INDIGENOUS NEED, BY COUNTY, 1980

(overcrowded, lacking plumbing for occupants' exclusive use, lacking central heating, without flues) (all overlapping excluded)

County	Total Occupied Units	Over-crowded	Units Lacking Complete Plumbing	Units Lacking Adequate Heating	Total Substandard Units	Total Substandard Mt. Laurel Households (total x .82	Percent Substandard Mt. Laurel Households of Total Occupied Units
Bergen	300,410	6,017	3,211	3,029	12,257	10,051	3.3
Essex	300,303	19,479	7,114	7,736	34,329	28,150	9.4
Hudson	207,859	15,117	7,025	7,721	29,863	24,488	11.8
Hunterdon	28,515	425	345	1,172	1,942	1,592	5.6
Middlesex	196,708	5,708	2,406	1,862	9,976	8,180	4.2
Morris	131,820	2,169	848	1,738	4,755	3,899	3.0
Passaic	153,463	8,028	3,100	5,007	16,135	13,231	8.6
Somerset	67,368	1,146	554	630	2,330	1,911	2.8
Sussex	37,221	796	337	1,686	2,819	2,312	6.2
Union	177,973	6,131	2,350	2,348	10,829	8,880	5.0
Warren	29,406	518	444	1,090	2,052	1,683	5.7
Total:	1,631,044	65,534	27,734	34,019	127,287	104,377	6.4

reallocated among eligible municipalities in the region whose proportion of units occupied by low and moderate income households is below the regional standard.

Table 7 indicates that the regional standard for low and moderate income households is 6.4%. Using this figure, the total unmet need among municipalities with surpluses is 35,014 units. This excess need must be reallocated to eligible municipalities in the region, which includes Franklin Township.

B. <u>ALLOCATION OF PRESENT NEED</u>

1. REALLOCATED NEED

The formula for the reallocation of the surplus need combines three factors:

(1) municipal employment as a percentage of total employment in the present need region (1982);

(2) municipal land in the growth area as a percentage of total growth area land in the present need region; and;

(3) municipal median household income as a percentage of total median household income in the present need region.

In order to attain a composite factor among the three outlined above, the employment in non-growth and urban aid cities must first be deducted from the regional totals and the urban aid cities must be deducted from the regional total for land in the growth area. These two adjusted factors are averaged to establish the preliminary allocation factor. This preliminary factor is multiplied by the municipality's median household income ratio to ascertain the wealth factor. The wealth factor is then combined and averaged with the preliminary allocation factor to produce the present need allocation factor.

The present need allocation factor is multiplied by the regional surplus to determine the municipality's share of the reallocation. In order for municipalities to adjust gradually to this lower income population redistribution, their reallocations will be staged over three six-year periods. The share to be met by a municipality by 1990, therefore, is the total allocation divided by three. As with the prospective need, reallocations must be made to accommodate the needs of municipalities without sufficient land and to insure an adequate vacancy rate for market mobility before deriving the final reallocation number.

Table 8 shows the calculation of Franklin's present need composite allocation factor. Franklin's 11,653 covered jobs (col. 1) constitute .936% of the total number of jobs with the present need region (col. 3). Franklin's 14,330 acres of growth area (col. 4) represents 2.05% of the present need region's total growth area lands (col. 6). These two percentages are averaged to obtain the preliminary allocation factor of 1.493% (col. 7).

Table 8A derives the wealth factor. Franklin's median family income of $27,759 (col. 1) represents 90.32% of the region's median family income (col. 3). This income relationship is then multiplied by the preliminary composite factor, which yields a wealth factor of

TABLE 8

FRANKLIN TOWNSHIP

PRESENT NEED ALLOCATION FACTOR

(1) Franklin	(2) Region	(3) Franklin as % of Region	(4) Franklin	(5) Region	(6) Franklin as % of Region	(7) Preliminary Composite Allocation Factor
11,653	1,244,632	.936	14,330	699,163	2.050	1.493

TABLE 8A

WEALTH FACTOR

Median Family Income			Preliminary Composite Allocation Factor	=	Wealth Factor	Composite Allocation Factor (inc. Wealth Factor)
Franklin	Region	Franklin as % of Region				
$27,759	$30,735	90.32	1.493		1.3485	1.445

1.3485% (col. 5). This percentage is given the same weight as the other two factors (see Table 8, cols. 3 and 6) by taking the average of the three factors. This calculation results in a final composite factor of 1.445% (col. 6, Table 8A).

Table 9 shows the calculation of the prospective need. The composite factor multiplied by the regional excess (col. 1) equals Franklin's share of the reallocation. In order to allow for the gradual phasing of these households, Franklin is only required to meet one-third of this need by 1990. Its present reallocation need to 1990 is therefore 169 units (see col. 4). The reallocations necessary to accommodate the excess from municipalities without sufficient vacant land (col. 5) and to ensure market mobility (col. 6) are then added to increase this number to 208 units. This represents Franklin's share of the reallocated excess need to be met by 1990.

2. INDIGENOUS NEED

In addition to accommodating its fair share of the reallocated excess present need in the region, Franklin must accommodate the present lower income housing need within its own borders, also known as its indigenous need. Table 10 quantifies Franklin's indigenous need based on three indicators or deficient conditions. The Township's deficient units include 135 occupied housing units without complete plumbing, 100 occupied housing units with no or inadequate heat, and 214 occupied housing units that are overcrowded (more than 1.01 persons per room). In total, the Township has 449

TABLE 9

REALLOCATED NEED: FRANKLIN TOWNSHIP

	(1) Reallocated Excess in Region	x	(2) Composite Allocation Factor	=	(3) Share of Reallocation	(4) Share to be Met by 1990 ((3) ÷ 3)	(5) Reallocation Allowance (x 1.2)	(6) Vacancy Allowance (x 1.03)
Franklin	35,014		1.445		506	169	202	208

TABLE 10

FRANKLIN TOWNSHIP: INDIGENOUS NEED

	Total Occupied Year-Round Housing Units	Without Complete Plumbing	With No or Inadequate Heat	Overcrowded Units	Total Substandard Units	Total Substandard Units Occupied By Low & Mod. Income Households (x .82)	Total Indigenous Need
Franklin	10,040	135	100	214	449	368	368

substandard units. Low and moderate income households occupy an estimated 82% of these units. Thus, Franklin's indigenous need is 368 units.

3. TOTAL PRESENT NEED

Franklin's total present need to be met by 1990 includes its share of the region's allocated surplus and its own indigenous need. Therefore, when the 368 indigenous need units are added to the Township's share of the reallocated excess to be met by 1990, Franklin's total present need is 576 units.

VI. FRANKLIN'S FAIR SHARE ZONING OBLIGATION

Franklin Township's total lower income housing allocation is 2,758 units, including 2,182 units to meet prospective housing needed between 1980 and 1990, and 576 units to meet present housing needs as of 1980. According to the Mount Laurel II decision the total allocation must be provided for by Franklin's land use regulations. Ideally, this number of lower income units will be constructed by 1990 to meet the identified housing needs.

The Mount Laurel II decision indicates that rezoning to meet indigenous and allocated present housing needs should occur immediately, whereas provision for prospective lower income households may be met by a "phase-in" over the period encompassed by the fair share plan.* However, because the most recent Census was in 1980, the housing need calculations in this plan are already 4 years old. Unless 40 percent of the total number of needed lower income housing units have already been provided between 1980 and 1984, it appears only reasonable that all or most of the prospective zoning obligation should be met immediately, in addition to immediate provision for present needed lower income units.

Although Franklin recently took a step towards meeting this obligation by approving 400 low and moderate income units as part of the Field Society Hill PUD off Route 27 south of Claremont Road, the Township's land use regulations must be revised in order to make possible the provision of its entire fair share obligation.

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* 92 N.J. 158 at 219.

VII. OTHER INDICATORS OF FRANKLIN'S OBLIGATION UNDER MT. LAUREL II

A. UNAVAILABILITY OF AFFORDABLE HOUSING

Another indication of the need for affirmative measures to provide for low and moderate income housing in Franklin is the current unavailability of units affordable to these income groups. The Mount Laurel II decision defines "affordable" housing to mean that households must pay no more than 25% of their income for such dwellings.*

Applying this definition to the current income ranges for low and moderate income households in the Somerset County area (as determined by the Department of Housing and Urban Development), Table 11 shows the maximum monthly shelter costs which can be afforded by households with one to six persons. These range from under $238 per month for a one-person low-income household up to a maximum of $591 per month for a six-person household at the top of the moderate income group.

In Franklin the most affordable housing, in terms of monthly cost, is offered by the Township's considerable stock of rental apartments.** Most of these are located in several large developments constructed since 1970. With one exception, however, these developments do not contain any apartments with more than 1 or 2 bedrooms. Consequently, they do not provide an adequate housing opportunity for households with more than four persons, such as families with children.

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* 92 N.J. 158 at 221, footnote 8.

** Approximately 28.5% of Franklin's housing, or 2,866 units, were occupied by renters in 1980.

TABLE 11

ANNUAL INCOMES AND MAXIMUM MONTHLY SHELTER COSTS
LOW AND MODERATE INCOME HOUSEHOLDS
NEWARK SMSA*, 1983

	Low-Income Households		Moderate-Income Households	
Household Size	Annual Income (1983)	Max. Monthly Shelter Costs**	Annual Income (1983)	Max. Monthly Shelter Costs**
1-Person	Below $11,450	Below $238	$11,450-$17,650	$238 - $368
2-Person	Below $13,100	Below $273	$13,100-$20,150	$273 - $420
3-Person	Below $14,700	Below $306	$14,700-$22,700	$306 - $473
4-Person	Below $16,350	Below $341	$16,350-$25,200	$341 - $525
5-Person	Below $17,650	Below $368	$17,650-$26,750	$368 - $557
6-Person	Below $18,950	Below $395	$18,950-$28,350	$395 - $591

* For most federal statistical purposes currently Franklin Township is included in the Newark Standard Metropolitan Statistical Area (SMSA) which incorporates Essex, Morris, Union and Somerset Counties.

** Assuming no more than 25% of gross household income is devoted to housing (excluding utilities)

SOURCE: Newark Area Office, U.S. Dept. of Housing and Urban Development Section 8 Income Limits effective March 1, 1983.

The current asking rents for apartments in Franklin are presented in Table 12. Although the lowest rents are offered at Edgemere Gardens, the demand for units there frequently exceeds the supply. Despite being located in an area with older, deteriorating housing, Edgemere consistently has a waiting list and very often does not accept additional applications.

The majority of the other projects have substantially higher rents. The asking rents for one-bedroom apartments range from $450 to $530 per month. This range clearly exceeds the reach of low-income households, and is beyond that of 2-person moderate income households and most 3-person moderate income households.

The affordability picture is even more dismal for two-bedroom apartments. While the lowest rents are at Franklin-Hamilton Gardens, which charges $383 per month, the normal range is from $500 to $710 per month. This is way beyond the means of low income households and would burden most moderate income families, including 4-person households.

In conclusion, Franklin's present housing stock does not appear to offer any units affordable to lower income households. For those existing apartments whose rents would be affordable to lower income households the demand so far exceeds the supply that rental applications are no longer being accepted. Except for a few smaller-sized units affordable to households at the upper limit of the moderate income range, the rest of the apartments in Franklin have rents that exceed the available resources of low and moderate income households. Moreover, Franklin does not offer rental apartments <u>at all</u> for larger households.

TABLE 12

ASKING RENTS AT APARTMENT PROJECTS
IN FRANKLIN TOWNSHIP*

Name of Project	# of Units	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
Franklin Greens	648	$440	$470-$520**	$565-$570	-
Easton North	212	-	$450	$560	-
Douglas Gardens	188	-	$450	$550	-
Somerset Mews	508	-	$438	$528	-
Carriage Run	160	-	$490-$640	$590-$710	-
Hempstead Gardens	599	-	$450-$460	$500-$510	-
Edgemere	398	-	-	$315	$383
Franklin-Hamilton Gardens	80	-	$332	$383	-
Harrison Towers	315	$372-$380	$472-$530	$650-$700	-

Rents exclude all utilities unless otherwise noted.

* As of November 17, 1983.

** Includes heat and hot water but tenant pays for electricity.

SOURCE: Franklin Township Rent Leveling Board.

Clearly, there is an unmet need for low and moderate income housing units of all sizes and affordable to households earning well below the maximum for moderate income households. Provision of multi-family housing that is not affordable to low and moderate income households, even if less expensive than other housing types, does not adequately address Franklin's obligation under Mount Laurel II.

B. IMBALANCE BETWEEN EMPLOYMENT-GENERATING ZONES AND RESIDENTIAL ZONING

One of the underlying principles of both the Mount Laurel I and Mount Laurel II decisions is that municipalities must zone to permit housing for low and moderate income persons presently working or expected to work within its borders. Thus, in Mount Laurel I the Supreme Court states that, "certainly when a municipality zones for industry and commerce for local tax benefit purposes, it without question must zone to permit adequate housing within the means of the employees involved in such areas". The decision found that the community had "over-zoned" for industry in order to benefit the local tax rate without providing zones in which low and moderate income industrial workers could afford to live.

A similar situation exists in Franklin Township. Approximately 7,650 acres, or over one-quarter of the Township, is zoned for commercial activities, industry or offices and research laboratories, yet there is no adequate provision for housing which is affordable to the low and moderate income employees who can be expected to work in these zones.

II. ANALYSIS OF FRANKLIN'S ZONING IN LIGHT OF MT. LAUREL II STANDARDS

A. THE MOUNT LAUREL II DIRECTIVES

In the Mount Laurel II decision the Supreme Court held that each municipality in New Jersey must provide a realistic opportunity for construction of its fair share of low and moderate income housing. A municipality's "bona fide attempt to provide a realistic opportunity" is not sufficient. Only if a municipality has in fact provided a realistic opportunity for construction of its fair share has it met the Mount Laurel obligation.

The decision sets forth a series of actions which municipalities must take in order to satisfy their Mount Laurel responsibilities. These are meant to be implemented in concert to the extent necessary to make the construction of low and moderate income housing realistically possible.

The court's first directive is for municipalities to "remove all municipally created barriers to the construction of lower income housing", including "zoning and subdivision restrictions and exactions that are not necessary to protect health and safety". An appropriate set of standards for such housing is the Department of Housing and Urban Development's Minimum Property Standards. Any provisions which exceed these minimums, and thereby generate unnecessary costs, violate the Supreme Court's directive to provide realistic opportunity for construction of lower income housing.

Unless removal of excessive restrictions, by itself, creates the housing opportunities called for, the court directs each municipality to take affirmative steps to make the opportunity for lower income housing a real one. The *Mount Laurel II* decision notes that "satisfaction of the *Mount Laurel* doctrine cannot depend on the inclination of developers to help the poor", but has to be assured by "affirmative inducements".* The court identifies two categories of affirmative measures municipalities must take:

(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 recognizes that presently housing subsidies are in extremely short supply and therefore turns to the second category of affirmative measures under the heading "inclusionary zoning devices". These consist of two basic strategies which may be combined and modified.

(1) Incentive Zoning - whereby an added increment of development density is granted to builders in return for their participation in a lower income housing program.

(2) Mandatory Set-Asides - which require that a given percentage of units in new developments be made affordable to low and moderate income households.

The combination of a developer set-aside with an appreciable density bonus is one of the most promising sources of new lower income housing. However, the elimination of all

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* 92 N.J. at 261.

** 92 N.J. at 262.

unnecessary development restrictions is a prerequisite for such a mechanism

B. SUMMARY OF ZONE PROVISIONS

Franklin's zoning designates a total of 16 zones as follows:

R-R	Rural-Residential
R-A	Rural-Agricultural
R-40 & R-40(1)	Residential
R-20	Residential
R-15	Residential
R-10	Residential
R-7	Residential
B-1	Regional Business
B-2	General Business
B-3	Neighborhood Business
H-D	Highway Development
OPT	Office-Professional Transition
ROL	Research-Office-Laboratory
M-1	Light Manufacturing
M-2	Light Manufacturing
M-3	Mining & Manufacturing

The provisions of Franklin's residential zones are summarized in Table 13. The R-R, R-A, R-40/R-40(1), R-20, R-15 and R-10 each permit single family residential development. Both the OPT and R-7 permit two family residences as well as single family homes. Minimum lot sizes for detached, single family development range from 7,500 to 100,000 square feet. An open space modification is available in the R-R, R-40 and R-20 zones, but not in the higher density zones.

TABLE 13

MAJOR PROVISIONS OF FRANKLIN'S RESIDENTIAL ZONES

Zone	Permitted Uses	Conditional Uses	Minimum Lot Size	Maximum Density	Maximum Height	Minimum Frontage	Minimum Front Yard	Permitted Modifications
RR	Farming 1-Family DU's Churches Nursery Schools Golf Courses Stables	-	100,000 s.f.	1 DU/2.29 acres	35' 2½ stories	200'	50'	-
R-A	Same as RR	-	50,000 s.f.	1 DU/1.15 acres	35' 2½ stories	200'	40'	-
R-40/ 40(1)	1-Family DU's Churches Golf Courses Farming Prvt. Schools	Schools Membership Swimming	40,000 s.f. 32,000 s.f. (see permitted modifications)	1 DU/acre .8 DU/acre	35' 2½ stories	200' 160'	40'	Variable Lot Size/Open Space Reduction Planned Unit Development (see below)
R-20	1-Family DU's Churches Schools	Same as R-40/ R-40(1)	20,000 s.f. 16,000 s.f. (see permitted modifications)	2 DUs/acre 1.6 DU/acre	35' 2½ stories	130' 80'	35'	Variable Lot Size/Open Space Reduction
R-15	1-Family DU's	-	15,000 s.f.	3DUs/acre	35' 2½ stories	120'	30'	-
R-10	1-Family DU's	-	10,000 s.f.	4DUs/acre	35' 2½ stories	105'	25'	-
R-7	1-Family DU's 2-Family DU's	-	7,500 s.f. 10,000 s.f.	5DUs/acre 4DUs/acre	35' 2½ stories	90'	25'	-

TABLE 13 (Cont'd.)

MAJOR PROVISIONS OF FRANKLIN'S RESIDENTIAL ZONES

Zone	Permitted Uses	Conditional Uses	Minimum Lot Size	Maximum Density	Maximum Height	Minimum Frontage	Minimum Front Yard	Permitted Modifications
B-1	Retail Stores and Services Funeral Homes Theaters, Laundromats Schools Nursing Homes Gen. Offices & Laboratories Motels Garden Apts.	-	5 acres	8 DUs/acre	40' 3 stories	300'	100'	-
B-2	Retail Stores Funeral Homes Theaters Laundromats Schools Prof. & Gen. Offices Auto Sales	Auto Service Stations Multi-Family Garden Apts.	20,000 s.f.	8 DUs/acre	30' 2 stories	100'	20'	-
H-D	Retail Gen. & Prof. Offices Science, Research Restaurants Theaters Funeral Homes Nursing Homes Garden Apts. Townhouses	Auto Service Stations	3 acres	8 DUs/acre (garden apts.) 7 DUs/acre (townhouses)	45' 3 stories	300'	75'	Planned Unit Development (see below)

MAJOR PROVISIONS OF FRANKLIN'S RESIDENTIAL ZONES

Zone	Permitted Uses	Conditional Uses	Minimum Lot Size	Maximum Density	Maximum Height	Minimum Frontage	Minimum Front Yard	Permitted Modifications
OPT	1-Family DUs 2-Family DUs Church Professional Offices	-	10,000 s.f. 10,000 s.f.	4 DUs/acre 8 DUs/acre	35' 2½ stories	100'	20'	-

	Min. Tract Size	Min. Single-Family Lot Size	Maximum Density
Planned Unit Development Option (permitted modification in the H-D and R-40/40(1) zones)	300 acres	15,000 s.f.	3.5 DUs/acre

Note: A residential developer is required to provide or cause others to provide low income dwelling units which shall not be less than 5% of the total number of dwelling units specified in the development plan and moderate income units which shall not be less than 15% of the total number of dwelling units specified in the development plan.

SOURCE: Franklin Township Zoning Ordinance.

Multi-family development is limited to the following: townhouses are a permitted use in the H-D zone; garden apartments are a permitted use in B-1 and H-D zones and a conditional use in the B-2 zone. The permissible gross density in these zones is 7 units per acre for townhouses and 8 units per acre for garden apartments. In addition, under the PUD option (a permitted "modification" in H-D and R-40/R-40(1) zones), townhouses and garden apartments are permitted as part of the development mix. The PUD option requires a 300-acre minimum tract size and limits gross density to 3.5 units per acre.

The remaining five zones (B-3, ROL, M-1, M-2 and M-3) do not permit residential uses.

C. DEFICIENCIES IN FRANKLIN'S RESIDENTIAL ZONING

With respect to the requirements of Mount Laurel II, Franklin's residential zoning exhibits deficiencies in three key areas:

(1) Inadequate affirmative measures to induce construction of low and moderate income housing

(2) Excessive density, bulk and yard restrictions

(3) Prohibition of mobile homes.

These three major deficiencies are discussed in greater detail below.

1. INADEQUATE AFFIRMATIVE MEASURES TO INDUCE CONSTRUCTION OF LOW AND MODERATE INCOME HOUSING

Mount Laurel II requires that a municipality take affirmative measures - specifically density bonuses and mandatory set-asides - to ensure that a realistic opportunity for low and moderate income housing is provided. Franklin requires residential developers to provide 5% of the total dwellings for low income households and 15% for moderate income households. However, at the maximum prescribed density levels in Franklin, it is economically infeasible for developers to provide this set-aside.

2. EXCESSIVE DENSITY, BULK AND YARD RESTRICTIONS

The Township's regulations pertaining to residential density exceed that which is necessary to protect public health and safety, and, in combination with mandatory set aside provisions, effectively preclude low and moderate income housing development. This situation is particularly harmful with respect to townhouses and garden apartments. The gross density requirement limits development to 7 and 8 units per acre for townhouses and garden apartments, respectively. Up to 14 and 22 units per gross acre would be appropriate maximum densities for these building types and would provide a realistic opportunity for low and moderate income housing development. In addition, minimum lot sizes of 5 acres (B-1 zone) and 3 acres (H-D zones), and minimum front setbacks of 100 feet (B-1 zone) and 75 feet (H-D zone) are excessive and unrelated to health and safety standards. Twenty-five feet setbacks for townhouses and garden apartments would be adequate.

Furthermore, even if bulk and density requirements were not excessive no realistic opportunity for low and moderate income housing development would exist in either the B-1 or B-2 zones due to the fact that each of these zones is already substantially developed. This contrasts sharply with Franklin's low density residential and agricultural zones, where ample vacant and developable land is available.

The PUD option requirements are also excessive and prohibitive in terms of the provision of low and moderate income housing. The 300-acre minimum tract size requirement is totally arbitrary and the density limit of 3.5 units per gross acre in combination with the mandatory 5%/15% set-aside renders low and moderate income housing development economically infeasible.

The minimum lot sizes for both single family and two family housing are also excessive. Although minimum lot sizes of 5,000 and 6,000 square feet for single and two family houses would meet health and safety standards, the Township's minimums are 7,500 and 10,000, respectively. They serve no purpose but to insure that development is more expensive and should be reduced accordingly to comply with Mt. Laurel II.

3. LACK OF PROVISIONS FOR MOBILE HOMES

Franklin does not permit mobile home development in any zones. This restriction violates the mandate of Mt. Laurel II which indicates that mobile homes are an acceptable means of providing low and moderate income housing. By prohibiting mobile homes, Franklin unnecessarily limits the realistic opportunities available to develop lower income housing.

4. MISCELLANEOUS COST-GENERATING REQUIREMENTS

In addition to the major deficiencies, Franklin's land development ordinances prescribe numerous requirements which are unnecessary to protect health and safety and which impose considerable additional development costs. These include the following:

- Excessive filing and review fees

- Excessive submission requirements

- Excessive requirements for environmental impact statements

- Excessive requirements in terms of landscaping, preservation of natural features, internal circulation and provision of sewerage.

- Discretionary standards in terms of project design.

5. CONCLUSION

Because of the deficiencies outlined above it is clear that Franklin's zoning ordinance does not adequately provide for low income housing. Thus, the zoning does not conform with the Township's obligations under Mount Laurel II.

D. NON-ZONING ACTIVITIES TO MEET THE MOUNT LAUREL II OBLIGATION

In addition to affirmative zoning devices, Franklin is obligated to use whatever other measures are feasible to meet their _Mount Laurel_ obligation. These should include, but are not limited to, the following:

1. Use of federal Community Development Block Grant funds to facilitate provision of low and moderate income housing. Such funds could be used for site acquisition, infrastructure improvements or financing assistance.

2. Granting of tax abatement to valid non-profit, publicly-assisted housing developments.

3. Facilitating the development of subsidized housing through the passage of a Resolution of Need, provision of technical support, seed money, etc.

4. Donation of municipally-owned land for low and moderate income housing.

5. Coordination of infrastructure improvements with low and moderate income housing development through the capital budgeting process.

APPENDIX A

NON-GROWTH AREAS

The State Development Guide Plan designates land under the following categories: public open space, agricultural lands, limited growth areas, and growth areas. In accordance with Mt. Laurel II, the following municipalities which have no land within the "growth areas" have been excluded from the fair share computations for Franklin Township:

Hunterdon County

Alexandria	Hampton
Bethlehem	Holland
Bloomsbury	Kingwood
Califon	Lambertville
Delaware	Lebanon Twp.
East Amwell	Milford
Franklin	Stockton
Frenchtown	Tewksbury
Glen Gardner	Union
West Amwell	

Morris County

Chester Boro
Chester Township
Mendham Boro
Mendham Township

Mercer County

Hopewell Boro
Pennington Boro

Monmouth County

Allentown	Roosevelt
Farmingdale	Sea Bright
Millstone	Upper Freehold

Somerset County

Rocky Hill Boro

Passaic County

Ringwood Boro

Sussex County

Andover
Branchville
Byram
Frankford
Franklin
Green
Hamburg
Hardyston
Hopatcong
Lafayette
Montague
Ogdenburg
Sandyston
Sparta
Stanhope
Stillwater
Sussex
Vernon
Wollpack
Wantage

Warren County

Allamuchy
Belvidere
Blairstown
Franklin
Frelinghuysen
Hardwick
Hope
Knowlton
Liberty
Oxford
Pahaquany
White Township

APPENDIX B

URBAN AID MUNICIPALITIES

Urban Aid Municipalities are designated by the State of New Jersey based on 5 criteria:

(1) the municipal population must exceed 15,000, or the municipality must have a population density in excess of 10,000 per square mile;

(2) the municipality must have at least one (1) publicly financed dwelling unit for low income families;

(3) the municipality must have at least two hundred fifty-one (251) resident children enrolled in school, the families of whom participate in the Aid to Families of Dependent Children Program. If population exceeds 20,000, population density exceeds 7,000 per square mile, and municipal equalized valuation per capita is at least $4,500 lower than the State equalized valuation per capita, this requirement does not apply;

(4) The municipal equalized real estate tax rate must exceed that of the State of New Jersey. If population exceeds 25,000, and municipal equalized valuation per capita is at least $2,000 lower than the State equalized valuation per capita, this requirement does not apply; and

(5) The municipal equalized real estate valuation per capita must be less than that of the State of New Jersey. If the municipality's equalized tax rate exceeds the State equalized tax rate by $0.75 or more, this requirement does not apply.

Many, but not all, of the Urban Aid municipalities are highly developed older cities containing disproportionately high shares of the State's existing low and moderate income housing, with much of it in poor condition. These "core" cities are generally not well-equipped to accommodate even more low and moderate income housing and population.

However, the State Urban Aid criteria were broadened in 1984 to also include some municipalities which are neither highly urbanized nor overburdened with housing and economic woes. Some Urban Aid municipalities are semi-rural with high growth rates and extensive amounts of underdeveloped land which can appropriately accommodate new residential development. Thus, the following criteria were applied to the list of Urban Aid communities to determine which should be exempted from any _Mount Laurel_ obligation, beyond providing for a reasonable portion of their own indigenous housing needs.

All "selected" Urban Aid municipalities must be one of the actual municipalities that have been designated "Urban Aid" by the State for funding year 1985. In addition, they must meet _one_ of the following threshold criteria:

1. Level of existing housing deficiencies, according to the Fair Share formula, that exceeds the regional standard of the relevant Present Need Region;

2. Population density of 10,000 per square mile or greater;

3. Population density of 6,000-10,000 per square mile _plus_ designation in _A Revised Statewide Housing Allocation Report for New Jersey_ as having "0" acres of vacant developable land.

Based on these criteria the following selected Urban Aid municipalities have been excluded from the calculation of Franklin's fair share allocation:

<u>Bergen County</u>

Garfield
Lodi

<u>Essex County</u>

Belleville
Bloomfield
East Orange
Irvington
Montclair
Newark
Orange

<u>Hudson County</u>

Bayonne
Hoboken
Jersey City
North Bergen
Union City
Weehawken
West New York

<u>Mercer County</u>

Trenton

<u>Middlesex County</u>

New Brunswick
Perth Amboy

<u>Monmouth County</u>

Asbury Park
Keansburg
Long Branch

<u>Passaic County</u>

Passaic
Paterson

<u>Union County</u>

Elizabeth
Hillside
Plainfield

ECONOMIC ANALYSIS FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN FRANKLIN TOWNSHIP, NEW JERSEY WHICH PROVIDES AFFORDABLE HOUSING UNDER MT. LAUREL II

FLAMA CONSTRUCTION, JZR ASSOCIATES
AND RAKECO TRACTS

by

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Planning and Development Consultants
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New York, New York 10011

April 1984

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I. INTRODUCTION

This report analyzes the economic feasibility of developing each of three sites in Franklin Township, New Jersey for Mt. Laurel housing. The analysis indicates the amount of development density and the level of financial assistance required to provide 20% of the total number of housing units for low and moderate income families.

The following three sites are the subject of this analysis:

Flama Construction	93 acres
JZR Associates	156 acres
Rakeco	95 acres

Each of these sites is located along Route 27 in Franklin Township. From a development standpoint, they are very similar with respect to general soil conditions, topography and other physical characteristics. While there may be some variation in the off-site improvements required, these differences are limited to the costs of off-tract circulation and are not significant economically. Therefore, in order to avoid the problems and paper work involved in producing detailed economic analyses, which include computations for several alternative development proposals, a single development analysis was undertaken using a 100-acre "model" site. This is relatively close to the average size of the three sites (115 acres).

II. DEVELOPMENT SCENARIOS FOR A MT. LAUREL HOUSING PROJECT AT THE MODEL SITE

A. DEVELOPMENT SCENARIOS

In order to determine the feasibility of developing a *Mt. Laurel*-type housing project at the model site, the following four alternative development scenarios were devised and subsequently analyzed:

Scenario 1

A 8.0 Unit/Acre Mixed Use Development

160 Affordable Units (33% 1 bedroom/33% 2 bedroom/33% 3 bedroom)

484 Apartments (173 1 bedroom/173 small 2 bedrooms/138 large 2 bedrooms)

156 Townhouses (25% small 2 bedrooms/25% large 2 bedrooms/ 25% small 3 bedrooms/25% large 3 bedrooms)

Scenario 2

A 10 Unit/Acre Townhouse Development

200 Affordable Units (33% 1 bedroom/33% 2 bedroom/33% 3 bedroom)

800 Townhouses (50% 2 bedroom and 50% 3 bedroom)

Scenario 3

A 12 Unit/Acre Apartment Development

240 Affordable Units (33% 1 bedroom/33% 2 bedroom/33% 3 bedroom)

960 Apartments (20% 1 bedroom/80% 2 bedroom)

Scenario 4

A 16 Unit/Acre Apartment Development

320 Affordable Units (33% 1 bedroom/33% 2 bedroom/33% 3 bedroom)

1,280 Apartments 20% 1 bedroom/80% 2 bedroom)

For each of Scenarios 1 through 4, the size and distribution of the affordable units are as follows:

Type of Unit	Size of Unit	Proposed Occupancy Distribution of Income Group
1 Bedroom	685 s.f.	20% Low Income 20% Moderate Income
2 Bedroom	930 s.f.	20% Low Income 20% Moderate Income
3 Bedroom	1,000 s.f.	10% Low Income 10% Moderate Income

B. DEVELOPMENT COSTS

To determine the economics and hence the feasibility of providing the affordable and conventional housing units, the cost of development is estimated for each of the scenarios based upon the following components:

1. Land costs
2. Off-Site improvement costs
3. Site improvement costs (including landscaping)
4. Construction (hard) costs
5. Soft costs
6. Sales (for sales projects)
7. Profit (for sales projects)

1. Land Costs

It is our understanding that the three subject sites were all acquired within the last two years at an average cost of approximately $20,000 per gross acre. At the time of acquisition, the zoning was a combination of H-D, R-40 and M-2. Computing for time, the current dollar cost of the three sites now totals about $22,000 per gross acre. Therefore, for the model site the raw land cost in present dollars is estimated to be approximately $2,200,000.

ESTIMATED PER UNIT LAND COSTS FOR SCENARIOS 1-4

Scenario	Total Number of Units	Gross Density	Estimated Per Unit Land Values
1	800	8 units/acre	$ 2,750
2	1,000	10 units/acre	$ 2,200
3	1,200	12 units/acre	$ 1,833
4	1,600	16 units/acre	$ 1,375

2. Off-Site Improvements

Based on the various engineering studies for water and sewage improvements in the Route 27 development corridor, the following are the estimated per unit costs for off-site improvements.

Water Systems	$ 500 per unit
Sewage Systems	$1,100 per unit

For each of the three sites there will also be a need to develop a major road connection towards the existing

Middlebush Road. The 1982 Master Plan calls for a series of parallel collector roads between Route 27 and Middlebush Road as a long-term solution for the problem of increasing traffic volumes on Route 27. For such collector roads the Master Plan provides for an average ROW width of 63 feet and a pavement width of 38 feet.

While the "on-site" portion of these collector roads is included in the on-site cost calculations, it is assumed that an additional 2,000 feet of collector road will be required as an off-site contribution from the developer to complete the proposed collector system to Middlebush Road.* The cost of such a 2,000 foot collector road will be approximately $375,000 per site. Approximately $75,000 is required for potential land acquisition and $300,000 represents the actual cost of construction. Therefore, the additional cost for the model site totals about $3,750 per acre. When added to the raw land cost of $22,000 per acre, the total cost per acre, including the cost of off-site improvements, is $25,750.

ESTIMATED PER UNIT LAND COST FOR SCENARIOS 1-4
(INCLUDING OFF-SITE IMPROVEMENTS)

Scenario	Total Number of Units	Gross Density	Estimated Per Unit Value
1	800	8 units/acre	$ 3,220
2	1,000	10 units/acre	$ 2,570
3	1,200	12 units/acre	$ 2,150
4	1,600	16 units/acre	$ 1,600

* It is uncertain whether an off-site contribution will be required from a _Mt. Laurel_ development, however such costs are included in the economics of the model project.

3. Site Improvement Costs

Based upon the cost estimates supplied by the Chester Partnership, site improvement (including landscaping) costs of nearly $65,000 per acre were assumed for scenario 1. As the density increases, there will be moderate increases in site improvement costs. For a 25% increase in density, from 8 to 10 dwelling units per acre, site improvement costs will increase by about $5,000 per acre. For each additional increase of 2 units per acre costs will also rise by an additional $5,000 per acre up to a density of about 14 units per acre, whereupon costs will remain relatively constant.

ESTIMATED PER UNIT SITE IMPROVEMENT COSTS FOR SCENARIOS 1-4

Scenario	Total Number of Units	Gross Density	Total Site Work Cost Per Acre	Estimated Per Unit Site Work Costs
1	800	8 units/acre	$65,000	$ 7,500
2	1,000	10 units/acre	$70,000	$ 7,000
3	1,200	12 units/acre	$75,000	$ 6,250
4	1,600	16 units/acre	$80,000	$ 5,000

4. Construction Costs

Based upon the cost estimates supplied by the Chester Partnership, construction costs for both the affordable and conventional units are shown below for each of scenarios 1 through 4. In calculating construction costs the Chester Partnership used 1983 cost figures. Unlike the Dodge Cost Estimates, the Chester Partnership does not include the cost of site work in the per square foot construction costs. However, when site work and construction costs are combined, the Chester figures are very similar to those reported by Dodge.

ESTIMATED PER UNIT CONSTRUCTION COSTS
FOR AFFORDABLE UNITS IN SCENARIOS 1-4

Scenario	Housing Type	Square Footage	Average Cost Per Square Foot	Total Construction Cost Per Unit
1-4	1 Bedroom Unit	685	$27	$ 18,500
	2 Bedroom Unit	685 + 245 (loft)	$27 + $15 (loft)	$ 22,200
	3 Bedroom Unit	1,000	$25	$ 25,000

ESTIMATED PER UNIT CONSTRUCTION COSTS FOR
CONVENTIONAL UNITS IN SCENARIOS 1-4

Scenario	Housing Type	Square Footage	Average Cost Per Square Foot	Total Construction Cost Per Unit
1	1 Bedroom Apt.	785	$ 27	$ 21,200
	Small 2 BR Apt.	980	$ 25	$ 24,500
	Large 2 BR Apt.	785 + 293 (loft)	$27 + $15	$ 26,600*
	Small 2 BR Townhouse	1,100	$ 33	$ 36,600
	Large 2 BR Townhouse	1,250	$ 32	$ 40,000
	Small 3 BR Townhouse	1,265	$ 32	$ 40,500
	Large 3 BR Townhouse	1,400	$ 31	$ 43,400
2	Small 2 BR Townhouse	1,100	$ 33	$ 36,600
	Large 2 BR Townhouse	1,250	$ 32	$ 40,000
	Small 3 BR Townhouse	1,265	$ 32	$ 40,500
	Large 3 BR Townhouse	1,400	$ 31	$ 43,400
3-4	1 Bedroom Apt.	785	$ 27	$ 21,200
	2 Bedroom Apt.	980	$ 25	$ 24,500

* Includes additional $1,000 for second bathroom.

5. <u>Soft Costs</u>

For each scenario, soft costs are assumed to equal 20% of the costs of land, off-site improvements, on-site improvements and building construction.

6. <u>Sales Costs</u>

For rental units, no sales costs are computed. For ownership units, sales costs are assumed to equal 5% of land, site improvement, construction and soft costs. It is assumed that all affordable units will be `for sale' units.

7. <u>Builder's Profit/Return on Investment</u>

For sales units, a developer's profit equal to 10% of all of the above costs is assumed.

C. TOTAL PRODUCTION COST

The total per unit development costs for the affordable and conventional housing are set forth below for each of the scenarios.

ESTIMATED PER UNIT PRODUCTION COSTS FOR
AFFORDABLE (SALES) UNITS IN SCENARIO 1

	1 BR (685 s.f.)	2 BR (930 s.f.)	3 BR (1,000 s.f.)
Land (includes off-site improvements)	$ 3,220	$ 3,220	$ 3,220
Site Improvements	7,500	7,500	7,500
Construction	18,500	22,200	25,000
Soft Cost	5,800	6,600	7,100
Sales Cost	1,700	2,000	2,100
Profit/Return on Investment	3,700	4,150	4,500
Total	$ 40,400	$ 45,670	$ 49,420

ESTIMATED PER UNIT PRODUCTION COSTS FOR
AFFORDABLE (SALES) UNITS IN SCENARIO 2

	1 BR (685 s.f.)	2 BR (930 s.f.)	3 BR (1,000 s.f.)
Land	$ 2,570	$ 2,570	$ 2,570
Site Improvements	7,000	7,000	7,000
Construction	18,500	22,200	25,000
Soft Cost	5,600	6,300	6,900
Sales Cost	1,700	1,900	2,100
Profit/Return on Investment	3,500	4,000	4,200
Total	$ 38,870	$ 43,970	$ 47,970

ESTIMATED PER UNIT PRODUCTION COSTS FOR
AFFORDABLE (SALES) UNITS IN SCENARIO 3

	1 BR (685 s.f.)	2 BR (930 s.f.)	3 BR (1,000 s.f.)
Land	$ 2,150	$ 2,150	$ 2,150
Site Improvements	6,250	6,250	6,250
Construction	18,500	22,200	25,000
Soft Cost	5,300	6,100	6,700
Sales Cost	1,600	1,800	2,000
Profit/Return on Investment	3,400	3,800	4,200
Total	$ 37,200	$ 42,300	$ 46,300

ESTIMATED PER UNIT PRODUCTION COSTS FOR
AFFORDABLE (SALES) UNITS IN SCENARIO 4

	1 BR (685 s.f.)	2 BR (930 s.f.)	3 BR (1,000 s.f.)
Land	$ 1,600	$ 1,600	$ 1,600
Site Improvements	5,000	5,000	5,000
Construction	18,500	22,200	25,000
Soft Cost	5,000	5,700	6,300
Sales Cost	1,500	1,700	1,900
Profit/Return on Investment	3,200	3,600	4,000
Total	$ 34,800	$ 39,800	$ 43,800

ESTIMATED PER UNIT PRODUCTION COST FOR CONVENTIONAL UNITS IN SCENARIO 1

	1 BR Apt. 785 s.f.	2 BR Apt. 980 s.f.	2 BR Apt. 1,080 s.f.	2 BR Cluster 1,110 s.f.	2 BR Cluster 1,250 s.f.	3 BR Cluster 1,265 s.f.	3 BR Cluster 1,400 s.f.
Land	$ 3,220	$3,220	$3,220	$3,220	$3,220	$3,220	$3,220
Site Improvements	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Construction	21,200	24,500	26,600	36,600	40,000	40,500	43,400
Soft Cost	6,400	7,000	7,400	9,400	10,200	10,200	10,800
Sales Cost	N/A	N/A	N/A	2,800	3,100	3,100	3,200
Profit/Return on Investment	N/A	N/A	N/A	5,900	6,400	6,400	6,800
TOTAL	$38,320	$42,200	$44,720	$65,420	$70,420	$70,920	$74,920

ESTIMATED PER UNIT PRODUCTION COSTS FOR CONVENTIONAL UNITS IN SCENARIO 2

	2 BR Townhouse	2 BR Townhouse	3 BR Townhouse	3 BR Townhouse
Land	$ 2,570	$ 2,570	$ 2,570	$ 2,570
Site Improvements	7,000	7,000	7,000	7,000
Construction	36,600	40,000	40,500	43,400
Soft Cost	9,200	9,900	10,000	10,600
Sales Cost	2,700	2,900	3,000	3,100
Profit/Return on Investment	5,800	6,200	6,300	6,600
TOTAL	63,870	68,570	69,370	73,270

ESTIMATED PER UNIT PRODUCTION COSTS FOR CONVENTIONAL UNITS IN SCENARIO 3

	1 BR Apt. (785 s.f.)	2 BR Apt. (980 s.f.)
Land	$ 2,150	$ 2,150
Site Improvements	6,250	6,250
Construction	21,200	24,500
Soft Cost	5,900	6,600
Sales Cost	N/A	N/A
Profit/Return on Investment	N/A	N/A
TOTAL	35,500	39,500

ESTIMATED PER UNIT PRODUCTION COSTS FOR
CONVENTIONAL UNITS IN SCENARIO 4

	1 BR Apt. (785 s.f.)	2 BR Apt. (980 s.f.)
Land	$ 1,600	$ 1,600
Site Improvements	5,000	5,000
Construction	21,200	24,500
Soft Cost	5,600	6,200
Sales Cost	N/A	N/A
Profit/Return on Investment	N/A	N/A
TOTAL	$ 33,400	$ 37,300

III. DETERMINATION OF ECONOMIC RESOURCES AVAILABLE TO PRODUCE AFFORDABLE HOUSING

A. MAXIMUM AVAILABLE HOUSING PAYMENT FROM LOW AND MODERATE INCOME FAMILIES

Set forth below are the calculations which determine the maximum dollar amounts that low and moderate income households can afford to pay for shelter in Franklin Township. In making this determination it is assumed that the maximum amount that such households can spend on rent is 30% of gross family income, and the maximum amount they can spend for ownership housing is 28% of gross family income. For purposes of the analysis it is further assumed that all affordable units will be `for sale' units.

The following table indicates 1983 family incomes for low and moderate income households in Essex, Morris, Somerset and Union Counties (Newark SMSA), based upon the 1983 median income as determined by HUD.

1983 FAMILY INCOMES FOR LOW AND MODERATE INCOME HOUSEHOLDS (ASSUMES LOW INCOME AT 40% OF MEDIAN AND MODERATE INCOME AT 65% OF MEDIAN)

Household Size	Low Income	Moderate Income
2 Person	$ 11,800	$ 16,370
4 Person	$ 13,200	$ 20,470
6 Person	$ 17,000	$ 23,030

Based upon the above income levels, the maximum annual shelter payment that low and moderate income families can afford in Franklin is shown below.

MAXIMUM ANNUAL HOUSING PAYMENT AMONG LOW AND MODERATE INCOME HOUSEHOLDS ASSUMING 28% OF INCOME FOR SALES HOUSING

Household Size	Low Income Families	Moderate Income Families
2 Person	$ 3,300	$ 4,600
4 Person	$ 3,700	$ 5,730
6 Person	$ 4,760	$ 6,450

The annual housing payments set forth above represent the total dollars available for housing development from low and moderate income families.

The cost of housing comprises two basic components: debt service and operating costs (including taxes). Thus, in order to compute the amount available for purchase, operating costs and taxes will have to be calculated and deducted from the maximum payments available for low and moderate income families. For ownership housing the operating costs are limited to homeowners' fees, property insurance and real estate taxes.

While real estate taxes will be the same for both the conventional (rental) and affordable (sales) housing, home ownership fees and property insurance will be higher for the sales housing.

B. ESTIMATED OPERATING COST OF AFFORDABLE AND CONVENTIONAL (RENTAL) HOUSING FOR SCENARIOS 1 THROUGH 4

The operating costs of a multi-family rental project encompass management fees, legal and accounting fees, energy costs, water and sewage costs, garbage and trash removal costs, project employees' salaries, decorating and physical maintenance costs, property insurance costs, and other miscellaneous costs for things like snow removal, exterminating, landscaping, etc. These items are described and itemized below.

1. Management Fees

Typical management fees are between 3% and 5% of gross rent.

2. Legal and Accounting Fees

An allowance of $15 per year per unit would be allocated for legal and accounting services required by the development.

3. Energy Costs

The cost of energy for heat and hot water will vary by size of the dwelling unit. In addition to heat and hot water, energy will also be required for public lighting and other miscellaneous requirements. In order to compute energy costs, data derived from a recent affordable housing project built in New Jersey - in which careful energy saving measures were installed - will be used. Excluding tenants' own electric service, the annual energy cost was $333.00 per unit, or $0.62 per square foot.

4. Water and Sewage Costs

Water and sewage charges depend on a number of factors. For the purpose of providing a budget estimate for these public and private services, $200 per unit per year will be included in the estimated operating costs.

5. Garbage and Trash Removal

Garbage and trash removal is typically provided by the development and included in monthly housing costs. A typical monthly charge for this service is $8 per dwelling unit, or about $100 per unit annually. No cost difference is anticipated by the size of the dwelling.

6. Project Employees

The cost of on-site staff personnel is estimated to be $125 per unit per year.

7. Decorating and Repairs

The level of expenditure for decorating and repairs is a function of both tenure and type of population using the housing. The annual budget for an average sized unit is estimated to be about $150 for all decorating and repair costs. Fluctuation in the size of unit would have an effect on this cost, but not directly proportionate to increase or decrease in size.

8. Property Insurance

Typical rental insurance costs will be approximately $100 or more per unit per year. For homeowners, insurance costs are two to three times as much.

9. Other Miscellaneous Costs

Included in this item are project expenses such as landscape maintenance, exterminating, snow removal and other minor services and operating costs. Such costs are estimated at $50 per year.

10. Real Estate Taxes

Unlike all of the other annual operating cost items, real estate taxes is the only one that can be reduced by public action. The more a municipality is willing to reduce real estate taxes, the more effective the total housing program designed to provide affordable housing becomes. In the analysis below, the real estate tax cost will be computed at the full real estate tax rate. Further on, appropriate adjustments will be made for a reduction in real estate tax costs based on a payment in lieu of tax agreement.

ESTIMATED REAL ESTATE TAXES FOR AFFORDABLE AND
CONVENTIONAL (RENTAL) UNITS IN FRANKLIN TOWNSHIP
SCENARIOS 1-4

	Type of Dwelling Unit					
	Affordable Units			Conventional Units		
	1 Bedroom 685 s.f.	2 Bedroom 930 s.f.	3 Bedroom 1,000 s.f.	1 Bedroom 785 s.f.	2 Bedroom 980 s.f.	2 Bedroom 1,080 s.f.
Estimated Value of D.U.	$ 38,500	$ 42,500	$ 45,000	$ 40,000	$ 44,000	$ 46,000
1983 Equalization Rate	86.57	86.57	86.57	86.57	86.57	86.57
Equalized Value of D.U.	33,300	36,800	39,800	34,600	38,100	39,800
1983 Tax Rate/ $100 of Value	3.1	3.1	3.1	3.1	3.1	3.1
1983 Tax per D.U.	$ 1,032	$ 1,141	$ 1,234	$ 1,072	$ 1,180	$ 1,234
Rounded	$ 1,000	$ 1,150	$ 1,200	$ 1,100	$ 1,200	$ 1,250

C. TOTAL OPERATING COSTS OF AFFORDABLE AND CONVENTIONAL (RENTAL) UNITS IN SCENARIOS 1-4

The table below provides the total estimated annual operating and tax costs of the affordable and conventional (rental) units in scenarios 1 through 4.

ESTIMATED ANNUAL OPERATING AND TAX COSTS
FOR AFFORDABLE (SALES) AND CONVENTIONAL (RENTAL) UNITS
SCENARIOS 1-4

	Affordable Units			Conventional Units		
	1 Bedroom 685 s.f.	2 Bedroom 930 s.f.	3 Bedroom 1,000 s.f.	1 Bedroom 785 s.f.	2 Bedroom 980 s.f.	3 Bedroom 1,080 s.f.
a. Management or home-owners fee	$ 400	$ 450	$ 500	$ 275	$ 350	$ 350
b. Legal and Accounting	-	-	-	15	15	15
c. Energy Costs (excludes tenants' electric)	-	-	-	480	600	670
d. Water & Sewage	-	-	-	200	200	200
e. Garbage & Trash Removal	-	-	-	100	100	100
f. Project Employees	-	-	-	125	125	125
g. Decorating & Repair	-	-	-	110	140	150
h. Property Insurance	200	250	300	125	175	190
i. Miscellaneous Costs	-	-	-	50	50	50
j. Real Estate Tax	1,000	1,150	1,200	1,100	1,200	1,250
Total Annual Operating Costs	$1,600	$1,850	$2,000	$2,580	$2,945	$3,080
Rounded	$1,600	$1,850	$2,000	$2,600	$2,950	$3,000

D. TOTAL DOLLARS AVAILABLE FOR DEBT SERVICE FROM AFFORDABLE HOUSING UNITS

The total amount of income avialable for debt service from low and moderate income families occupying the affordable units is shown below. These figures are derived by deducting the total annual operating costs from the total annual housing payments which low and moderate income families are able to make.

TOTAL AMOUNT OF INCOME AVAILABLE FOR DEBT SERVICE
FOR AFFORDABLE HOUSING UNITS IN SCENARIOS 1-4

Income Level	Household Size	Type of Unit	Total Maximum Annual Payment	Total Annual Operating Cost	Total Annual Dollars Available for Debt Service
Low	2 Person	1 Bedroom	$ 3,300	$ 1,600	$ 1,700
Low	4 Person	2 Bedroom	3,700	1,850	1,850
Low	6 Person	3 Bedroom	4,760	2,000	2,760
Moderate	2 Person	1 Bedroom	4,600	1,600	3,000
Moderate	4 Person	2 Bedroom	5,730	1,850	3,880
Moderate	6 Person	3 Bedroom	6,450	2,000	4,450

E. TOTAL DOLLARS AVAILABLE FOR PRODUCTION OF VARIOUS TYPES OF AFFORDABLE HOUSING

The total dollars available for the production of affordable units is shown below. These estimates are based upon the following factors: the total amount of dollars available for debt service; a selected rate of mortgage interest and a fixed mortgage term (currently a 13% rate of interest for a fixed 30-year term) and a 10% downpayment.

TOTAL DOLLARS AVAILABLE FOR PRODUCTION OF
AFFORDABLE HOUSING UNITS IN SCENARIOS 1-4

Income Level	Household Size	Type of Unit	Total Annual Dollars Available for Debt Service	13% Interest Rate (Constant = .13274) and 90% Loan
Low	2 Person	1 Bedroom	$ 1,700	$ 14,200
Low	4 Person	2 Bedroom	1,850	15,500
Low	6 Person	3 Bedroom	2,760	23,100
Moderate	2 Person	1 Bedroom	3,000	25,100
Moderate	4 Person	2 Bedroom	3,880	32,500
Moderate	6 Person	3 Bedroom	4,450	37,200

F. TOTAL DOLLARS AVAILABLE UNDER A PILOT

The table below indicates the additional dollars that would be available for production of the affordable units under a "payment in lieu of tax agreement" (PILOT). The formula used to determine the savings under the PILOT is 60% of the full real estate tax.

ESTIMATED ADDITIONAL DOLLARS AVAILABLE FOR
PRODUCTION OF AFFORDABLE HOUSING UNITS UNDER A
PILOT ARRANGEMENT IN SCENARIOS 1-4

Type of Unit	Estate Tax	Savings Under PILOT (60% of Total)	Additional Dollars Available For Production at 13% Interest Rate for 30 Years Assuming 90% Loan
1 Bedroom	$ 1,000	$ 600	$ 5,000
2 Bedroom	1,150	690	5,700
3 Bedroom	1,200	720	6,000

G. TOTAL DOLLARS AVAILABLE FOR PRODUCTION OF AFFORDABLE HOUSING UNITS WITH AND WITHOUT A PILOT

The tables below convert the distribution of units by income and size into total dollars available for affordable housing units, both with and without the PILOT.

TOTAL DOLLARS AVAILABLE FOR PRODUCTION OF AFFORDABLE UNITS, WITH AND WITHOUT A PILOT, IN SCENARIOS 1-4

Income Level	Household Size	Type of Unit	Total Dollars Available W/O PILOT	Additional Dollars Available W/PILOT	Total Dollars Available Under PILOT
Low	2 Person	1 Bedroom	$14,200	$ 5,000	$ 19,200
Low	4 Person	2 Bedroom	15,500	5,700	21,200
Low	6 Person	3 Bedroom	23,100	6,000	29,100
Moderate	2 Person	1 Bedroom	25,100	5,000	30,100
Moderate	4 Person	2 Bedroom	32,500	5,700	38,200
Moderate	6 Person	3 Bedroom	37,200	6,000	43,200

IV. ASSISTANCE REQUIRED TO PRODUCE AFFORDABLE HOUSING

The difference between the actual production costs and the total dollars available from the occupants of the affordable housing (i.e. low and moderate income families) is the subsidy which must be added to the price or rent of the conventional units in order for the development to be economically feasible.

In the tables below the total subsidies required to produce the affordable units for all 4 scenarios are calculated, both with and without the PILOT. First, the subsidy for each type of unit is calculated by deducting the maximum payment available from the production cost of each type of affordable unit. This figure is then multiplied by the number of such units in the project to obtain the total subsidy required per project.

TOTAL SUBSIDY REQUIRED IN SCENARIO 1

(800 Units)

Income Level	Type of Unit	# of Units	Maximum Payment Available		Unit Production Cost	Subsidy Required/D.U.		Total Subsidy Required	
			Without PILOT	With PILOT		Without PILOT	With PILOT	Without PILOT	With PILOT
Low	1 Bedroom	32	$14,200	$19,200	$ 40,400	$26,200	$21,200	$ 838,400	$ 678,400
Low	2 Bedroom	32	15,500	21,200	45,700	30,200	24,500	966,400	784,000
Low	3 Bedroom	16	23,100	29,100	49,400	26,300	20,300	420,800	324,800
Moderate	1 Bedroom	32	25,100	30,100	40,400	15,300	10,300	489,600	329,600
Moderate	2 Bedroom	32	32,500	38,200	45,700	13,200	7,500	422,400	240,000
Moderate	3 Bedroom	16	37,200	43,200	49,400	12,200	6,200	195,200	99,200
TOTAL		160						$3,332,800	$2,456,000

TOTAL SUBSIDY REQUIRED IN SCENARIO 2

(1,000 Units)

			Maximum Payment Available			Subsidy Required/D.U.		Total Subsidy Required	
Income Level	Type of Unit	# of Units	Without PILOT	With PILOT	Unit Production Cost	Without PILOT	With PILOT	Without PILOT	With PILOT
Low	1 Bedroom	40	$14,200	$19,200	$ 38,900	$24,700	$19,700	$ 988,000	$ 788,000
Low	2 Bedroom	40	15,500	21,200	44,000	28,500	22,800	1,114,000	912,000
Low	3 Bedroom	20	23,100	29,100	48,000	24,900	18,900	498,000	378,000
Moderate	1 Bedroom	40	25,100	30,100	38,900	13,800	8,800	552,000	352,000
Moderate	2 Bedroom	40	32,500	38,200	44,000	11,500	5,800	460,000	232,000
Moderate	3 Bedroom	20	37,200	43,200	48,000	10,800	4,800	216,000	96,000
TOTAL		200						$3,828,000	$2,758,000

TOTAL SUBSIDY REQUIRED IN SCENARIO 3

(1,200 Units)

			Maximum Payment Available			Subsidy Required/D.U.		Total Subsidy Required	
Income Level	Type of Unit	# of Units	Without PILOT	With PILOT	Unit Production Cost	Without PILOT	With PILOT	Without PILOT	With PILOT
Low	1 Bedroom	48	$14,200	$19,200	$37,200	$23,000	$18,000	$1,104,000	$ 864,000
Low	2 Bedroom	48	15,500	21,200	42,300	26,800	21,100	1,286,400	1,012,800
Low	3 Bedroom	24	23,100	29,100	46,300	23,200	17,200	556,800	412,800
Moderate	1 Bedroom	48	25,100	30,100	37,200	12,100	7,100	580,800	340,800
Moderate	2 Bedroom	48	32,500	38,200	42,300	9,800	4,100	470,400	196,800
Moderate	3 Bedroom	24	37,200	43,200	46,300	9,100	3,100	218,400	74,400
TOTAL		240						$4,216,800	$2,901,600

TOTAL SUBSIDY REQUIRED IN SCENARIO 4

(1,600 Units)

			Maximum Payment Available			Subsidy Required/D.U.		Total Subsidy Required	
Income Level	Type of Unit	# of Units	Without PILOT	With PILOT	Unit Production Cost	Without PILOT	With PILOT	Without PILOT	With PILOT
Low	1 Bedroom	64	$14,200	$19,200	$34,800	$20,600	$15,600	$1,318,400	$ 998,400
Low	2 Bedroom	64	15,500	21,200	39,800	24,300	18,600	1,555,200	1,190,400
Low	3 Bedroom	32	23,100	29,100	43,800	20,700	14,700	662,400	470,400
Moderate	1 Bedroom	64	25,100	30,100	34,800	9,700	4,700	620,800	300,800
Moderate	2 Bedroom	64	32,500	38,200	39,800	7,300	1,600	467,200	102,400
Moderate	3 Bedroom	32	37,200	43,200	43,800	6,600	600	211,200	19,200
TOTAL		320						$4,835,200	$3,081,600

V. BREAK EVEN SALES PRICES OR RENTS FOR CONVENTIONAL UNITS

In the previous section the total subsidies required to make each of the project scenarios economically feasible were determined. In a Mt. Laurel-type development, the source of the subsidies, after all assistance has been provided by the subject municipality (by relaxing cost-generating restrictions and exactions, and providing a tax abatement such as a PILOT) has to be generated from within the project through the sales price or rents of the conventional units. Thus, the total subsidy for each project has to be added to the cost of production of each of the conventional units. If the total rental or sales price is at or below the anticipated market rental or sales price, then the project can internally subsidize the affordable units and is therefore economically feasible.

These "break-even" sales prices and rents are calculated below for each of the scenarios.

BREAK-EVEN SALES PRICE OF CONVENTIONAL UNITS
(SCENARIOS 1 and 2)

Scenario #	Subsidy Required		No. of Conventional D.U.'s	Subsidy Required Per D.U.		Production Cost of Conventional D.U.'s	Break-Even Sales Price of Conventional D.U.	
	Without PILOT	With PILOT		Without PILOT	With PILOT		Without PILOT	With PILOT
1	$3,332,800	$2,456,000	640	$ 5,200	$3,800	$65,400 (small 2 BR)	$70,600 (small 2 BR)	$69,200 (small 2 BR)
						$70,400 (large 2 BR)	$75,600 (large 2 BR)	$74,200 (large 2 BR)
						$70,900 (small 3 BR)	$76,100 (small 3 BR)	$74,700 (large 3 BR)
						$74,900 (large 3 BR)	$80,100 (large 3 BR)	$78,700 (large 3 BR)
2	$3,828,000	$2,758,000	800	$ 4,800	$3,400	$63,900 (small 2 BR)	$68,700 (small 2 BR)	$67,300 (small 2 BR)
						$68,600 (large 2 BR)	$73,400 (large 2 BR)	$72,000 (large 2 BR)
						$69,400 (small 3 BR)	$74,200 (small 3 BR)	$72,800 (small 3 BR)
						$73,300 (large 3 BR)	$78,100 (large 3 BR)	$76,700 (large 3 BR)

BREAK-EVEN RENTS OF CONVENTIONAL UNITS
(SCENARIOS 1, 3 and 4)

	SCENARIO 1		SCENARIO 3		SCENARIO 4	
	Without PILOT	With PILOT	Without PILOT	With PILOT	Without PILOT	With PILOT
Total Subsidy Required	$3,332,800	$2,456,000	$4,216,800	$2,901,600	$4,835,200	$3,081,600
No. of Conventional DUs	640	640	960	960	1,280	1,280
Subsidy Required Per DU	$ 5,200	$ 3,800	$ 4,400	$ 3,000	$ 3,800	$ 2,400
Production Cost of Conventional DU	38,300(1BR) 42,200(2BR) 44,700(2BR)	38,300(1BR) 42,200(2BR) 44,700(2BR)	35,500(1BR) 39,500(2BR)	35,500(1BR) 39,500(2BR)	33,400(1BR) 37,300(2BR)	33,400(1BR) 37,300(2BR)
Total Break-Even Cost of Conventional DU	43,500(1BR) 47,400(2BR) 49,900(2BR)	42,100(1BR) 46,000(2BR) 48,500(2BR)	39,900(1BR) 43,900(2BR)	38,500(1BR) 42,500(2BR)	37,200(1BR) 41,100(2BR)	35,800(1BR) 39,700(2BR)
Annual Debt Service (90% Mortgage, 13% Interest Rate, 30 Years)	5,200(1BR) 5,700(2BR) 6,000(2BR)	5,000(1BR) 5,500(2BR) 5,800(2BR)	4,800(1BR) 5,200(2BR)	4,600(1BR) 5,100(2BR)	4,400(1BR) 4,900(2BR)	4,300(1BR) 4,700(2BR)
Return on Equity (10.0%)	430(1BR) 470(2BR) 500(2BR)	420(1BR) 460(2BR) 480(2BR)	400(1BR) 440(2BR)	380(1BR) 420(2BR)	370(1BR) 410(2BR)	360(1BR) 400(2BR)
Estimated Annual Operating Cost	2,600(1BR) 2,950(2BR) 3,000(2BR)	2,600(1BR) 2,950(2BR) 3,000(2BR)	2,600(1BR) 2,950(2BR)	2,600(1BR) 2,950(2BR)	2,600(1BR) 2,950(2BR)	2,600(1BR) 2,950(2BR)
Annual Rents	8,230(1BR) 9,120(2BR) 9,500(2BR)	8,020(1BR) 8,910(2BR) 9,280(2BR)	7,800(1BR) 8,590(1BR)	7,580(1BR) 8,470(2BR)	7,370(1BR) 8,260(2BR)	7,260(1BR) 8,050(1BR)
Monthly Rents (÷ 12)	$685(1BR) 760(2BR) 790(2BR)	$665(1BR) 740(2BR) 775(2BR)	$650(1BR) 715(2BR)	$630(1BR) 705(2BR)	$615(1BR) 690(2BR)	$605(1BR) 670(2BR)

*Includes all utilities except electricity.

FEASIBILITY OF THE FOUR SCENARIOS

A summary of the break-even sales prices and rents for the conventional housing in each of the four scenarios are shown below. In those cases where the break-even prices are equal to or less than the anticipated market prices or rents, the scenario is economically feasible.

FEASIBILITY OF THE FOUR ALTERNATIVE DEVELOPMENT SCENARIOS

Scenario	Conventional Unit Size and Type	W/O PILOT	W/PILOT	Feasibility
1	785 s.f. Apartment	$685/month	$665/month	Not Feasible
	980 s.f. Apartment	$760/month	$740/month	Not Feasible
	1,080 s.f. Apartment	$790/month	$775/month	Not Feasible
	1,100 s.f. Townhouse	$70,600	$69,200	Not Feasible
	1,250 s.f. Townhouse	$75,600	$74,200	Not Feasible
	1,265 s.f. Townhouse	$76,100	$74,700	Not Feasible
	1,400 s.f. Townhouse	$80,100	$78,700	Not Feasible
2	1,100 s.f. Townhouse	$68,700	$67,300	Possible
	1,250 s.f. Townhouse	$73,400	$72,000	Possible
	1,265 s.f. Townhouse	$74,200	$73,800	Possible
	1,400 s.f. Townhouse	$78,100	$76,700	Possible
3	785 s.f. Apartment	$650/month	$630/month	Possible
	980 s.f. Apartment	$715/month	$705/month	Possible
4	785 s.f. Apartment	$615/month	$605/month	Feasible
	980 s.f. Apartment	$690/month	$670/month	Feasible

NOTE: Monthly rentals include the cost of all utilities except electricity.

The preceeding table indicates that the mixed project at a gross density of 8 dwelling units per acre (scenario 1) is definitely not feasible for either rental or sales housing. Rents are at least $60 to $70 above what the market is likely to bear for such housing. Sales prices for townhouse units are also slightly high, especially if one considers that conventional rental units and affordable units will be marketed at this same location.

Scenario 2, consisting of sales housing (townhouses) at a gross density of 10 units per acre may be economically viable, particularly if a tax abatement is granted. The major uncertainty concerns the ability of such a development, which includes low and moderate income housing, to compete with existing projects in approximately the same price range which do not include affordable housing. If developed at an overall density of 12 units per acre, which would further reduce land and site development costs, a project of this type might be accorded a competitive edge.

Scenario 3 is on the borderline of feasibility, even with the PILOT. Rents would probably have to be reduced to about $600 per month for the one bedroom unit and $675 for the two bedroom unit. This would involve additional assistance (over and above tax abatement) totalling approximately $2,500 per unit. The elimination of cost generating design and amenity factors (as per the zoning and subdivision ordinances) for the entire development would produce the savings necessary for a 12 unit/acre rental project to be economically feasible.

Finally, a 16 unit/acre rental development (Scenario 4) would appear to be feasible at this location.

AN ANALYSIS OF THE SUITABILITY OF THE FLAMA CONSTRUCTION, JZR ASSOCIATES AND RAKECO SITES IN FRANKLIN TOWNSHIP FOR HIGH DENSITY RESIDENTIAL DEVELOPMENT

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I. INTRODUCTION

The purpose of this report is to evaluate the suitability of the Flama Construction, JZR Associates and Rakeco sites for high density residential development. While high density development is a relative term, for a community such as Franklin Township which is effectively entering its second decade of residential and economic development, it can be defined as between 12 and 16 dwelling units per acre.

II. DESCRIPTION OF THE SUBJECT PROPERTIES

The three subject sites can be described as follows. The Flama Construction site consists of 92.8 acres (known as Block 88.02, lots 13Q, 25 and 26Q) near the intersection of Route 27 and Bennetts Lane, just south of Veronica Avenue. The property is irregularly shaped with approximately 210 feet of frontage on Route 27 and 2,150 feet of frontage along Bennetts Lane. The JZR Associates site is also located along Route 27, just west of Courtelyous Lane, and comprises a total of 155.76 acres (Block 37, lots 5 and 7.03). The tract is irregularly shaped and has approximately 1,065 feet of frontage on Route 27 and an average depth of over 4,600 feet. The Rakeco site consists of 95.2 acres (referred to as Block 57, lot 33.03) and is situated on Route 27, between Courtelyous and Skillman Lanes. The property is rectangularly shaped, with approximately 650' of Route 27 frontage and an average depth of 3,140 feet.

III. THE REGIONAL SETTING

Compared to other communities within the growth zone of the State Development Guide Plan, Franklin Township has a relatively large fair share obligation (2,758 units). For the most part, this obligation is a function of Franklin's sizeable land area (it is one of the largest communities in central New Jersey). Until recently, only a small section of the Township has undergone or is in the process of undergoing residential growth, namely the area adjacent to the city of New Brunswick. Most of the remaining portions of this 46 square mile community are as yet undeveloped.

Another important characteristic of Franklin is its position in the emerging growth zone of central New Jersey. The Township is situated almost at the mid-point between two major economic centers within the State. Directly north is the Interstate 287 corridor. This corridor is probably the fastest-growing area in New Jersey in terms of commercial and industrial growth. The southern end of I-287, beginning in Perth Amboy and proceeding as far west as Somerville, has experienced an enormous amount of new economic development, which includes warehousing, distribution, offices, hotels and light manufacturing. Further north along I-287 to the Morristown area, a major new corporate office location has emerged. Recent development trends suggest that this area will continue to grow over the next decade.

Immediately south of Franklin Township is a second major growth area whose focus is State Highway #1, from Princeton to West Windsor Township. This vicinity is fast becoming one of the State's most important locations for corporate office and research facilitiès. Recent office and commercial approvals in the communities of Plainsboro, West Windsor and Princeton Township suggest that development activity will remain strong throughout the 1980's.

While the City of New Brunswick is limited in its physical capacity for growth, it too has experienced a significant amount of new economic activity in recent years. The revitalization of the downtown area, which is largely attributable to the reconstruction of Route 18 and the decision on the part of Johnson & Johnson to locate its worldwide headquarters there, is likely to bring about a continued resurgence in the central city and its immediate environs.

An examination of the New Jersey State Development Guide Plan clearly reflects the conditions set forth above. For example, most of the land area in Somerset County lies within the growth area. With regard to Franklin specifically, the plan designates the entire northern part of the community within the growth area, as it does the Route 27 corridor, which forms the Township's eastern boundary. Each of the three subject parcels are located along this growth corridor.

IV. THE TOWNSHIP SETTING

From an overall planning perspective, Franklin Township is well-suited for future residential growth. Except for the Delaware Raritan Canal along the western edge of the Township, there are relatively few physical constraints which preclude residential development. Consequently, the most appropriate way to determine which areas in the community are best suited for new residential development is to review the current planning conditions in the four distinct areas which comprise Franklin Township.

A. THE NORTHERN SECTOR

Due to its physical proximity and direct connections to the Interstate 287 interchanges, the northern corridor of Franklin Township has become a major area of economic development within the community. In the last decade, dozens of major distribution centers and office uses have been built in this sector, and the Township continues to approve projects there.

Presently, there are over 800 acres of land in this area which are zoned for commercial development. Assuming a relatively modest work density of 7.5 employees per acre, full development of this zone will ultimately produce 6,000 employees. This translates into approximately 5,000 families. The service and tertiary employment which will follow the basic employment may well double the amount of in-migration to Franklin Township and surrounding communities.

B. THE EASTERN SECTOR

The eastern sector of Franklin is bounded by the Raritan River, Hamilton and Amwell Streets and Cedar Grove Lane. Past development within this sector was basically an extension of residential areas within the City of New Brunswick. From the mid-1960s to the 1970s several major, low density subdivisions were developed in this part of the Township. With the eventual development of the Bonner tract, the eastern sector will become the most intensely developed residential zone in Franklin.

Because of the extensive development that has already taken place, this section of the community is not likely to accommodate a significant amount of future residential growth.

C. THE CENTRAL SECTOR

The central sector of the Township is bounded by the Delaware Raritan Canal to the north, Amwell and Hamilton Streets to the east, Route 27 to the south and Bunker Hill Road to the west. Much of the next stage of growth in Franklin will be accommodated within this sector, where sufficient land is available. Each of the three subject sites are located in the central sector.

There are several important features affecting the development potential of the central sector. One is the proposed Six Mile Run reservoir area, which is located virtually in the middle of the sector. Because of its substantial perimeter and extensive size, it provides an excellent centerpiece for more intensive residential development. In contrast, both the Delaware Raritan Canal and the proposed park along its bank function as major development constraints along the sector's northern edge.

Historically, the area along the northern side of Route 27, from a point opposite the city of New Brunswick extending westward toward South Middlebush Road and returning in a southerly direction to Bunker Hill Road, has experienced both commercial and residential growth. The current master plan designates this (Route 27) corridor as the only area of the Township where there are relatively large areas of land available for future residential development at higher densities.

D. THE SOUTHERN SECTOR

South of Bunker Hill Road towards Princeton is an area within Franklin which has relatively limited future growth potential. The only possible exception may be the growth which emanates from Princeton Township directly to the south.

V. FUTURE PLANS FOR GROWTH IN FRANKLIN TOWNSHIP

As recommended in the Franklin Master Plan, the most appropriate area in the Township for higher density residential development is the Route 27 corridor. The three sites which are the subject of this report are located either within or directly adjacent to this designated growth area.

While the master plan states that Route 27 is suited for high density residential use, it does point out that there are three distinct limitations with respect to development along this corridor. These are water, sewer and traffic.

From a development perspective, the provision of adequate water resources to support growth along Route 27 is not a serious problem. Of all the infrastructure facilities required to support large-scale growth, an adequate water supply system is typically the easiest to provide. There are simply no major obstacles from a physical planning standpoint to upgrading the existing water supply system to service the Route 27 corridor. (There is presently a 12" main along Route 27, however new mains may have to be constructed to handle the increased capacity.)

As recently as October 1983 the Franklin Township Sewage Authority hired consulting engineers to conduct a study of future sewage facilities in Franklin Township. This study was based upon the same comprehensive master plan (completed in 1982) which established the Route 27 corridor as the location for major residential growth in the coming decade.

A number of alternatives were considered in the Sewage Authority study. The system which was ultimately selected provides sewer services to all three of the subject sites. This system, defined as alternative 2, was chosen based upon the initial capital costs, future upgrading and maintenance costs and other social and environmental impacts. The study concluded that the provision of sewer service to the Route 27 corridor was both practical and economically feasible. The total cost of the system, in 1983 dollars, was approximately $3.7 million.

The final infrastructure requirement to support growth along Route 27 is an adequate circulation system. Based upon the findings of several studies, the Township has concluded that Route 27 cannot support significant new development without having major circulation problems. In the 1982 master plan, a number of recommendations were made to improve the existing roadway system so that the growth contemplated along Route 27 could be accommodated from the point of view of traffic and circulation. The circulation plan proposed that Route 27 be widened and that Middlebush Road and Cedar Grove Lane be connected and utilized as an alternative access route. When completed, such an alternative system would provide direct access to both Interstate 287 and Easton Avenue.

A series of east-west connectors between Route 27 and Middlebush Road/Cedar Grove Lane were also proposed. These proposals would benefit the subject sites in the following manner. One proposal would extend Jacques Lane from Middlebush Road south to Route 27, providing direct access to the JZR Associates site. Further east on Route 27, a proposal for a new road north of Skillman's Lane would connect Route 27 with Middlebush Road. The 95-acre Rakeco site is situated immediately south of this proposed collector street. The Flama Construction site already has access to Route 27 via Bennetts Lane and could also tie into Veronia Avenue, which connects with Route 27 as well.

VI. CONCLUSIONS

In summary, the three subject sites are located in an area of Franklin Township which is highly suited for new, higher density residential growth. While several constraints to development in this area have been identified, the municipal authorities have addressed these limitations in the form of a comprehensive master plan and a sewer facilities plan. As a result, each of the sites can be considered suitable for higher density residential development from both a practical and long term master planning perspective.