

~~BA~~ ML Franklin ~ Oct 1984
Expert Report Field v. Franklin

An Evaluation of the Affordable Dwelling
Units Within the Franklin Fields
Planned Unit Development

October, 1984

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ML 000810E

FIELD "MT. LAUREL II" LITIGATION
FRANKLIN TOWNSHIP, SOMERSET COUNTY, NEW JERSEY

AN EVALUATION
OF THE
AFFORDABLE DWELLING UNITS
WITHIN THE
FRANKLIN FIELDS
PLANNED UNIT DEVELOPMENT
OCTOBER, 1984

Prepared For: Honorable Eugene D. Serpentelli
Judge of the Superior Court of New Jersey
Ocean County Court House
Toms River, New Jersey

Prepared By: Richard Thomas Coppola and Associates
Princeton Junction, New Jersey

Richard Thomas Coppola, P.P.
New Jersey Planners License # 1378

FIELD "MT. LAUREL II" LITIGATION
AN EVALUATION OF THE AFFORDABLE DWELLING UNITS

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INTRODUCTION

INTRODUCTION

The Franklin Field Planned Unit Development (now known as "Socioety Hill at Somerset") encompasses a tract of land 396.5 acres in area situated on the westerly side of N. J. State Highway Route 27 with additional frontage on Claremont, Vliet and Old Stage Roads. The Planned Unit Development application originally was submitted on December 22, 1978 and was reviewed at public hearings before the Planning Board during the first six (6) months of 1979. On June 13, 1979, the Planning Board granted conditional "tentative" approval. Condition No. 7 of the approval reads:

"The applicant shall attempt to submit a proposal before Phase I on the 400 units of least cost housing as per Section 1212.3 of the Zoning and Subdivision Ordinance. These units shall be scattered throughout the PUD tract."

The Planning Board approval was appealed to the Township Council which, on January 14, 1980, remanded the application to the Planning Board for findings of fact and conclusions on the feasibility of sewerage service to the site. Subsequently, on June 29, 1982, Judge Leahy of the Superior Court reversed the decision of the Township Council insofar as it remanded the applicant to the Planning Board regarding the sewer feasibility issue. Thereafter, on June 30, 1983, the Appellate Division of the Superior Court reversed Judge Leahy and upheld the Township Council's remand of the sewage disposal issue to the Planning Board. Since the question of sewerage disposal is germane to the feasibility of the construction of the "low" and "moderate" income housing units, this issue is briefly addressed within this report.

In addition to the 2,664 multiple family dwelling units, including 1,332 apartment-style residential units and 1,332 townhouse-style residential units, the approved Planned Unit Development contains approximately 20 acres of commercial facilities and approximately 99 acres of recreational and open space lands.

The Planned Unit Development consists of a number of phases, which have been modified and refined as to specific number of units since the original approval. Phases 1A and 1B have received final approval and construction is almost completed. Phase 2A is under consideration by the Planning Board for final approval and Phases 2B and 3A are under an option contract with K. Hovnanian Enterprises, Inc., the owners of Phases 1A, 1B and 2A. The remaining phases (3B, 4A, 4B, 5A and 5B), consisting of approximately 1,454 dwelling units have not been sold by Jack W. Field and Company and the precise plans for those sections may be subject to refinement and additional detailing as a result of evolving market demands and the preferences of any purchaser of the subject land areas.

The following chart represents the proposed phasing of the entire Planned Unit Development:

Entire PUD Phasing Analysis:

<u>Phase</u>	<u>No. of Units</u>	<u>No. of Low/Moderate Income Units</u>	<u>Percentage</u>
1A, 1B	264	26 Moderate	10%
Final Approval received; construction commenced.			
2A	346	35 Moderate 21 Low <hr/> 56 Total	10% 6% <hr/> 16%
Application for final approval submitted 8/17/84			
2B	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
Under option contract with Hovnanian Enterprises, Inc.			
3A	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
Under option contract with Hovnanian Enterprises, Inc.			
3B	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
4A	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
4B	300+	30+ Moderate 15+ Low <hr/> 45+ Total	10% 5% <hr/> 15%
5A	300+	30+ Moderate 15+ Low <hr/> 45+ Total	10% 5% <hr/> 15%
5B*	254+	25+ Moderate 13+ Low <hr/> 38+ Total	10% 5% <hr/> 15%
Grand Totals	2,664	400 - <i>no - avoided family sources 1/10</i>	15%

* Phase 5B added by Richard Thomas Coppola and Associates assuming 2,664 total units, 400 of which will be set aside for "low" and "moderate" income households.

Our review of the affordability, eligibility and monitoring aspects of the "low" and "moderate" income units included within the Planned Unit Development began with a reading of the "Housing Plan" submitted to Franklin Township in 1983 and entitled "Moderately Priced Housing Plan for Society Hill at Somerset". Certain omissions evident in that plan were later addressed in a June 28, 1984 submission entitled "Low/Moderate Income Housing Plan and Phasing of Units" prepared by Carl Hintz. Subsequently, on August 31, 1984, a meeting was held among the parties to discuss the technical aspects of the housing plan. Thereafter, we received a submission by Andre K. Miesnieks, Esq., the in-house attorney for Hovnanian, which included a specific detailing of a housing plan for both the moderately priced units within Phases IA and IB of the PUD (Society Hill at Somerset) as well as a housing plan for the affordable income housing units included within Section 2A of the PUD (Society Hill at Somerset II). The latter documents are the subject of comment in this report and attached herewith in the Appendix to this report.

It also should be noted that no specific input has been received by the Township of Franklin; the position apparently being that the table of formulating an appropriate "affordable housing plan" is the developer's responsibility and, furthermore, that the Township will comment upon any proceeding at the appropriate time.

ELIGIBILITY

ELIGIBILITY

A threshold consideration in determining the eligibility of the proposed dwelling units for compliance with the edicts of "Mt. Laurel II" is a determination of the "low" and "moderate" income levels for those households eligible to occupy the proposed dwelling units. As indicated in the "affordable housing plan" prepared by Mr. Miesnieks and attached herewith to the Appendix of this report, the median income for Franklin Township was considered to be the Section 8 Income Limits (May 11, 1984) prepared by the Department of Housing and Urban Development for the Middlesex-Somerset-Hunterdon New Jersey PSMA; i.e., \$33,750. As a result, the median income limit (80% of median) is \$27,000 and the low income limit (50% of median) is \$16,900.

The thought of utilizing the Middlesex-Somerset-Hunterdon PSMA Section 8 Income Limits for the establishment of income eligibility for "low" and "moderate" income households was discussed at the August 31, 1984 meeting among the parties in my office. At that time, this approach seemed reasonable but was recognized to be questionable in terms of being coincident with either the prospective or present housing need regions.

Subsequent to the meeting and in further consideration of the question, there appears to be an alternative approach which may be more refined. Specifically, it appears appropriate to establish median income levels for the three (3) specific regions referred to in the so-called 'consensus' methodology, including the indigenous need region, the present need region and the prospective need region. Thereafter, the ultimate median income established for a subject municipality would be a weighted average of the three median income figures, based upon the percentage of "fair share" need calculated for the indigenous, present and prospective need categories respectively. Any "credits" against the "fair share" calculation would be deducted first from the indigenous need and second from the surplus present need, with no deductions permitted against the prospective need.

A basic difficulty with this approach is that the median income dollar amounts at the municipal, or indigenous need, level are limited to Census data which currently is represented in 1979 dollars. Moreover, while PMSA Section 8 Income Limits are established for all counties throughout the State, the counties are aggregated into specific PMSAs and, as a result, it is not possible to utilize the published information coterminously with the specific listing of counties in many of the derived present and prospective need regions.

It is possible, however, to break out the counties within any PMSA on the basis of the 1979 median income relationships among the counties. Of course, this calculation would assume that the relative income levels of the given counties have remained the same since 1979 to the present. We have discussed this approach with Phil Caton, who is currently serving as a Court Appointed Master in a number of litigations throughout the State, and have also benefited from work completed by Richard Reading.

However, while we advocate this three (3) region weighted calculation, we do not feel it possible to finalize such a calculation at this time for Franklin

Township since the extent of the prospective need region is currently being debated as to contain six or seven counties. Moreover, the question of "credits" against the "fair share" calculation also has not been finalized. Therefore, for the purposes of Phases IA, 1B and 2A of the subject Planned Unit Development, and in an effort to move the process forward and have housing units occupied by "low" and "moderate" income households, we suggest that the Middlesex-Somerset-Hunterdon PMSA Section 8 Income Limits be utilized subject, however, to refinement at a later date after the extent of the prospective need region and credits against the "fair share" number for Franklin Township have been determined.

Also regarding the question of household eligibility, we suggest that the availability of the subject "low" and "moderate" income housing units be publicized across the fullest extent of the housing region. Specifically, we suggest the publication format established for the affordable units within The Hills Planned Unit Development in Bedminster Township, Somerset County, New Jersey. It is our recollection that a copy of the publicity format was furnished the interested parties during the meeting in my office.

AFFORDABILITY

AFFORDABILITY

Within the attached affordable housing plans submitted by Mr. Miesnieks, all "moderate" income households shall not be required to expend more than twenty-eight percent (28%) of their gross aggregate income for the total monthly housing cost including mortgage principle (assuming a ten percent [10%] downpayment), mortgage interest (utilizing the applicable interest rate for the mortgage utilized by the purchaser), property taxes, and homeowner's insurance. It should be noted at this time that while all "low" and "moderate" income households will be members of the homeowners association, with the right to enjoy the open space and recreational facilities within the Planned Unit Development, there will be no association or condominium charge to the "low" and/or "moderate" income households.

Similarly, the charge for rental units are proposed to be no more than thirty percent (30%) of the established "low" or "moderate" income ceiling and are to include both the monthly rental and utility charges.

Essentially, we find this approach appropriate. Our two (2) concerns are as follows:

1. Will all units be priced at the upper bounds of the affordability limits or will there be an attempt to make some units affordable to those "low" and "moderate" income households somewhat below the fifty percent (50%) of median and eighty percent (80%) of median threshold levels respectively? In this regard we note reference in the submitted housing plans of a preliminary cost calculation versus a final cost calculation, which is to be set at ninety percent (90%) of the preliminary cost. We are not sure as to whether or not this mechanism is intended to increase the eligible number of households who can afford the set aside "low" and/or "moderate" income housing.
2. We are somewhat concerned with the specification of the number of bedrooms per unit. It appears that all of the twenty-six (26) "moderate" income condominiums within Phases 1A and 1B are 2-bedroom units. Within Phase 2A, one-half ($\frac{1}{2}$) of the units are to be 2-bedroom and one-half ($\frac{1}{2}$) of the units 3-bedroom in size with a proviso that K. Hovnanian at Somerset II, Inc. can modify the plans within HFA guidelines provided the number of bedrooms within the units is not changed without notification to the Township and provided further that at least ten (10) units shall be 3-bedrooms in size.

We recognize that Phases 1A and 1B have been approved and are completed and, therefore we have no comments regarding the inclusion of all 2-bedroom units. However, regarding Phase 2A, we suggest that a stipulation be included to the extent that no less than twenty percent (20%) of the total affordable units be 3-bedroom units and that the 3-bedroom units be distributed to the "low" and "moderate" income categories in proportion to the ratio of low to moderate income housing units within the Phase.

MONITORING PROGRAM

MONITORING PROGRAM

This aspect of the affordable housing plan raises a number of questions which will require the direct input of the Township in order to be answered. Specifically, the applicant has included an "Affordable Housing Agency" as the entity to be created by Franklin Township to monitor and enforce the "low" and "moderate" income specifications included within the affordable housing plans. Within the explanatory pages preceeding the affordable housing plans (see Appendix), the applicant indicates the necessity of the Township immediately creating such an agency to oversee sales and resales, not only because it is deemed an appropriate control mechanism, but also because an independent "governmental agency" is mandated by FNMA to monitor such sales and resales. The basic question that arises as a result of this proposal is the willingness of Franklin Township to monitor the affordability requirements of the "Mt. Laurel II" housing.

A number of other remarks are appropriate to be understood at this time:

- Franklin Township has an established Housing Authority, although we were told by the Authority that they had no interest or plans to monitor the "Mt. Laurel II" housing.
- The submitted affordable housing plans are entirely reliant upon the so-called "Affordable Housing Agency" to certify the affordability of the units and the eligibility of the households to occupy such units and, additionally, the Agency has the entire responsibility of establishing the suitable increase in rental and sale levels over the 30-year time period within which the units are to remain affordable.
- The submitted affordable housing plans state that should an "Affordable Housing Agency" or similar entity not be created by Franklin Township, then the agency responsible for the implementation of the affordable housing plan shall be the Planning Board of the Township of Franklin or its designee.
- The potential makeup of an "Affordable Hosuing Agency" (if not the existing Township Housing Authority) is not at all addressed in any papers received from either the applicant or the Township.

At the meeting among the parties on August 31, 1984, a somewhat different approach was discussed regarding the initial sales or rentals of the "low" and "moderate" income units. Specifically, it was discussed that the developer would certify the affordability of the subject units and would screen the households seeking to reside in the units for their eligibility under the terms of the affordable housing plan. The results of this process were then to be forwarded to the Township (the existing Township Housing Authority or some other designated entity) for review and final approval.

The developer was to hire an outside consultant for the purposes of establishing affordability and eligibility and was to either pass the entire cost for the consultant's services on to the Township or was to share the cost with the Township on an equal basis. In any case, it was recognized at the meeting that

the Township eventually would have to participate in the monitoring process or cause some other monitoring mechanism to be established. Obviously, the possibilities for alternative monitoring mechanisms other than the Township itself is dependent upon the ultimate array and number of developers within Franklin Township who will be building "Mt. Laurel II" housing, since it may be possible to have the developers themselves collectively structure a monitoring agency.

Clearly, therefore, we cannot report to the Court that the monitoring provisions of the affordable housing plan are firmly established.

ANCILLARY CONSIDERATIONS

ANCILLARY CONSIDERATIONS

Attached to this section of the report are three (3) communications as follows:

1. A letter dated October 10, 1984 to Mr. Allison of Donald W. Smith Associates from Jerry Haimowitz, Engineer for the Township of Franklin Sewage Authority.
2. An October 11, 1984 letter to Judge Serpentelli from David Frizell, Attorney for Mr. Field.
3. An October 18, 1984 letter to Judge Serpentelli from Thomas Cafferty, attorney for Franklin Township.

The three major ancillary considerations and a fourth consideration which has only recently emerged are indicated in both communications to Judge Serpentelli. The three major considerations are as follows:

1. Sewer Connection Reservation: Basically, the question is whether or not preference should be given by the Township of Franklin Sewage Authority to those developments containing "Mt. Laurel II" affordable units.
2. Flexibility: Mr. Frizell has argued for a "flexible plan" because of the long-range nature of the development and the fact that a number of unforeseen changes and inputs into the process can occur within the extended time frame. In this regard, we call all parties attention to the first page of Mr. Miesnieks submission which is attached within the Appendix to this report. It is our opinion that the arguments offered by Mr. Miesnieks in terms of the necessity of a certain amount of flexibility within the housing affordability plan are directly related to the arguments for flexibility in the overall plan for the Planned Unit Development itself.

In this regard, it is noted that some municipalities, including Bedminster, West Windsor and Mantua, have provided for "pre-preliminary" approval of a PUD. The basic rationale for such a "pre-preliminary" or "tentative" approval is the recognized need for certain flexibility over the years in finalizing the plans for the various development phases. Such a degree of flexibility can prove advantageous to all parties and prevents the parties from getting locked into positions which neither of them like but which, because of legal and financial constraints, are unable to be changed.

From a planning viewpoint, therefore, it is our opinion that a degree of flexibility is necessary; however, the flexibility should be limited in scope. Therefore, it is suggested that the applicant and Township determine the margin of flexibility which is necessary and advisable within each of the development phases in terms of density, type of unit, etc. We cannot make a specific recommendation to the Court at this time, since we have not reviewed the various approved phases of the plan with this question in mind.

3. Approval Of Phase 1 To Go Forward Without Further Delay: Franklin Township has taken the position that no further approval shall be granted until the entirety of the Planned Unit Development is 'locked in' in terms of the specificity of the plans by phase and the housing affordability requirements. For reasons noted in number 2 above, we believe that some flexibility in the overall development plan is advantageous to all parties concerned and in the interest of the soundest planning and development of the subject land areas. Regarding the question of the affordable housing plan, it is our opinion that the submission by Mr. Miesnieks, as may be modified and refined by the Court, provides a detailed approach for the provision of "low" and "moderate" income housing within the Planned Unit Development. The most important missing element of the plan, i.e., the "Affordable Housing Agency", requires the specific input of Franklin Township.

The fourth ancillary issue which only has recently been a matter of correspondence and discussion regards the development standards proposed by the applicant in a letter dated October 6, 1984 to Mr. Field from Michael D. Wilburn Associates. Mr. Cafferty indicated that Mr. Chadwick and the Township Planning Department will be viewing the proposed development standards, although Mr. Cafferty indicated that since "tentative" approval has already been granted the entirety of the PUD, any change in standards will result in a re-review of all remaining phases of the Planned Unit Development.

The planning aspects of this request have not been reviewed by this office since the suggested modifications to the development standards were only recently suggested by the applicant and since we have not reviewed the approved plans in the context of the existing or proposed development standards.

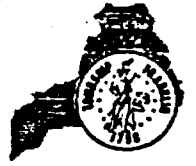
TOWNSHIP OF FRANKLIN SEWERAGE AUTHORITY

1350 HAMILTON STREET

SOMERSET, NEW JERSEY 08873

(201) 828-2121

83-424
H. H. H. H.



October 10, 1984

Mr. N. Allison, P.G.
Donald W. Smith Assoc.
880 Georges Rd.
North Brunswick, N.J. 08904

RE: SOCIETY HILL II

Dear Mr. Allison:

We acknowledge the receipt on September 20, 1984 of your application for sanitary sewers for your project known as Society Hill II, consisting of parts of lots 16.02 and 41 in Block 34 containing 50.652 acres.

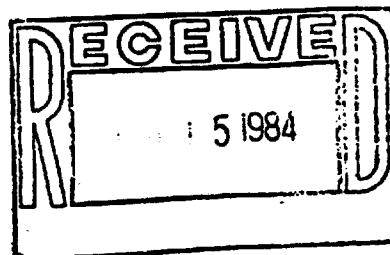
However, there is no sewer capacity available for this project.

Sincerely yours,

Jerry Haimowitz

JERRY HAIMOWITZ, P.E.
Authority Engineer

JH:rp



FRIZELL & POZYCKI

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296 AMBOY AVENUE
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MICHELE R. DONATO

MAILING ADDRESS
P. O. BOX 247
METUCHEN, N.J. 08840
(201) 494-3500

October 11, 1984

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

Re: Field v. Mayor & Council, Tp. of Franklin
Docket No. L-4988-79 P.W.

Dear Judge Serpentelli:

We request that you schedule a meeting to approve the plan as soon as possible. We ask that approval, and any "credit", be subject to:

1) Sewer Connection Reservation

We submitted a plan for sewer facilities for this project to the Sewerage Authority in March 1983, which shows that the entire project can be handled using existing systems, as modified. We ask that you direct the Sewerage Authority to reserve the capacity in the lines for this project. We are prepared to pay connection fee deposits as required.

2) Flexibility

We need to have a flexible plan, especially on the later phases, because it is a long range development. Procedures for modifying the plan without changing its basic goals should be incorporated into the plan itself.

Honorable Eugene D. Serpentelli, J.S.C.
Page Two
October 11, 1984.

3) Development Standards Necessary to Accommodate
the Lower Income Requirements:

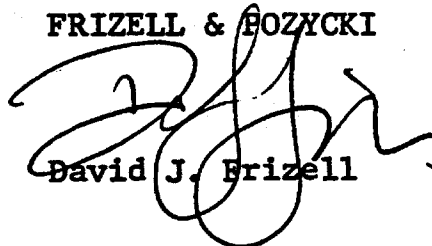
We are in the process of modifying the approved P.U.D. plan at the request of the Planning Board and to accommodate the four hundred lower income units. Amended development standards need to be applied. Our housing consultant has recommended the attached list of standards, which we believe are quite reasonable and should receive no objection.

4) Approval of Phase I to go Forward Without Further
Delay:

Hovnanian has commenced construction and is holding contract deposits in Phase I, subject to the Court's Order. We ask that you release the restraint on these units in the event it appears the overall plan approval may be delayed.

Respectfully yours,

FRIZELL & BOZYCKI



David J. Frizell

DJF:jb

cc: Thomas J. Cafferty, Esq.
Elias L. Schneider, Esq.
Andre K. Miesnieks, Esq.
Mr. Richard T. Coppola
Mr. Carl E. Hintz
Mr. John T. Chadwick, IV

MICHAEL D. WILBURN ASSOCIATES

91 Bear Brook Road, Princeton, N.J. 08540 • (609) 452-7273

October 6, 1984

Mr. Jack Field
P.O. Box 0
Franklin Park, N.J. 08823

Dear Jack:

The following bulk standards are suggested for inclusion in your Mount Laurel settlement for the PUD. They are essential to permit development of the product types at the densities which I am recommending for the property.

	<u>Patio Homes</u>	<u>Townhouses</u>	<u>Apartments</u>
1. Maximum net density	6/A	10/A	25/A
2. Minimum lot area	4000 SF	1500 SF	NA
3. Minimum lot frontage			
Standard street	40	20	NA
Cul-de-sac	25	NA	
4. Minimum lot width at building line	40	20	NA
5. Minimum lot depth	60	NA	NA
6. Minimum yards			
Front	20	20	10
Rear	10	10	NA
Side	0,10	NA	NA
7. Minimum distance between buildings			
Wall to wall	NA	50	40
Corner to wall	NA	30	25
8. Maximum units/Bldg.	NA	8	24
9. Maximum number floors	2	3	3

MC GIMPSEY & CAFFERTY
ATTORNEYS AT LAW

ALEXANDER F. MC GIMPSEY, JR.
CERTIFIED CIVIL TRIAL ATTORNEY
THOMAS J. CAFFERTY
JOHN V. MC GUIGAN

1445 US ROUTE 130
P.O. Box 97
NORTH BRUNSWICK, N.J. 08902
(201) 297-8300

October 18, 1984

Honorable Eugene D. Serpentelli
Superior Court Judge
Ocean County Court House
CN 2191
Toms River, New Jersey 08753

RE: Field v. Township of Franklin
Consolidated Cases

Dear Judge Serpentelli:

Referencing Mr. Frizell's letter of October 11, 1984, we have no objection to a meeting on the record.

Specifically addressing the areas Mr. Frizell suggests, however, we have the following preliminary comments:

1. Sewer connection reservation - We shall await Mr. Schneider's reply to this. Of particular concern, however, is whether or not Mr. Frizell's suggested reservation unfairly discriminates against other developers in the Township. What notice would be given them so that they might present any argument(s) to the contrary?

2. Flexibility - We see no need for "a flexible plan." It occurs to us that the Township has been committed to certain development of the tract in question consistent with the approved PUD Plan. The builder should be too.

Certainly Mr. Field cannot be arguing for a "procedure" to alleviate himself from Low Income/Moderate Income commitments without a concomitant "procedure" for the Township alleviating itself with respect to commitments regarding the construction of the remainder of the tract development? Or can he? Regardless, the suggestion is completely lacking in merit. Rather, the proper approach is to examine the entire tract development in order to arrive at the conditions applicable to the Low Income/Moderate Income omits. Once the decision is made and development begins there should be no changes as to Low Income/Moderate Income housing, unless the entire tract is considered and subject to change--with appropriate deference to due process and safeguarding of the public's right of input.

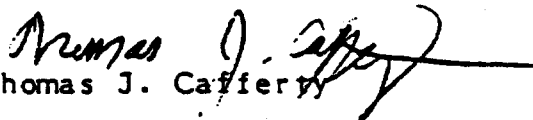
Honorable Eugene D. Spentelli
October 18, 1984
Page 2

RE: Field v. Township of Franklin
Consolidated Cases

3. Development Standards - We shall have to conference this with Mr. Chadwick and the Township's Planning Department before commenting, albeit this may be out of our hands, Mr. Field has gone through the entire municipal and judicial process in connection with the approval, including conditions, and it occurs to us that this cannot be changed at this juncture by the developer, the municipality or this court without repetition of the same process.

4. Approval of Phase I - We strenuously oppose this suggestion. Until the entire tract is examined and conditions thereon applied regarding Low Income/Moderate Income, no c/o's should be issued; indeed, we would oppose the issuing of further building permits, too. It makes no sense at all to commit to any development until the Low Income/Moderate Income question is decided; otherwise it may be too late to properly integrate Low Income/Moderate Income housing in the portions already developed when the final decision on same is made.

Respectfully yours,


Thomas J. Caffery

TJC/lc

cc: All Counsel of Record ✓

CONCLUSION

CONCLUSION

Essentially, we find the affordable housing plans prepared by Mr. Miesnieks to be appropriate regarding Phases 1A, 1B and 2A of the overall Planned Unit Development with the following modifications and refinements:

1. A modification to the number of bedrooms within the affordable units in Phase 2A;
2. Discussion with Franklin Township regarding the creation of an "Affordable Housing Agency"; and
3. A clarification of the eligibility provisions to ensure that the affordable units will be available to a spectrum of households within both the "low" and "moderate" income categories.

Finally, subsequent to a resolution of the "fair share" calculation for Franklin Township and a determination of whether the prospective need region contains six or seven counties, the median income dollar amount operative for Franklin Township should be recalculated and the affordable housing plans for subsequent phases of the Planned Unit Development appropriately modified.

APPENDIX

Date: September 14, 1984

CONCEPTUAL FRAMEWORK FOR
LOW AND MODERATE INCOME HOUSING
PLANS WITHIN THE FRANKLIN FIELDS P.U.D.
TOWNSHIP OF FRANKLIN, NEW JERSEY

PREPARED BY:

Andre K. Miesnieks
Attorney at Law in the State
of New Jersey

Conceptual Framework For
Low and Moderate Income Housing
Plans Within The Franklin Fields P.U.D.
Township of Franklin, New Jersey

Introduction:

The following is intended to provide a realistic and workable framework for implementing low/moderate income housing plans in each phase of development within the Franklin Fields P.U.D., Franklin Township, New Jersey.

General Analysis:

It should be noted that various phases of the entire 2,664 development are at differing stages of the development process. At one end of the spectrum is a phase with final site plan approval and construction underway. At the other end of the spectrum are phases which do not have a prospective developer or contract purchaser. In between, are a phase for which an application for final site plan approval has been submitted and phases which are under option contract with a developer.

The broad range of the spectrum of the development process within the P.U.D. has several consequences. First, it impedes the use of a simplistic approach which would institute a blanket low/moderate income housing plan with overly specific parameters affecting later phases for which a developer is not known at the present time. The reasons for this are myriad. In the case of unknown developers, the cost of development and its potential profitability are also unknown at present. Consequently, the amount of cost associated with providing low/moderate income housing pursuant to a specific plan which can be realistically absorbed by a developer cannot be accurately predicted. The end result of an overly restrictive housing plan could be the disintegration of the realistic opportunity for such housing to be actually built.

Furthermore, it is probable that the number of projected units within each phase could change because of a particular developer's requirements. This would require periodic amendment to the Plan.

Finally, the existence of a blanket or umbrella plan which in some ways relates one phase to others within the P.U.D. could conflict with the rules of the Federal National Mortgage Association (FNMA), which typically purchases mortgages on the units from conventional lenders. FNMA's rules and regulations strongly discourage any interdependence between separate projects (and their homeowners associations), especially if developed by different entities.

The broad range of the spectrum of the development process within the P.U.D. dictates that flexibility be a key factor in any low/moderate housing plan affecting the entire P.U.D. It is conceded that the interest of all parties would be served by a plan which would provide a framework for the entire P.U.D. However, it is proposed that any low/moderate income housing plan for the entire P.U.D. set forth only general guidelines, parameters, requirements and restrictions and not project-specific ones. One reason for this is that the low/moderate income housing plan affecting a specific project is referenced in the project's legal documents (Department of Community Affairs Application for Registration and Public Offering Statement) and is typically recorded with the Master Deed creating a Condominium project. In fact, it is probable that various projects or phases will be developed with different forms of legal ownership e.g. condominium and fee simple. The terms of a low/moderate income housing plan must, by necessity, take into account the units legal form of ownership in setting forth the various parties' rights and obligations eg. Association dues, maintenance obligations. Such a plan is an integral part of the project and, therefore, should be as specific to that project as possible.

It is proposed that the general requirements of a low/moderate income housing plan for any project within the P.U.D. be made a matter of record. Thereafter, a project-specific low/moderate income plan would be submitted as part of any phase's (project's) application for final approval from the Planning Board of the Township of Franklin.

Included further in this submission are two project-specific housing plans for the first two phases of development within the P.U.D. It is proposed that the general parameters of these plans be made requirements of all low/moderate income housing plans within the P.U.D. However, the project-specific requirements and data of each individual plan would be supplied upon application to the Planning Board for final approval of the phase or project in question.

Entire P.U.D. Phasing Analysis:

<u>Phase</u>	<u>No. of Units</u>	<u>No. of Low/Moderate Income Units</u>	<u>Percentage</u>
1A, 1B	264	26 Moderate	10%
Final Approval received; construction commenced.			
2A	346	35 Moderate 21 Low <hr/> 56 Total	10% 6% <hr/> 16%
Application for final approval submitted 8-17-84			
2B	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
Under option contract with Hovnanian Enterprises, Inc.			
3A	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
Under option contract with Hovnanian Enterprises, Inc.			
3B	300+	30+ Moderate 18+ Low <hr/> 48+ Total	10% 6% <hr/> 16%
4A	300+	30+ Moderate 16+ Low <hr/> 46+ Total	10% 5% <hr/> 15%
4B	300+	30+ Moderate 15+ Low <hr/> 45+ Total	10% 5% <hr/> 15%
5A	300+	30+ Moderate 15+ Low <hr/> 45+ Total	10% 5% <hr/> 15%

It should be noted that as in Phase 2A, in which 46 units over an above the 300 originally projected are to be constructed, unit totals for other Phases will vary as well. This will impact the total number of units and the number of low/moderate income units within the ensuing phases. This would necessitate the periodic amendment of any overall plan which attempts to accurately blueprint the entire P.U.D. It is recommended that each phase of development simply be assigned a 10% moderate income unit obligation and a 5% or 6% low income unit obligation, without any attempt at projecting an accurate total number of units within each phase.

Analysis of Specific Plan Elements:

It is proposed that, as opposed to the adoption and implementation of an overall low/moderate income housing plan for the entire P.U.D., the Planning Board require each individual project's plan to address and include the specific areas outlined below. The individual project's low/moderate income housing plan would be required as part of the application for final site plan approval.

The following sections are included in the housing plans submitted for the first two phases of development and should be addressed by plans for ensuing phases. A brief outline follows:

1. Definitions - of terms used throughout plan.

a) Affordable - 28% of income towards housing costs including mortgage principal and interest, property taxes, insurance and association dues, if any.

- calculation of estimated sales prices based on income level, number of bedrooms and family size, housing cost components, and interest rate.
- rental option and restrictions.

b) Agency - necessity of Township immediately creating an Affordable Housing Agency or similar entity to oversee sales and resales. This is necessary not only as an appropriate control mechanism, but also mandated by FNMA which requires an independent (from Developer) governmental agency to monitor such a plan.

c) Low Income Family - not greater than 50% of Median Income for Region.

d) Median Income - annual median family income for the PMSA for Somerset County.

e) Moderate Income Family - not greater than 80% and not less than 50% of Median Income for Region.

f) Qualified Purchaser - certification criteria.

g) Region - PMSA for Somerset County.

h) Total Monthly Housing Costs - mortgage principal and interest, real estate taxes, insurance, association dues, if any.

2. Part of Association - low/moderate units will be part of association, if one exists.

3. Floor Plans - submitted for each individual project.

- must meet HFA standards
- establishes bedroom counts

4. Location - low/moderate income units will be identified in recorded Master Deed.

5. Master Deed Provisions - incorporation of project-specific plan into Master Deed if a Condominium.

- appropriate restrictions and rights and duties
- adjustment of price on resale based on housing component of CPI
- restrictions of resale
- Agency's role
- improvements to unit
- maintenance obligation of Unit Owners
- Association's remedies
- any exemption from Association dues, if any
- replacement criteria
- expiration of restrictions
- restriction on amendment of Plan

6. Affordable Housing Agency - creation and functions.
7. Deeds - must contain a clause referring to housing plan.
8. Statement of Exemption - time frames, criteria and procedures for one-time exemption from restrictions of Plan.
9. Exempt Transactions - interspousal transfers, inheritance, etc.
10. Violation of Plan - Agency's remedies against violating Owner eg. lien, foreclosure, etc.
11. Covenants Running With Land - binding effect of Plan on future owners.
 - expiration of restrictions
12. Effect of Foreclosure - foreclosure by first mortgagee releases units from restrictions of Plan. This is a FNMA requirement.
13. Obligations of Owners - owner's obligation to Agency, unit and others.
14. Agency's Right to Cure - Agency may step in to prevent foreclosure and release of unit from Plan.
15. Provisions for Mortgagees - protections to and obligations of first mortgagees.
16. Surplus Funds - in the event of foreclosure, their disposition.
17. Disclosure Statements - issued to initial purchasers and by current owners on resales.
18. Exhibits - a. metes and bounds description of affected property
 - b. floor plans
 - c. disclosure statement

As proposed, the above-outlined areas would provide a checklist of items to be addressed and satisfied by each Phase's low/moderate income housing plan. The Township's Planning Board attorney would have the responsibility of reviewing each project's plan to ensure that it complies with the general requirements dictated.

Specific Low/Moderate Income Housing Plans:

The moderate income housing plan for Phases 1A and 1B and the low/moderate income housing plan for Phase 2A are attached.

Respectfully submitted,

K. HOVNANIAN AT SOMERSET, INC.

DATE: Sept. 14, 1984

MODERATELY PRICED HOUSING PLAN

FOR

SOCIETY HILL AT SOMERSET

A PLANNED UNIT RESIDENTIAL DEVELOPMENT OF

K. HOVNIANIAN AT SOMERSET, INC.

PREPARED BY:

Andre K. Miesnieks
Attorney at Law of New Jersey

MODERATELY PRICED HOUSING PLAN
FOR
SOCIETY HILL AT SOMERSET

K. Hovnanian at Somerset, Inc. will construct 26 moderate income condominiums within the proposed development as described in Exhibit "A" attached hereto. These units will be distributed throughout the development approximately as described further in this plan.

1. Definitions. For purposes of this Moderately Priced Housing Plan, the following terms shall be defined as follows:

1.01 AFFORDABLE: The Moderate Income Purchaser shall not be required to spend more than 28% of its Gross Aggregate Family Income at time of purchase of an Affordable Condominium for the Total Monthly Housing Costs as same are determined under any type of mortgage, including but not limited to fixed rate, adjustable rate, graduated payment adjustable rate, growing equity, etc. including any mortgage programs being offered by FNMA, VA, FHA, FMAC, NJMFA, etc. Affordable shall further be defined to reflect the requirement that K. Hovnanian at Somerset, Inc. shall limit the purchase prices of the 26 Moderate Income Condominiums so that the Total Monthly Housing Cost of the Moderate Income Condominium is Affordable to a Moderate Income Family. The following procedure shall apply to the determination of Affordable sales prices not only with respect to sales by K. Hovnanian at Somerset, Inc. but with respect to all future sales of these Affordable Condominiums:

1.01 (A) With respect to determining Affordable sales prices of the 26 Moderate Income Condominiums:

(1) A preliminary sales price shall be calculated for the moderate income categories so that the sum of the monthly principal (assuming a 10% downpayment), interest (utilizing the applicable interest rate for the mortgage being used by the prospective purchaser of the Moderate Income Condominium), property taxes and fire, theft and liability insurance does not exceed 28% of the moderate income ceiling which is 80% of the median income for the Moderate Income Family for the region. If the developer or another entity shall buy down the interest rates for a minimum of three years, and the increase in interest rates is no more than 1.0% each year during the period of the buy down, the interest rate for the first year of the buy down period shall be utilized in the calculation described above. If, however, the increase in interest rates is more than 1.0% each year during the period of the buy down, the average interest rate for the period of the buy down shall be utilized.

(2) The final sales prices of the Moderate Income Condominium shall be calculated so that the sales prices shall be set at 90% of the preliminary sales prices calculated pursuant to subsection (a) above.

(3) For the purposes of determining sales prices of the 26 Moderate Income Condominiums being constructed in Society Hill at Somerset, a Family size of 4 persons shall be used for the 2 bedroom Moderate Income Condominiums in conjunction with the following table containing the maximum preliminary sales prices and actual final sales prices based on a 1984 median income of \$33,750.00 for the PMSA for Somerset County (This table shall be updated annually on July 31st to reflect changes in the median income and such updates shall be used by both K. Hovnanian at Somerset, Inc. and the Agency as a guide for determining affordable sales prices of the 26 Moderate Income Condominiums in Society Hill at Somerset):

Interest Rate	Two Bedroom Moderate Income	
	Maximum (Preliminary) Selling Price	Actual (Final) Selling Price
14%	50,710	45,640
13%	53,740	48,370
12%	57,080	51,370
11%	60,780	54,700
10%	63,420	57,080

All numbers rounded to nearest \$10.00

1.01 (B) With respect to determining Affordable rental charges of the 26 Moderate Income Condominiums: If the applicable interest rate increases beyond 14%, K. Hovnanian at Somerset, Inc. shall have the option of either reducing the actual selling price so as to comply with the affordability standards set forth in this plan or to rent any unsold Moderate Income Condominiums to Moderate Income Families at Affordable rental charges. The following procedure shall apply to the determination of Affordable rental charges:

(1) A preliminary rental charge shall be calculated for Moderate Income Families so that the monthly rental, including utilities, does not exceed 30% of the moderate income ceiling.

(2) The final rental charges shall be calculated so that the rental charges of the any unsold Moderate Income Condominiums are 90% of the preliminary rental charges calculated pursuant to subsection (a) above.

(3) For the purposes of determining the rental charges of any unsold Moderate Income Condominiums, a family of 4 persons shall be used for the 2 bedroom Moderate Income Condominiums in conjunction with the following table containing the maximum (preliminary) rental charges and the actual (final) rental charges based on a 1984 median income of \$33,750.00 for the PMSA for Somerset County (This table shall be updated annually on July 31st to reflect changes in the median income and such updates shall be used by both K. Hovnanian at Somerset, Inc. and the Agency (as defined herein) as a guide for determining affordable rental charges for any unsold Moderate Income Condominiums in Society Hill at Somerset):

Two Bedroom Moderate Income	
Gross Rental Charge	\$675.00
Less 10%	(67.50)
Utility Allowance	(70.00)
Actual Rental Charge	\$537.50

(4) If the developer elects to rent any unsold Moderate Income Condominiums as permitted under this subsection, the Agency shall have the right to verify that the actual rental charge for such unit does not exceed the parameters set forth in subsection (3) above. The developer may rent such units until the later of the following events: (1) the time at which the developer is able to sell such Moderate Income Condominiums in compliance with the provisions of this plan utilizing an interest rate equal to or less than 14% and (2) the expiration date of any lease of a Moderate Income Condominiums.

1.02 AFFORDABLE CONDOMINIUM: A condominium at Society Hill at Somerset which has been designated as a Moderate Income Condominium, as the applicable case may be, pursuant to this Affordable Housing Plan.

1.03 AGENCY: The Affordable Housing Agency of the Township of Franklin or similar entity to be created by the Township of Franklin, or any successor duly authorized to carry out the powers and responsibilities of the Agency. If no specific Agency is formed or if no specific successor is duly established, the Agency for the purpose of implementing this plan shall be the Planning Board of the Township of Franklin or its designee.

1.04 ASSESSMENTS: Shall mean and refer to levies, charges or assessments both public and private, as the applicable case may be, upon the condominium units which are part of the Association.

1.05 ASSOCIATION: Society Hill at Somerset Condominium Association, Inc., its successors and assigns as same is defined in the Master Deed and Declaration.

1.06 FAMILY: Shall mean all persons living as a single non-profit housekeeping unit whether or not same are related by blood, marriage or otherwise. Family shall also be synonymous with "Household".

1.07 FIRST PURCHASE MONEY MORTGAGE: Shall mean and refer to the most senior mortgage holder who has loaned funds for the purchase of an Affordable Condominium or the assigns of such most senior mortgage holder. Such mortgagee must be an institutional lender or investor, licensed or regulated by a State or Federal government or an agency thereof.

1.08 FORECLOSURE: Shall mean and refer to a termination of all rights of the mortgagor or the mortgagor's assigns or grantees in an Affordable Condominium covered by a recorded mortgage through legal processes, or through a Deed in Lieu of Foreclosure which has been issued prior to a judicially-regulated sale. Foreclosure shall not take place before the exhaustion of remedies as set forth in this Declaration.

1.09 GROSS AGGREGATE FAMILY INCOME: Gross Aggregate Family Income means the total annual Income from all sources of all members of the Household or Family, as determined and adjusted in accordance with the rules and regulations promulgated by the Agency.

1.10 IMPROVEMENT: Shall mean and refer to additions within an Affordable Condominium, including materials, supplies, appliances or fixtures which become a permanent part of, or affixed to, an Affordable Condominium.

1.11 INCOME: Shall mean and refer to all income, from all sources, such as compensation for services, interest, rents, dividend and gains from the sale of property, pension benefits and government benefits.

1.12 MARKET CONDOMINIUM: Any condominium in Society Hill at Somerset which is not designated an Affordable Condominium.

1.13 MASTER DEED: The Master Deed and Declaration of Restrictive and Protective Covenants, including By-Laws, and Rules and Regulations for Society Hill at Somerset, to be recorded in the Office of the Clerk of Somerset County, and any proper amendments thereto.

1.14 MEDIAN INCOME: Shall mean and refer to the annual median family income figure for the PMSA for Somerset County, New Jersey as computed, published and adjusted for household size by the United States Department of Housing and Urban Development or such successor figure as shall be prepared and so adjusted by an entity or entities of the Federal government, or such area or such figure that may be accepted pursuant to order by a court of competent jurisdiction for the purpose of establishing Median Family Income to determine housing price levels.

1.15 MODERATE INCOME CONDOMINIUM: A Unit which is Affordable to a Moderate Income Family and which is approved or constructed pursuant to the Township Ordinances to provide housing for Families of Moderate Income.

1.16 MODERATE INCOME FAMILY: A Family whose Gross Aggregate Income is no greater than 80% and no less than 50% of the Median Income of the area or Region, with adjustments for smaller and larger Families. K. Hovnanian at Somerset, Inc. shall qualify prospective purchasers of a Moderate Income Condominium as Moderate Income Families prior to selling a Moderate Income

Condominium to the prospective purchaser. This qualification may be subject to review by the Agency.

1.17 MODERATE INCOME PURCHASER: A Moderate Income Family purchasing a Moderate Income Condominium.

1.18 OWNER: The then current title holder of record of an Affordable Condominium. Owner shall refer to and mean the title holder of record as same is reflected in the most recently dated and recorded deed for a particular Affordable Condominium. For purposes of the initial sales of the Affordable Condominiums, Owner shall include K. Hovnanian at Somerset, Inc. Ownership of a Condominium Unit shall be deemed to be acceptance and ratification of this Moderately Priced Housing Plan and all its provisions.

1.19 QUALIFIED PURCHASER: Shall mean and refer to a person who, pursuant to this Plan, (1) submits an Application for Certification as a Qualified Purchaser to the Agency; (2) whose Gross Aggregate Family Income at the time of proposed purchase of an Affordable Condominium is within Moderate Income Levels, as these Income Levels are defined herein; and (3) who obtains Certification as a Qualified Purchaser of an Affordable Condominium from the Agency pursuant to the rules and regulations of the Agency. Once a Qualified Purchaser becomes an Owner of an Affordable Condominium in accordance with the provisions of this Plan, any increase or decrease in the Gross Aggregate Family Income of such Owner shall not affect ownership rights, privileges or obligations of such Owner.

1.20 REGION: "Area" or "Region" for purposes of determining Median Income shall be the PMSA in which Somerset County is located.

1.21 STRUCTURE: Any structure having a roof supported by columns or by walls and intended for the shelter, housing or enclosure of any person.

1.22 TOTAL MONTHLY HOUSING COSTS: The total of the following monthly payments associated with the cost of the housing - mortgage payment (principal, interest), real estate taxes, and fire, theft and liability insurance.

1.23 UNIT: Shall mean and refer to an Affordable Condominium or a Market Condominium, as the case may be. Shall be synonymous with "Condominium Unit".

2. Part of Association. The Affordable Condominiums will be located within Society Hill at Somerset and shall be a part of the Association.

3. Floor Plans. The Affordable Condominiums shall consist of the floor plan described as follows:

A. Model 5321 - 1075 square feet - 26 units (Exhibit B);

The Affordable Condominiums actually constructed will be substantially similar to that shown in Exhibit B. K. Hovnanian at Somerset, Inc. shall have the right to add additional or modify floor plans so long as they meet the criteria and provisions set forth in this Moderately Priced Housing Plan as well as HFA standards and the Agency is notified in writing of any modification involving a change in the number of bedrooms within the unit.

4. Location. K. Hovnanian at Somerset, Inc. shall sell or rent a total of 26 Affordable Condominiums to Moderate Income Families in accordance with the provisions of this Moderately Priced Housing Plan. This Plan which shall be recorded simultaneously with the Master Deed creating Society Hill at Somerset Condominium which is the horizontal property regime of which these Affordable Condominiums shall be a part.

5. Master Deed Provisions: Part of Plan: Duration: Amendment. The Master Deed and Declaration of Covenants and Restrictions for the Condominium Association shall include the following section which specifically addresses Affordable Condominiums and the restrictions on resale of said Condominiums which shall be imposed upon their Owners, the terms of which shall also be a part of and incorporated into the Moderately Priced Housing Plan. The Declaration of Covenants and Restrictions shall bear the following provision and the restrictions contained therein shall apply to all Affordable Condominiums:

Society Hill at Somerset, comprised of a total of 264 residential dwellings, includes 26 residential dwellings known as Affordable Condominiums which are subject to a Moderately Priced Housing Plan. The Moderately Priced Housing Plan was a condition of approval imposed upon K. Hovnanian at Somerset, Inc. by the Planning Board of the Township of Franklin in connection with the application for development of Society Hill at Somerset. The Township of Franklin imposed this Moderately Priced Housing Plan upon K. Hovnanian at Somerset, Inc. in an effort to satisfy a portion of the Township's constitutional

constitutional obligations with respect to making affordable housing available within the Township. Purchasers of Affordable Condominiums may not sell their Units on resale for a purchase price greater than the original purchase price as reflected in their Deeds plus a percentage increase based on the CPI (New York City-Northeastern New Jersey-Housing Component Only) increase or other equivalent index determined by the Agency described herein and to be established by the Township of Franklin. Purchasers of Affordable Condominiums also may not sell their Units on resale to a person other than one qualifying as a family of moderate income and in compliance with all rules, regulations and requirements duly promulgated by the Affordable Housing Agency of the Township of Franklin. It is the intent and purpose that these Affordable Condominiums be and remain Affordable Condominiums which are affordable to Moderate Income Families in accordance with the provisions of the Moderately Priced Housing Plan.

In addition to the foregoing restrictions, the resale of Affordable Condominiums shall be subject to the rules and regulations of the Affordable Housing Agency which shall be established by the Township of Franklin. This Agency shall monitor and approve resales of Affordable Condominiums to assure that purchasers of same shall be Moderate Income Purchasers as defined by the Agency's Income criteria in effect at the time of the proposed resale. The Agency, however, shall approve any resale of an Affordable Condominium so long as the purchase price as required in the contract of sale and the Deed conveying Title to the new Buyer is not greater than the purchase price as reflected in the Deed which conveyed Title to the selling Owner plus a percentage increase based upon the CPI (New York City- Northeastern New Jersey-Housing Component Only) increase or other equivalent index determined by the Township of Franklin, provided, however that the resale price may exceed the foregoing if a greater sum is required to pay off and discharge the existing First Purchase Money Mortgage. Furthermore, Affordable Condominiums shall at all times remain owner-occupied except that under exceptional circumstances to be determined by the Agency, such Affordable Condominiums may be leased or rented for limited periods not to exceed one year, upon conditions set forth in the regulations.

Owners of Affordable Condominiums may add amenities or Improvements to such Units, however, the effect of these Improvements may not increase the resale price of the Unit beyond amounts which are considered by the Agency to be Affordable to Moderate Income Purchasers. In the event that such amenities or Improvements are installed, however, the resale price of Affordable Condominiums shall

nevertheless be restricted by the Agency in accordance with the foregoing standards.

Owners of Affordable Condominiums shall maintain them in accordance with the standards of the Market Condominiums within the development. Failure to do so shall permit Society Hill at Somerset Condominium Association to do so at the cost and expense of the Owner of the Affordable Condominium, and the Association shall have a lien on the Unit for the recovery of all sums expended for such purpose as provided for in the Declaration of Covenants and Restrictions for Society Hill at Somerset. These Affordable Condominiums shall be otherwise completely exempt from any and all assessments by the Association for the duration of this Moderately Priced Housing Plan.

Owners of Affordable Condominiums shall not convey title to or by lease or otherwise, deliver possession of the Affordable Condominiums other than in accordance with the Moderately Priced Housing Plan and Agency regulations. The Association shall have no responsibility whatsoever for implementing, enforcing or supervising the Moderately Priced Housing Plan. The fair market value of the Affordable Condominiums in the event that the Association elects not to rebuild, with respect to Paragraph 12 of the Master Deed entitled "Restoration and Replacement of Condominium in Event of Fire, Casualty or Obsolescence", and the provisions of Sections 1 and 2 of Article VI of the By-Laws, shall be determined in accordance with the provisions of this plan and shall be limited to the purchase price paid for Affordable Condominium by the Owner increased by a percentage increase based upon the CPI (New York City - Northeastern New Jersey - Housing Component Only) increase. The Association shall carry insurance coverage upon the Affordable Condominiums equal to the replacement cost of such unit in the event of total destruction and such units shall be rebuilt and replaced and subject to the provisions of this plan in the event the Association elects to rebuild. If the Association elects not to rebuild or dissolve as provided in the Master Deed, then the 26 Affordable Condominiums shall be forever released from the restrictions and requirements of the Moderately Priced Housing Plan.

The terms, restrictions, provisions and covenants of the Moderately Priced Housing Plan, and the provisions of the Master Deed referring to and incorporating the Moderately Priced Housing Plan, shall automatically expire and terminate at the earliest of the following: (1)-thirty (30) years from the date of the Moderately Priced Housing Plan; and (2) the date upon which the right of redemption expires with respect to the Foreclosure of the First Purchase Money Mortgage lien upon an

Affordable Condominium by the first mortgagee of the Affordable Condominium as the Plan applies to the specific unit which is subjected to a foreclosure pursuant to this provision; and (3) the date upon which the Association dissolves or ceases to exist for any reason for any period of time in which case a document certifying same shall be duly recorded with the Recorder of Somerset County.

Neither the Developer, the Owner, the Association nor the Agency shall amend or alter the provisions of this paragraph, or Plan without first obtaining the approval of both the Agency and the Planning Board of the Township of Franklin. Any such approved amendments or modifications of this Plan shall be in writing and shall contain proof of Planning Board approval and shall not be effective unless and until recorded with the Somerset County Clerk.

6. Affordable Housing Agency. The Township of Franklin, by Ordinance shall establish an Agency whose purpose, among others is to administer the provisions of this Moderately Priced Housing Plan to original purchasers, and to structure and enforce the mechanism and criteria for the determination of who are Moderate Income Purchasers constituting Qualified Purchasers at time of resale and for determining the allowable resale and rental prices of Affordable Condominiums. The Ordinance shall establish the standards which the Agency shall apply, and the Agency shall, by rules and regulations, establish the details of the application of such standards to resales of Affordable Condominiums, and to the determination of the Moderate Income Purchasers constituting Qualified Purchasers in accordance with the terms and provisions of the Moderately Priced Housing Plan.

The standards shall restrict the resales of Affordable Condominiums to prices which are Affordable to Moderate Income Families and shall further restrict the installation of Improvements or amenities within or as a part of Affordable Condominiums which would unduly increase the resale prices of such Affordable Condominiums above the amounts considered as Affordable to Moderate Income Families as prescribed by the terms of this Plan and as determined by the Agency.

7. Deeds of Conveyance Provisions. The Deeds of Conveyance from K. Hovnanian at Somerset, Inc. to the purchasers of Affordable Condominiums shall include the following clause:

The Owner's right, title and interest in this unit and the use, sale and resale of this property are subject to the terms, conditions, restrictions, limitations and provisions as set forth in the "Moderately Priced Housing Plan of Society Hill at Somerset" dated _____ which plan was filed in the Office of the Clerk of Somerset County in Misc. Book _____ at Page _____ on _____ and is on file with the Franklin Township Department of Planning and Community Development.

The above clause shall be in addition to the clause stating that the Unit is subject to the Homeowners Association Declaration of Covenants and Restrictions which clause will also appear in the Deeds for all Units in this development.

8. Statement of Exemption - Moderate Income Condominiums. The Agency shall, under certain circumstances, declare that the sale, resale or rental of a Moderate Income Condominium is exempt from the restriction of sale, resale or rental to a Moderate Income Family Qualified Purchaser. If no Moderate Income Family being a Qualified Purchaser of a Moderate Income Condominium has become contractually obligated to complete the purchase of a particular Moderate Income Condominium within sixty (60) days of the Developer's receipt of the certificate of occupancy for that Moderate Income Condominium, or within ninety (90) days of the date upon which the Non-Developer Owner of the Moderate Income Condominium notifies the Agency that the Moderate Income Condominium is on the market available for resale, the Agency shall declare the resale of the Moderate Income Condominium exempt from the restriction of sale or resale to a Moderate Income Family and shall permit the resale of the Moderate Income Condominium to a non-Moderate Income Family, provided, however, that the sale and any subsequent resales of a Moderate Income Condominium under this section shall remain subject to the maximum resale price restrictions set forth in this Plan as well as the obligation of the Condominium Unit Owner to obtain prior approval of the resale from the Agency as provided in this Plan.

If the applicable mortgage Interest Rate has risen above 14% and no Moderate Income Family has become contractually obligated to rent a particular Moderate Income Condominium within 90 days of the date upon which K. Hovnanian at Somerset, Inc. notified the Agency that it has been attempting to rent such Moderate Income Condominium or if the Agency, in its sole and complete discretion finds it prudent and consistent with the intent and purpose of this Plan, the Agency shall, pursuant to this section, exempt such Moderate Income Condominium from the restriction of rental to a Moderate Income Family and may permit the rental of the Moderate Income Condominium to a Non-Moderate Income Family subject to the same terms and conditions as are applicable to a Moderate Income Family.

To permit the sale, resale or rental of a Moderate Income Condominium under this section, the Agency shall issue a Statement of Exemption in recordable form to the Owner desiring to sell, resell or rent the Moderate Income Condominium. A copy of the Statement of Exemption shall be given, at the time of closing, to the purchaser of the Moderate Income Condominium resold under this section. The Statement of Exemption shall deem such purchaser to be a Moderate Income Family and Qualified Purchaser of the Moderate Income Condominium for purposes of any subsequent resale. A Statement of Exemption issued pursuant to this section shall exempt only the specific sale, resale or rental transaction for which it was issued.

The restrictions of resale or rental to Qualified Purchasers in accordance with this Plan shall apply to all subsequent resales or rentals of the Moderate Income Condominium unless a new Statement of Exemption is issued pursuant to this section specifically for a subsequent resale or rental transaction. As provided in this section, the Qualified Purchasers by reason of a Statement of Exemption (Owner at the time of subsequent resale) of the Moderate Income Condominium shall be deemed to be a Moderate Income Family and, therefore, a Qualified Purchaser for purposes of compliance with the restrictions of resale to Qualified Purchasers and the restriction of resale or rental to Moderate Income Families. The effect of exemption from the restriction of resale to Qualified Purchasers pursuant to a Statement of Exemption shall be that the Owner may resell or rent the Moderate Income Unit to any potential purchaser regardless of whether such

purchaser is a Qualified Purchaser, however, all other terms, provisions and restrictions of this Moderately Priced Housing Plan remain in full force and effect. Such purchaser, however, shall take title and possession to the Moderate Income Condominium subject to the terms, restrictions, conditions and provisions of this Moderately Priced Housing Plan applicable to Moderate Income Condominiums including those addressing use, occupancy, improvement and resale as though such purchaser were in fact a Qualified Purchaser.

Nothing, herein, shall preclude the Agency from purchasing the Moderate Income Condominium and holding, renting or conveying it to a Qualified Purchaser if such option is exercised prior to the Owner accepting a bona fide offer to purchase such Moderate Income Condominium.

9. Exempt Transactions. The following transactions shall be deemed "non-sales" for purposes of this Plan and therefore, the Owner receiving title by virtue of such transaction shall be entitled to a Statement of Exemption from the Agency and the Agency shall issue such Statement of Exemption.

- (a) Transfer of Ownership of a Condominium Unit between husband and wife;
 - (b) Transfer of Ownership of a Condominium Unit between former spouses ordered as a result of a judicial decree of divorce, (and not including sales to third parties);
 - (c) Transfer of Ownership of a Condominium Unit between family members as a result of inheritance;
 - (d) Transfer of Ownership of a Condominium Unit through an Executor's Deed to any Person;
 - (e) Transfer of Ownership of a Condominium Unit through an Order of the Superior Court.
- Such Transfers of Ownership neither extinguish the Plan's Restrictions nor terminate any liens set forth under this Plan. Liens must be satisfied in full prior to the subsequent sale of a Condominium Unit to any non-exempt party.

10. Violation of Plan. The Agency shall serve a Notice of Breach upon the Owner in the event that the Agency finds that the Owner has violated any provision of this Plan. Such Owner shall have a period of sixty (60) days to either cure such violation or place the Affordable Condominium on the market for resale in accordance with the terms of this Plan. Failure or refusal of the Owner to either cure the violation or place the Affordable Condominium on the market for resale in accordance with terms and

restrictions of the Moderately Priced Housing Plan and diligently pursue same as provided herein shall automatically empower and entitle the Agency to immediately commence court action to obtain a judgement against the Owner to the effect that the Owner is in violation of the terms, restrictions and provisions of this Moderately Priced Housing Plan. Said judgement shall be enforceable as if same were a judgement of default of the First Purchase Money Mortgage and shall constitute a lien against the Affordable Condominium. Such judgement shall be enforceable at the option of the Agency, by means of immediately holding a Sheriff's Sale at which the Affordable Condominium of the violating Owner shall be sold (at a price not less than the amount necessary to fully satisfy any First Mortgage Lien) in full compliance with the terms, restrictions and provisions of the Moderately Priced Housing Plan and the violating Owner shall have his right to possession terminated as well as his title conveyed pursuant to the Sheriff's Sale.

The proceeds of the Sheriff's Sale shall first be applied to satisfy the First Purchase Money Mortgage lien upon the Affordable Condominium. The excess, if any, shall be applied to reimburse the Agency for any and all costs and expenses incurred in connection with either the court action resulting in the judgment of violation or the Sheriff's Sale. In the event that the proceeds from the Sheriff's Sale are insufficient to reimburse the Agency in full as aforesaid, the violating Owner shall be personally responsible for and to the extent of such deficiency, in addition to any and all costs incurred by the Agency in connection with collecting such deficiency. The remainder, if any, shall be placed in escrow by the Agency for the Owner and shall be held in such escrow for a period of two years or until such time as the Owner shall make a claim with the Agency for such. Failure of the Owner to claim such remainder within the two year period shall automatically result in a forfeiture of such remainder to the Agency. Any interest accrued or earned on such remainder while being held in escrow shall belong to and shall be paid to the Agency whether such remainder shall be paid to the Owner or forfeited to the Agency.

Title shall be conveyed to the purchaser at the Sheriff's Sale subject to the restrictions and provisions of the Moderately Priced Housing Plan.

The Owner determined to be in violation of the provisions of this Plan and from whom title and possession were taken by means of the Sheriff's Sale shall not be entitled to any right of redemption. If there are no bidders (or insufficient amounts bid) at the Sheriff's Sale, the Agency may acquire title to the Affordable Condominium by satisfying the First Purchase Money Mortgage and crediting the violating Owner with an amount equal to the difference between the First Purchase Money Mortgage and the maximum sales price for which the Affordable Condominium could have been sold under the terms of this Affordable Housing Plan. This excess shall be treated in the same manner as the excess which would have been realized from an actual sale as previously described. Failure of the Affordable Condominium to be either sold at the Sheriff's Sale or acquired by the Agency shall obligate the Owner to accept an offer to purchase from any Qualified Purchaser, which may be referred to the Owner by the Agency, with such offer to purchase being equal to the maximum sales price of the Affordable Condominium as permitted by the terms and provisions of this Moderately Priced Housing Plan.

The Owner shall remain fully obligated, responsible and liable for complying with the terms and restrictions of this Plan until such time as title is conveyed from the Owner.

11. Covenants Running With Land. The provisions of this Moderately Priced Housing Plan shall constitute covenants running with the land with respect to each Affordable Condominium affected hereby, and shall bind all purchasers of each such Unit, their heirs, assigns and all persons claiming by, through or under their heirs, executors, administrators and assigns, except as provided for in paragraph 12 hereinafter. The terms, restrictions and covenants of this Plan shall, however, automatically expire and terminate at the earliest of the following: (1) thirty (30) years from the date hereof; and (2) the date upon which the event set forth in paragraph 12 hereinafter shall occur; and (3) the date upon which the Association dissolves or ceases to exist for any period of time for any reason, in which case, an instrument executed by the Association evidencing same must be duly recorded with the Office of the Clerk of Somerset County.

12. Effect of Foreclosure. Any Affordable Condominium which is acquired by a first mortgagee by Deed in lieu of foreclosure, or by any purchaser at a mortgage foreclosure sale conducted by the holder of the first mortgage (including the first mortgagee but excepting the defaulting mortgagor) shall be permanently released from the restrictions and covenants of this Plan and all resale restrictions shall cease to be effective as to the first mortgagee and all subsequent purchasers and mortgagees of that particular unit (except for the defaulting mortgagor, who shall be forever subject to the resale restrictions of this plan with respect to the unit owned by him at the time of his default). Execution or Foreclosure sales by any other class of creditor shall not result in a release of the unit from the provisions of this plan.

13. Obligations of Owners. Any Owner of an Affordable Condominium shall notify the Agency within ten (10) days in writing of any default in the performance by the Owner of any obligation under either the Master Deed of the Association or any mortgage, or other lien, against the Affordable Condominium which is not cured within sixty (60) days of the date upon which the default first occurs. The Owner shall not permit any lien, other than the First Purchase Money Mortgage, to attach and remain on the property for more than sixty (60) days.

The Owner of an Affordable Condominium shall keep the unit in good repair and shall not commit waste thereon.

The Owner shall pay all taxes and public assessments levied upon or assessed against the unit, or any part thereof, as and when the same become due and before penalties accrue.

This Affordable Condominium is part of a condominium together with appurtenances thereto. The Owner, even though fully exempt from any and all assessments and Association dues required to be paid pursuant to the Master Deed, shall otherwise comply with all of the terms, covenants or conditions of said Master Deed, as well as fully comply with all terms, conditions and restrictions of this Moderately Priced Housing Plan.

14. Agency's Right to Cure. The Agency may, at its option, advance and pay all sums necessary to protect, preserve and retain the unit as an Affordable Condominium subject to the terms of this plan. All sums so advanced and paid by the Agency shall become a lien against such unit and shall have a higher priority than any lien except the First Purchase Money Mortgage lien and liens by duly authorized government agencies. Such sums may include, but are not limited to, insurance premiums, taxes, assessments (public or private) and liens which may be or become prior and senior to any First Purchase Money Mortgage as a lien on the Unit, or any part thereof. In the event any First Mortgagee or other creditor of an Owner of an Affordable Condominium exercises its contractual or legal remedies available in the event of default or nonpayment by the Owner of an Affordable Condominium, the Owner shall notify the Agency in writing within 10 days of such exercise by the First Mortgagee or creditor and no later than 10 days after service of any summons and complaint and the Agency shall have the option to purchase, redeem, or cure any default upon such terms and conditions as may be agreeable to all parties in interest and/or to acquire the First Purchase Money Mortgage to the Unit, thereby, replacing the First Mortgagee as the First Mortgagee of the Unit. The Agency shall have the same priority of lien as was held by the First Mortgagee at the time the Agency acquires such First Purchase Money Mortgage, and shall have the right of subrogation with respect to any other claim or lien it satisfies or acquires.

15. Provisions for First Purchase Money Mortgagees. The terms and restrictions of this Moderately Priced Housing Plan shall be subordinate only to the First Purchase Money Mortgage lien on any Affordable Condominium and in no way shall impair the First Mortgagee's ability to exercise the contract remedies available to it in the event of default as such remedies are set forth in the First Purchase Money Mortgage documents for the unit. So long as the First Purchase Money Mortgage is not sold to the Federal National Mortgage Association or in the secondary mortgage market, the First Mortgagee and/or mortgage servicer shall serve written notice upon the Agency within ten (10) days after the First Purchase Money

Mortgage is three (3) months in arrears, and again within ten (10) calendar days of the filing of the complaint seeking foreclosure of the First Purchase Money Mortgage held on an Affordable Condominium.

The obligation of the First Mortgagee and servicer to notify the Agency shall cease automatically and immediately upon the sale of the First Purchase Money Mortgage to the Federal National Mortgage Association or in the secondary mortgage market unless the rules and regulations or guidelines of the Federal National Mortgage Association are amended so as to not prohibit or exclude placing such obligation upon the holder of the mortgage or its service representative, in which case, an instrument duly evidencing same must be recorded with the Office of the Clerk Somerset County, New Jersey, before any such obligation shall exist. Provided that the First Mortgagee is obligated to give the Agency the above mentioned notices, the First Mortgagee shall also serve written notice of any proposed foreclosure sale upon the Agency at least thirty (30) days prior to the first scheduled date of such sale. The First Mortgagee shall serve notice upon the Agency within thirty (30) days of the sale of the First Purchase Money Mortgage to the Federal National Mortgage Association or in the secondary mortgage market.

The Township of Franklin and/or the Agency or any instrumentality designated by the Township shall have the right to purchase any mortgage which is in default at any time prior to the entry of a foreclosure judgment, or within the redemption period thereafter. Notification of a default and of the institution of a foreclosure action and of a sheriff's sale shall be served in writing upon the Township Clerk as aforesaid. The Township of Franklin shall at all times be considered a party in interest and shall have the right to be joined as a party defendant and/or shall have the right to intervene in any foreclosure action seeking foreclosure of a first mortgage and/or shall have the right to redeem and acquire the owner's equity of redemption or to acquire the unit from the Owner upon such terms and conditions as may be determined by the Agency.

16. Surplus Funds. In the event of a foreclosure sale by the holder of the First Purchase Money Mortgage, the Owner shall be personally obligated to

pay to the Agency any surplus funds, but only to the extent that such surplus funds exceed the difference between what the Owner could have resold his unit for under this Plan at the time of the Foreclosure sale and the amount necessary to redeem and satisfy the First Purchase Money Mortgage debt, including costs of foreclosure. For purposes of this paragraph, surplus funds shall be the total amount paid to the sheriff in excess of the amount required to pay and satisfy the First Purchase Money Mortgage, including the costs of foreclosure, even if junior creditors actually receive payment from said surplus funds to the exclusion of the Owner. The Agency is hereby given a first priority lien, second only to the First Mortgagee of a Unit and any taxes or public assessments by a duly authorized governmental body, equal to the full amount of surplus funds. This obligation of the Owner to pay this full amount to the Agency shall be deemed to be a personal obligation of the Owner of record at time of the Foreclosure Sale and the Agency is hereby empowered to enforce the obligation of the Owner in any appropriate court of law or equity as though same were a personal contractual obligation of the Owner. Neither the First Mortgagee nor the purchaser at the Foreclosure Sale shall be responsible or liable to the Agency for any portion of this excess.

17. Disclosure Statements. K. Hovnanian at Somerset, Inc. shall provide Disclosure Statements to all initial purchasers of Affordable Condominiums prior to the execution of any contract of sale. The provisions of such disclosure statements shall be as set forth on Exhibit C attached hereto. All Owners of Affordable Condominiums shall provide copies of such Disclosure Statements to subsequent buyers prior to execution of contracts for sale with such buyers. In addition, K. Hovnanian at Somerset, Inc., shall provide to the initial owner of an Affordable Condominium, who, (as well as all future Owners) in turn, shall provide to prospective buyers, copies of the Ordinance creating the Agency, together with copies of existing regulations promulgated by the Agency and a copy of this Affordable Housing Plan together with any duly approved and recorded amendments at the time the contract of sale is executed and delivered to the prospective purchaser.

18. Service Upon Township or Agency. Wherever in this document the Township Department of Planning and Community Development, the Agency or the Township of Franklin is authorized to receive letters, contracts or other documents, the Township Clerk shall be the person to whom same are delivered.

19. Captions Headings. All captions and headings in this Moderately Priced Housing Plan are for purposes of reference only and shall not affect the interpretation or construction of any provision of this Moderately Priced Housing Plan.

20. Severability. It is the intention of both the Township of Franklin and K. Hovnanian at Somerset, Inc. that the provisions of this instrument are severable so that if any provisions, conditions, covenants or restrictions thereof shall be invalid or void under any applicable federal, state or local law, the remainder shall be unaffected thereby. In the event that any provisions, condition, covenant or restriction thereof, is at the time of recording of this instrument, void, voidable or unenforceable as being contrary to any applicable federal, state or local law, both parties, their successors and assigns, and all persons claiming by, through or under them covenant and agree that any future amendments or supplements to the said laws having the effect of removing said invalidity, voidability or unenforceability, shall be deemed to apply retrospectively to this instrument thereby operating to validate the provisions of this instrument which otherwise might be invalid and it is covenanted and agreed that any such amendments and supplements to the said laws shall have the effect herein described as fully as if they had been in effect at the time of the execution of this instrument.

21. Agreement. K. Hovnanian at Somerset, Inc. shall construct the 26 Affordable Condominiums and agrees that all such designated Affordable Condominiums shall be sold, rented and marketed in accordance with the provisions of this Moderately Priced Housing Plan.

Dated: _____

ATTEST:

HOVNANIAN AT SOMERSET, INC.
BY: _____

ATTEST:

TOWNSHIP OF FRANKLIN
BY: _____

PREPARED BY:
Andre K. Miesnieks
Attorney at Law of New Jersey

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METES AND BOUNDS DESCRIPTION
OF NEW LOT 2.01, BLOCK 34
FRANKLIN TOWNSHIP, SOMERSET
COUNTY, NEW JERSEY

BEGINNING at a concrete monument at the intersection of the southwesterly sideline of Claremont Road (A.K.A. Franklin Park Road), with the northwesterly sideline of a (70 foot wide) Ingress Egress R.O.W., said monument being distant 86.09 feet measured North $52^{\circ} 09' 20''$ West along the southwesterly sideline of Claremont Road from a concrete monument at the intersection of said southwesterly sideline with the division line between Lot 10.02, Block 34, and the southwesterly line of a 70 foot wide Ingress Egress R.O.W. and from said Beginning point running; then Along the northwesterly sideline of a 70 foot and 50 foot wide Ingress Egress R.O.W. the following six courses, being courses 1 thru 6 inclusive,

1. Southwesterly, along a curve bearing to the right, having a radius of 15.00 feet, an arc distance of 24.49 feet to a concrete monument at a point of tangency; thence
2. South $41^{\circ} 23' 40''$ West 703.15 feet to a concrete monument at a point of curvature; thence
3. Southwesterly, along a curve bearing to the left, having a radius of 275.00 feet, an arc distance of 95.99 feet to a concrete monument at a point of tangency; thence
4. South $21^{\circ} 23' 40''$ West 121.24 feet to a concrete monument at a point of curvature; thence
5. Southwesterly, along a curve bearing to the right, having a radius of 225.00 feet, an arc distance of 65.32 feet to a concrete monument at a point of tangency; thence
6. South $33^{\circ} 09' 20''$ West 141.73 feet to a concrete monument at a point in the northeasterly boundary line of New Lot 16, Block 34; thence Along said northeasterly line the following five courses, being courses 7 thru 11 inclusive,
7. North $51^{\circ} 50' 40''$ West 152.23 feet to a point of curvature; thence
8. Northwesterly, along a curve bearing to the left, having a radius of 275.00 feet, an arc distance of 80.45 feet to a point of tangency; thence
9. North $68^{\circ} 36' 20''$ West 171.67 feet to a point of curvature; thence
10. Northwesterly, along a curve bearing to the right, having a radius of 225.00 feet, an arc distance of 69.35 feet to a point of tangency; thence
11. North $50^{\circ} 56' 44''$ West 696.33 feet to a point in the southerly line of lands now or formerly belonging to the Field Company; thence
12. North $63^{\circ} 23' 30''$ East and run along said southerly line a distance of 273.31 feet to an iron pipe found; thence

13. North 51° 41' 40" East and run along the southerly line of lands now or formerly belonging to Leroy E. Jr. & Evelyn H. Tappen, a distance of 884.29 feet to a concrete monument in the southwesterly line of lands now or formerly belonging to Espie A. Coleman; thence Along the lands of Espie A. Coleman, the following four courses, being courses 14 thru 17 inclusive,
14. South 52° 09' 20" East 72.64 feet to a concrete monument; thence
15. South 37° 50' 40" West 162.07 feet to a concrete monument; thence
16. South 52° 09' 20" East 135.00 feet to a concrete monument; thence
17. North 41° 23' 40" East 241.93 feet to a railroad spike in the southwesterly sideline of Claremont Road; thence
18. South 52° 09' 20" East and run along said southwesterly line, a distance of 532.33 feet to the point and place of Beginning

CONTAINS 24.468 Acres.

The foregoing description was prepared in accordance with a map entitled "Major Subdivision Map Tax Map Sheets 24 & 25, Lot 8.01 & 16, Block 34 Franklin Township, Somerset County, New Jersey dated February 16, 1983, revised March 16, 1983, prepared by Donald W. Smith Associates, P.A., Nicholas V. Coppola, P.L.S. License #16763, and filed or about to be filed in the Somerset County Clerk's Office.

Job No. 82-215
June 18, 1984

METES & BOUNDS DESCRIPTION OF
NEW LOT 16.01, BLOCK 34
FRANKLIN TOWNSHIP, SOMERSET COUNTY
NEW JERSEY

Beginning at a point, said point being the intersection of the north easterly boundary line of New Lot 6.02, Block 34 with the dividing line between Lot 10.02, Block 34 and the southeasterly line of an ingress, egress R.O.W. (70 feet wide) said point being also the southwesterly corner of "Manor House Estates Section 1", dated December 1956 and filed in the Somerset County Clerks Office July 8, 1957 as Map #513 said point being also distant 306.99 feet measured South 41° 23' 40" West from a concrete monument at the intersection of the southwesterly sideline of Claremont Road (A.K.A. Franklin Park Road) with the aforementioned dividing line between Lot 10.02 Block 34 and the southwesterly line of 70 feet wide ingress egress R.O.W. and from said beginning point running; thence

Along the southwesterly boundary line of Manor House Estates, Section 1, the following six courses being courses 1 thru 6 inclusive,

1. South 68° 27' 10" East 331.52 feet to an iron pipe found; thence
2. South 51° 53' 30" East 100.00 feet to an iron pipe found; thence
3. South 79° 26' 00" East 129.70 feet; thence
4. South 48° 09' 00" East 213.93 feet to a point in southeasterly sideline of Yorkshire Road; thence
5. Northeasterly and run along said southeasterly sideline, along a curve bearing to the left having a radius of 310.00 feet, an arc distance of 8.11 feet; thence
6. South 49° 50' 35" East 165.20 feet to an iron pipe found at the southwesterly corner of Lot 17, Block 34, said pipe being also in the northwesterly line of lands now or formerly belonging to Russell W. & Caroline Laird; thence
7. South 38° 19' 00" West and run along said northwesterly line, a distance of 533.51 feet, to a concrete monument; thence
8. South 38° 09' 20" West a distance of 440.00 feet; thence
9. North 51° 50' 40" West 902.32 feet to a point in the southeasterly line of a 50 feet wide ingress egress R.O.W.; thence

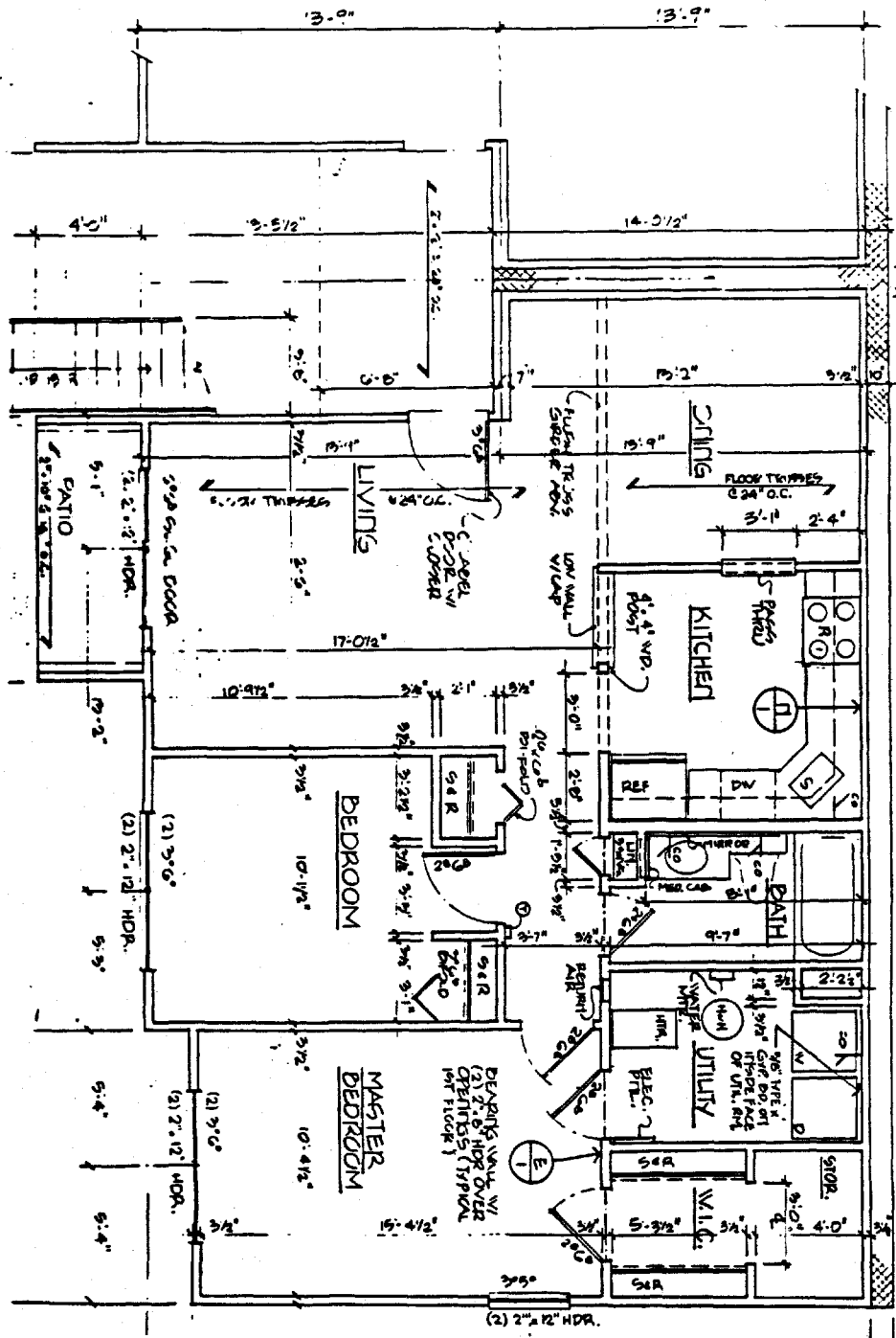
Along said southeasterly line the following five courses being courses 10 thru 14 inclusive,

Sub No. 22-215
June 18, 1984

10. North $39^{\circ} 09' 20''$ East 141.73 feet to a point of curvature; thence
11. Northeasterly along a curve bearing to the left having a radius of 275.00 feet, an arc distance of 80.44 feet to a point of tangency; thence
12. North $21^{\circ} 23' 40''$ East 121.24 feet to a point of curvature; thence
13. Northeasterly along a curve bearing to the right having a radius of 225.00 feet, an arc distance of 73.54 feet to a point of tangency; thence
14. North $41^{\circ} 23' 40''$ East 416.47 feet; thence
15. South $48^{\circ} 36' 20''$ East 20.00 feet to the point and place of beginning.

Contains 19.987 Acres.

The foregoing description was prepared in accordance with a map entitled "Major Subdivision Map Tax Map Sheets 24 and 25, Lot 8.01 & 16, Block 34 Franklin Township, Somerset County, New Jersey dated February 16, 1983, revised March 16, 1983 prepared by DONALD W. SMITH ASSOCIATES, P.A. Nicholas V. Coppola, P.L.S. Lic. No. 16763 and filed or about to be filed in the Somerset County Clerks Office.



Model 5321

1075 Square Feet

EXHIBIT B

DISCLOSURE STATEMENT FOR
AFFORDABLE CONDOMINIUMS IN
SOCIETY HILL AT SOMERSET

The home which you are considering purchasing is an Affordable Condominium as defined in a document entitled "Moderately Priced Housing Plan for Society Hill at Somerset", which has been recorded with the Clerk of the County of Somerset and the Clerk of the Township of Franklin. The Moderately Priced Housing Plan was prepared by K. Hovnanian at Somerset, Inc. and the Township of Franklin and was a requirement of the Township of Franklin in its approval of this development. A complete reading of the Plan is necessary to fully understand and be aware of all the restrictions contained in the Plan which affect the home you are considering purchasing. By way of a brief summary, the following restrictions are contained in the Plan:

1. Purchasers of these Affordable Condominiums are limited to Moderate Income Families. These moderate income homes must be occupied by the owner and may not be rented except as may be permitted by the Affordable Housing Agency of Franklin. This restriction applies to the initial purchase as well as to all resales;
2. These Affordable Condominiums may not be resold at a sales price greater than the initial sales price plus a percentage increase based on the Consumer Price Index, or an alternate price index as the Township of Franklin may determine;
3. Owners of Affordable Condominiums will be required to obtain Municipal approval for any improvements which they propose to install on their unit. The purpose of this requirement is to assure that the Affordable Condominiums will not be improved to a level where they no longer qualify as Income Housing. It is possible that the cost of some of the improvements made by Owners may not be recoverable at time of resale due to the restrictions on resale;
4. These Affordable Condominiums, as well as the owners of these units, are exempt from assessments by the Condominium Association. Owners of these Affordable Condominiums, however, have the very same rights, privileges, duties and obligations as any other condominium owner in Society Hill at Somerset. The owners of these units are entitled to participate fully in the affairs of the Association. There are no restrictions or limitations upon the ability of owners of these units to participate in the affairs of the Association; and
5. The terms, restrictions, provisions and covenants of the Moderately Priced Housing Plan, and the provisions of the Master Deed referring to and incorporating the Moderately Priced Housing Plan, shall automatically expire and terminate with respect to the Affordable Condominiums at the earlier of the following: (1) thirty (30) years from the date of the Moderately Priced Housing Plan; or (2) the date upon which a first mortgagee forecloses its first mortgage lien upon the particular Moderately Priced Dwelling Unit; or (3) the date upon which the Association dissolves or ceases to exist for any reason and for any period of time.

EXHIBIT C

The above are limitations and restrictions which most greatly affect the Affordable Condominiums in Society Hill at Somerset. To fully understand the Plan, and its requirements, requires a thorough and complete reading of the Plan in its entirety.

I have read the contents of this Disclosure Statement and understand same. I have been instructed that a thorough reading of the Plan in its entirety is necessary to understand its requirements and limitations. I have been further instructed to seek the assistance and advice of an attorney in reviewing the Plan.

Date: _____
Prospective Purchaser

Building No.: _____ Unit: _____
Prospective Purchaser

DATE: Sept. 14, 1984

AFFORDABLE HOUSING PLAN
FOR
SOCIETY HILL AT SOMERSET II

A PLANNED UNIT RESIDENTIAL DEVELOPMENT OF
K. HOVNANIAN AT SOMERSET II, INC.

PREPARED BY:

Andre K. Miesnieks
Attorney at Law of New Jersey

AFFORDABLE HOUSING PLAN
FOR
SOCIETY HILL AT SOMERSET II

K. Hovnanian at Somerset II, Inc. will construct 35 moderate income condominiums and 21 low income condominiums within the proposed development as described in Exhibit "A" attached hereto. These units will be distributed throughout the development approximately as described further in this plan.

1. Definitions. For purposes of this Affordable Housing Plan, the following terms shall be defined as follows:

1.01 AFFORDABLE: The Lower Income Purchaser shall not be required to spend more than 28% of its Gross Aggregate Family Income at time of purchase of an Affordable Condominium for the Total Monthly Housing Costs as same are determined under any type of mortgage, including but not limited to fixed rate, adjustable rate, graduated payment adjustable rate, growing equity, etc. including any mortgage programs being offered by FNMA, VA, FHA, FMAC, NJMFA, etc. Affordable shall further be defined to reflect the requirement that K. Hovnanian at Somerset II, Inc. shall limit the purchase prices of the 35 Moderate Income Condominiums so that the Total Monthly Housing Cost of the Moderate Income Condominium is Affordable to a Moderate Income Family. Affordable shall be further defined to reflect the requirement that K. Hovnanian at Somerset II, Inc., shall limit the purchase prices of the 21 Low Income Condominiums so that the Total Monthly Housing Cost of the Low Income Condominium is Affordable to a Low Income Family. The following procedure shall apply to the determination of Affordable sales prices not only with respect to sales by K. Hovnanian at Somerset II, Inc. but with respect to all future sales of these Affordable Condominiums:

1.01 (A) With respect to determining Affordable sales prices of the 35 Moderate Income Condominiums:

(1) A preliminary sales price shall be calculated for the moderate income categories so that the sum of the monthly principal (assuming a 10% downpayment), interest (utilizing the applicable interest rate for the mortgage being used by the prospective purchaser of the Moderate Income Condominium), property taxes and fire, theft and liability insurance does not exceed 28% of the moderate income ceiling which is 80% of the median income for the Moderate Income Family for the region. If the developer or another entity shall buy down the interest rates for a minimum of three years, and the increase in interest rates is no more than 1.0% each year during the period of the buy down, the interest rate for the first year of the buy down period shall be utilized in the calculation described above.

If, however, the increase in interest rates is more than 1.0% each year during the period of the buy down, the average interest rate for the period of the buy down shall be utilized.

(2) The final sales prices of the Moderate Income Condominium shall be calculated so that the sales prices shall be set at 90% of the preliminary sales prices calculated pursuant to subsection (1) above.

(3) For the purposes of determining sales prices of the 35 Moderate Income Condominiums being constructed in Society Hill at Somerset II, a Family size of 4 persons shall be used for the 2 bedroom Moderate Income Condominiums and a Family size of 6 persons shall be used for the 3 bedroom Moderate Income Condominiums in conjunction with the following table containing the maximum preliminary sales prices and actual final sales prices based on a 1984 median income of \$33,750.00 for the PMSA for Somerset County (This table shall be updated annually on July 31st to reflect changes in the median income and such updates shall be used by both K. Hovnanian at Somerset II, Inc. and the Agency as a guide for determining affordable sales prices of the 35 Moderate Income Condominiums in Society Hill at Somerset, II):

Final PMSA for Somerset

Interest Rate	Two Bedroom Moderate Income		Three Bedroom Moderate Income	
	Maximum (Preliminary) Selling Price	Actual (Final) Selling Price	Maximum (Preliminary) Selling Price	Actual (Final) Selling Price
14%	50,710	45,640	57,100	51,390
13%	53,740	48,370	60,500	54,450
12%	57,080	51,370	64,270	57,840
11%	60,780	54,700	68,440	61,600
10%	63,420	57,080	71,410	64,270

The median income as agreed d.p. goes down? at 10% d.p.

All numbers rounded to nearest \$10.00

1.01 (B) With respect to determining Affordable rental charges of the 35 Moderate Income Condominiums: If the applicable interest rate increases beyond 14%, K. Hovnanian at Somerset II, Inc. shall have the option of either reducing the actual selling price so as to comply with the affordability standards set forth in this plan or to rent any unsold Moderate Income Condominiums to Moderate Income Families at Affordable rental charges. The following procedure shall apply to the determination of Affordable rental charges:

(1) A preliminary rental charge shall be calculated for Moderate Income Families so that the monthly rental, including utilities, does not exceed 30% of the moderate income ceiling.

(2) The final rental charges shall be calculated so that the rental charges of the any unsold Moderate Income Condominiums are 90% of the preliminary rental charges calculated pursuant to subsection (a) above.

(3) For the purposes of determining the rental charges of any unsold Moderate Income Condominiums, a family of 4 persons shall be used for the 2 bedroom Moderate Income Condominiums and a Family size of 6 persons shall be used for the 3 bedroom Moderate Income Condominiums in conjunction with the following table containing the maximum (preliminary) rental charges and the actual (final) rental charges based on a 1984 median income of \$33,750.00 for the PMSA for Somerset County (This table shall be updated annually on July 31st to reflect changes in the median income and such updates shall be used by both K. Hovnanian at Somerset II, Inc. and the

NO

Agency (as defined herein) as a guide for determining affordable rental charges for any unsold Moderate Income Condominiums in Society Hill at Somerset II):

	<u>Two Bedroom Moderate Income</u>	<u>Three Bedroom Moderate Income</u>
Gross Rental Charge	\$675.00	\$760.00
Less 10%	(67.50)	(76.00)
Utility Allowance	(70.00)	(80.00)
Actual Rental Charge	<u>\$537.50</u>	<u>\$604.00</u>

(4) If the developer elects to rent any unsold Moderate Income Condominiums as permitted under this subsection, the Agency shall have the right to verify that the actual rental charge for such unit does not exceed the parameters set forth in subsection (3) above. The developer may rent such units until the later of the following events: (1) the time at which the developer is able to sell such Moderate Income Condominiums in compliance with the provisions of this plan utilizing an interest rate equal to or less than 14% and (2) the expiration date of any lease of a Moderate Income Condominiums.

1.01 (C) With respect to determining Affordable sales prices of the 21 Low Income Condominiums:

(1) A preliminary sales price shall be calculated for the low income categories so that the sum of the monthly principal (assuming a 10% downpayment), interest (utilizing the applicable interest rate for the mortgage being used by the prospective purchaser of the Low Income Condominium), property taxes and fire, theft and liability insurance does not exceed 28% of the low income ceiling which is 50% of the Median Income for the Low Income Family for the region. If the developer or another entity shall buy down the interest rates for a minimum of three years, and the increase in interest rates is no more than 1.0% each year, the interest rate for the first year of the buy down period shall be utilized in the calculation described above. If, however, the increase in interest rates is more than 1.0% each year, the average interest rate for the period of the buy down shall be utilized.

(2) The final sales prices of the Low Income Condominium shall be calculated so that the sales prices shall be set at 90% of the preliminary sales prices calculated pursuant to subsection (1) above.

(3) For the purposes of determining sales prices of the 21 Low Income Condominiums being constructed in Society Hill at Somerset II, a Family size of 4 persons shall be used for the 2 bedroom Low Income Condominiums and a Family size of 6 persons shall be used for the 3 bedroom Low Income Condominiums in conjunction with the following table containing the maximum preliminary sales prices and actual final sales prices based on a 1984 median income of \$33,750.00 for the PMSA for Somerset County (This table shall be updated annually on July 31st to reflect changes in the Median Income and such updates shall be used by both K. Hovnanian at Somerset II, Inc. and the Agency as a guide for determining affordable sales prices of the 21 Low Income Condominiums in Society Hill at Somerset II):

Interest Rate	<u>Two Bedroom Low Income</u>		<u>Three Bedroom Low Income</u>	
	Maximum (Preliminary) Selling Price	Actual (Final) Selling Price	Maximum (Preliminary) Selling Price	Actual (Final) Selling Price
14%	31,610	<u>28,450</u>	36,720	<u>33,050</u>
13%	33,630	30,270	38,910	35,020
12%	35,730	32,160	41,330	37,200
11%	38,040	34,240	44,010	39,610
10%	39,700	<u>35,730</u>	45,920	<u>41,330</u>

All numbers rounded to nearest \$10.00

1.01 (D) With respect to determining Affordable rental charges for the 21 Low Income Condominiums:

If the applicable interest rate increases beyond 14%, K. Hovnanian at Somerset II, Inc. shall have the option of either reducing the actual selling price so as to comply with the affordability standards set forth in this plan or to rent any unsold Low Income Condominiums to Low Income Families at Affordable rental charges. The following procedure shall apply to the determination of Affordable rental charges:

(1) A preliminary rental charge shall be calculated for Low Income Families so that the monthly rental, including utilities, does not exceed 30% of the low income ceiling.

(2) The final rental charges shall be calculated so that the rental charges of the any unsold Low Income Condominiums are 90% of the preliminary rental charges calculated pursuant to subsection (a) above.

(3) For the purposes of determining the rental charges of any unsold Low Income Condominiums, a family of 4 persons shall be used for the 2 bedroom Low Income Condominiums and a Family size of 6 persons shall be used for the 3 bedroom Low Income Condominiums in conjunction with the following table containing the maximum (preliminary) rental charges and the actual (final) rental charges based on a 1984 median income of \$33,750.00 for the PMSA for Somerset County (This table shall be updated annually on July 31st to reflect changes in the median income and such updates shall be used by both K. Hovnanian at Somerset II, Inc. and the Agency as a guide for determining affordable rental charges for any unsold Low Income Condominiums in Society Hill at Somerset II):

	<u>Two Bedroom Low Income</u>	<u>Three Bedroom Low Income</u>
Gross Rental Charge	\$422.50	\$488.75
Less 10%	(42.25)	(48.88)
Utility Allowance	(70.00)	(80.00)
Actual Rental Charge	OK <u>\$310.25</u>	<u>\$359.87</u>

(4) If the developer elects to rent any unsold Low Income Condominiums as permitted under this subsection, the Agency shall have the right to verify that the actual rental charge for such unit does not exceed the parameters set forth in subsection (3) above. The developer may rent such units until the later of the following events: (1) the time at which the developer is able to sell such Low Income Condominiums in compliance with the provisions of this plan utilizing an interest rate equal to or less than 14% and (2) the expiration date of any lease of a Low Income Condominiums.

1.02 AFFORDABLE CONDOMINIUM: A condominium at Society Hill at Somerset II which has been designated as either a Low Income Condominium or a Moderate Income Condominium, as the applicable case may be, pursuant to this Affordable Housing Plan.

1.03 AGENCY: The Affordable Housing Agency of the Township of Franklin or similar entity to which will be created by the Township of Franklin, or any successor duly authorized to carry out the powers and responsibilities of the Agency. If no specific Agency is formed or if no specific successor is duly established, the Agency for the purpose of implementing this plan shall be the Planning Board of the Township of Franklin or its designee.

1.04 ASSESSMENTS: Shall mean and refer to levies, charges or assessments both public and private, as the applicable case may be, upon the condominium units which are part of the Association.

1.05 ASSOCIATION: Society Hill at Somerset II Condominium Association, Inc., its successors and assigns as same is defined in the Master Deed and Declaration.

1.06 FAMILY: Shall mean all persons living as a single non-profit housekeeping unit whether or not same are related by blood, marriage or otherwise. Family shall also be synonymous with "Household".

*Can't find all purposes -
children -
the next family*

1.07 FIRST PURCHASE MONEY MORTGAGE: Shall mean and refer to the most senior mortgage holder who has loaned funds for the purchase of an Affordable Condominium or the assigns of such most senior mortgage holder. Such mortgagee must be an institutional lender or investor, licensed or regulated by a State or Federal government or an agency thereof.

1.08 FORECLOSURE: Shall mean and refer to a termination of all rights of the mortgagor or the mortgagor's assigns or grantees in an Affordable Condominium covered by a recorded mortgage through legal processes, or through a Deed in Lieu of Foreclosure which has been issued prior to a judicially-regulated sale. Foreclosure shall not take place before the exhaustion of remedies as set forth in this Declaration.

A/K

1.09 GROSS AGGREGATE FAMILY INCOME: Gross Aggregate Family Income means the total annual Income from all sources of all members of the Household or Family, as determined and adjusted in accordance with the rules and regulations promulgated by the Agency.

1.10 IMPROVEMENT: Shall mean and refer to additions within an Affordable Condominium, including materials, supplies, appliances or fixtures which become a permanent part of, or affixed to, an Affordable Condominium.

1.11 INCOME: Shall mean and refer to all income, from all sources, such as

compensation for services, interest, rents, dividend and gains from the sale of property, pension benefits and government benefits.

1.12 LOW INCOME CONDOMINIUM: A condominium unit which is Affordable to a Low Income Family.

1.13 LOW INCOME FAMILY: A Family whose Gross Aggregate Family Income is not greater than 50% of the Median Income of the area or Region with adjustments for smaller and larger Families. K. Hovnanian at Somerset II, Inc. shall qualify prospective purchasers of the Low Income Condominiums as Low Income Families prior to selling a Low Income Condominium to the prospective purchaser. This qualification may be subject to review by the Agency.

needs to be clarified

1.14 LOW INCOME PURCHASER: A Low Income Family purchasing either a Low Income Condominium or a Moderate Income Condominium as the case may be.

new word

1.15 LOWER INCOME CONDOMINIUM: Same as an Affordable Condominium.

1.16 LOWER INCOME FAMILY: A Family which is either a Low Income Family or a Moderate Income Family, as the case may be.

1.17 LOWER INCOME PURCHASER: A purchaser of an Affordable Condominium which is either a Low Income Purchaser or a Moderate Income Purchaser as the case may be.

1.18 MARKET CONDOMINIUM: Any condominium in Society Hill at Somerset II which is not designated an Affordable Condominium.

1.19 MASTER DEED: The Master Deed and Declaration of Restrictive and Protective Covenants, including By-Laws, and Rules and Regulations for Society Hill at Somerset II, to be recorded in the Office of the Clerk of Somerset County, and any proper amendments thereto.

1.20 MEDIAN INCOME: Shall mean and refer to the annual median family income figure for the PMSA for Somerset County, New Jersey as computed, published and adjusted for household size by the United States Department of Housing and Urban Development or such successor figure as shall be prepared and so adjusted by an entity or entities of the Federal government, or such area or such figure that may be accepted pursuant to order by a court of competent jurisdiction for the purpose of establishing Median Family Income to determine housing price levels.

also means family

See also Somerset II, Inc.

1.21 MODERATE INCOME CONDOMINIUM: A Unit which is Affordable to a Moderate Income Family and which is approved or constructed pursuant to the Township Ordinances to provide housing for Families of Low or Moderate Income. Nothing in this Affordable Housing Plan shall prohibit K. Hovnanian at Somerset II, Inc. or subsequent owners of a Moderate Income Condominium from selling a Moderate Income Condominium to a Low Income Family, however, the sales price of the Moderate Income Condominium need remain Affordable only to Moderate Income Families.

1.22 MODERATE INCOME FAMILY: A Family whose Gross Aggregate Income is no greater than 80% and no less than 50% of the Median Income of the area or Region, with adjustments for smaller and larger Families. K. Hovnanian at Somerset II, Inc. shall qualify prospective purchasers of a Moderate Income Condominium as Moderate Income Families prior to selling a Moderate Income Condominium to the prospective purchaser. This qualification may be subject to review by the Agency.

1.23 MODERATE INCOME PURCHASER: A Moderate Income Family purchasing a Moderate Income Condominium.

1.24 OWNER: The then current title holder of record of an Affordable Condominium. Owner shall refer to and mean the title holder of record as same is reflected in the most recently dated and recorded deed for a particular Affordable Condominium. For purposes of the initial sales of the Affordable Condominiums, Owner shall include K. Hovnanian at Somerset II, Inc. Ownership of a Condominium Unit shall be deemed to be acceptance and ratification of this Affordable Housing Plan and all its provisions.

1.25 QUALIFIED PURCHASER: Shall mean and refer to a person who, pursuant to this Plan, (1) submits an Application for Certification as a Qualified Purchaser to the Agency; (2) whose Gross Aggregate Family Income at the time of proposed purchase of an Affordable Condominium is within Low or Moderate Income Levels, as these Income Levels are defined herein; and (3) who obtains Certification as a Qualified Purchaser of an Affordable Condominium from the Agency pursuant to the rules and regulations of the Agency. Once a Qualified Purchaser becomes an Owner of an Affordable Condominium in accordance with the provisions of this Plan, any increase or decrease in the Gross Aggregate Family Income of such Owner shall not affect ownership rights, privileges or obligations of such Owner.

NO

*Units does
not meet -*

1.26 REGION: "Area" or "Region" for purposes of determining Median Income shall be the PMSA in which Somerset County is located.

1.27 STRUCTURE: Any structure having a roof supported by columns or by walls and intended for the shelter, housing or enclosure of any person.

1.28 TOTAL MONTHLY HOUSING COSTS: The total of the following monthly payments associated with the cost of the housing - mortgage payment (principal, interest), real estate taxes, and fire, theft and liability insurance.

1.29 UNIT: Shall mean and refer to an Affordable Condominium or a Market Condominium, as the case may be. Shall be synonymous with "Condominium Unit".

2. Part of Association. The Affordable Condominiums will be located within the Club at Piscataway and shall be a part of the Association.

3. Floor Plans. The Affordable Condominiums shall consist of the floor plans described as follows:

#5

- A. Model 5302 - 2 Bedroom - 892 square feet - approximately 26 units (Exhibit B);
- B. Model 5303 - 3 Bedroom - 934 square feet - approximately 26 units (not less than 10 units) (Exhibit C).

28

28

The Affordable Condominiums actually constructed will be substantially similar to those shown in the Exhibits B and C. K. Hovnanian at Somerset II, Inc. shall have the right to add additional or modify floor plans so long as they meet the criteria and provisions set forth in this Affordable Housing Plan as well as HFA standards and the Agency is notified in writing of any modification involving a change in the number of bedrooms within the unit.

4. Location. K. Hovnanian at Somerset II, Inc. shall sell or rent a total of 56 Affordable Condominiums to Lower Income Families, 35 Units to Moderate Income Families and 21 Units to Low Income Families, in accordance with the provisions of this Affordable Housing Plan. This Plan which shall be recorded simultaneously with the Master Deed creating Society Hill at Somerset II Condominium which is the horizontal property regime of which these Affordable Condominiums shall be a part.

5. Master Deed Provisions: Part of Plan: Duration: Amendment. The Master Deed and Declaration of Covenants and Restrictions for the Condominium Association shall include the following section which specifically addresses Affordable Condominiums and the restrictions on resale of said Condominiums which shall be imposed upon their Owners, the terms of which shall also be a part of and incorporated into the Affordable Housing Plan. The Declaration of Covenants and Restrictions shall bear the following provision and the restrictions contained therein shall apply to all Affordable Condominiums:

Society Hill at Somerset II, comprised of a total of 346 residential dwellings, includes 56 residential dwellings known as Affordable Condominiums which are subject to an Affordable Housing Plan. The Affordable Housing Plan was a condition of approval imposed upon K. Hovnanian at Somerset II, Inc. by the Planning Board of the Township of Franklin in connection with the application for development of Society Hill at Somerset II. The Township of Franklin imposed this Affordable Housing Plan upon K. Hovnanian at Somerset II, Inc. in an effort to satisfy a portion of the Township's constitutional obligations with respect to making affordable housing available within the Township. Purchasers of Affordable Condominiums may not sell their Units on resale for a purchase price greater than the original purchase price as reflected in their Deeds plus a percentage increase based on the CPI (New York City-Northeastern New Jersey Housing Component Only) increase or other equivalent index determined by the Agency described herein and to be established by the Township of Franklin. Purchasers of Affordable Condominiums also may not sell their Units on resale to a person other than one qualifying as a family of low or moderate income as the applicable case may be and in compliance with all rules, regulations and requirements duly promulgated by the Affordable Housing Agency of the Township of Franklin. It is the intent and purpose that these Affordable Condominiums be and remain Affordable Condominiums which are affordable to Lower Income Families in accordance with the provisions of the Affordable Housing Plan.

In addition to the foregoing restrictions, the resale of Affordable Condominiums shall be subject to the rules and regulations of the Affordable Housing Agency which shall be established by the Township of Franklin. This Agency shall monitor and approve resales of Affordable Condominiums to assure that purchasers of same shall be Lower Income Purchasers as defined by the Agency's Income

*not clear
cumulative 70*

criteria in effect at the time of the proposed resale. The Agency, however, shall approve any resale of an Affordable Condominium so long as the purchase price as required in the contract of sale and the Deed conveying Title to the new Buyer is not greater than the purchase price as reflected in the Deed which conveyed Title to the selling Owner plus a percentage increase based upon the CPI (New York City- Northeastern New Jersey-Housing Component Only) increase or other equivalent index determined by the Township of Franklin, provided, however that the resale price may exceed the foregoing if a greater sum is required to pay off and discharge the existing First Purchase Money Mortgage. Furthermore, Affordable Condominiums shall at all times remain owner-occupied except that under exceptional circumstances to be determined by the Agency, such Affordable Condominiums may be leased or rented for limited periods not to exceed one year, upon conditions set forth in the regulations.

Owners of Affordable Condominiums may add amenities or Improvements to such Units, however, the effect of these Improvements may not increase the resale price of the Unit beyond amounts which are considered by the Agency to be Affordable to Lower Income Purchasers. In the event that such amenities or Improvements are installed, however, the resale price of Affordable Condominiums shall nevertheless be restricted by the Agency in accordance with the foregoing standards.

Owners of Affordable Condominiums shall maintain them in accordance with the standards of the Market Condominiums within the development. Failure to do so shall permit Society Hill at Somerset II Condominium Association to do so at the cost and expense of the Owner of the Affordable Condominium, and the Association shall have a lien on the Unit for the recovery of all sums expended for such purpose as provided for in the Declaration of Covenants and Restrictions for Society Hill at Somerset II. These Affordable Condominiums shall be otherwise completely exempt from any and all assessments by the Association for the duration of this Affordable Housing Plan.

Owners of Affordable Condominiums shall not convey title to or by lease or otherwise, deliver possession of the Affordable Condominiums other than in accordance with the Affordable Housing Plan and Agency regulations. The Association shall have no responsibility whatsoever for implementing, enforcing or supervising the Affordable Housing Plan. The fair market value of the Affordable Condominiums in the event that the Association elects not to rebuild, with respect to Paragraph 12 of the Master Deed entitled "Restoration and Replacement of Condominium in Event of Fire, Casualty or

Obsolescence", and the provisions of Sections 1 and 2 of Article VI of the By-Laws, shall be determined in accordance with the provisions of this plan and shall be limited to the purchase price paid for Affordable Condominium by the Owner increased by a percentage increase based upon the CPI (New York City - Northeastern New Jersey - Housing Component Only) increase. The Association shall carry insurance coverage upon the Affordable Condominiums equal to the replacement cost of such unit in the event of total destruction and such units shall be rebuilt and replaced and subject to the provisions of this plan in the event the Association elects to rebuild. If the Association elects not to rebuild or dissolve as provided in the Master Deed, then the 56 Affordable Condominiums shall be forever released from the restrictions and requirements of the Affordable Housing Plan.

The terms, restrictions, provisions and covenants of the Affordable Housing Plan, and the provisions of the Master Deed referring to and incorporating the Affordable Housing Plan, shall automatically expire and terminate at the earliest of the following: (1)-thirty (30) years from the date of the Affordable Housing Plan; and (2) the date upon which the right of redemption expires with respect to the foreclosure of the First Purchase Money Mortgage lien upon an Affordable Condominium by the first mortgagee of the Affordable Condominium as the Plan applies to the specific unit which is subjected to a foreclosure pursuant to this provision; and (3) the date upon which the Association dissolves or ceases to exist for any reason for any period of time in which case a document certifying same shall be duly recorded with the Recorder of Somerset County.

Neither the Developer, the Owner, the Association nor the Agency shall amend or alter the provisions of this paragraph, or Plan without first obtaining the approval of both the Agency and the Planning Board of the Township of Franklin. Any such approved amendments or modifications of this Plan shall be in writing and shall contain proof of Planning Board approval and shall not be effective unless and until recorded with the Somerset County Clerk.

6. Affordable Housing Agency. The Township of Franklin, by Ordinance shall establish an Agency whose purpose, among others is to administer the provisions of this Affordable Housing Plan to original purchasers, and to structure and enforce the mechanism and criteria for the determination of who are Lower Income Purchasers constituting Qualified Purchasers at time of resale and for determining the allowable resale and rental prices of Affordable Condominiums. The Ordinance shall establish the standards which

the Agency shall apply, and the Agency shall, by rules and regulations, establish the details of the application of such standards to resales of Affordable Condominiums, and to the determination of the Lower Income Purchasers constituting Qualified Purchasers in accordance with the terms and provisions of the Affordable Housing Plan.

The standards shall restrict the resales of Affordable Condominiums to prices which are Affordable to Lower Income Families and shall further restrict the installation of Improvements or amenities within or as a part of Affordable Condominiums which would unduly increase the resale prices of such Affordable Condominiums above the amounts considered as Affordable to Lower Income Families as prescribed by the terms of this Plan and as determined by the Agency.

7. Deeds of Conveyance Provisions. The Deeds of Conveyance from K. Hovnanian at Somerset II, Inc. to the purchasers of Affordable Condominiums shall include the following clause:

The Owner's right, title and interest in this unit and the use, sale and resale of this property are subject to the terms, conditions, restrictions, limitations and provisions as set forth in the "Moderately Priced Housing Plan of Society Hill at Somerset II" dated _____ which plan was filed in the Office of the Clerk of Somerset County in Misc. Book _____ at Page _____ on _____ and is on file with the Franklin Township Department of Planning and Community Development.

The above clause shall be in addition to the clause stating that the Unit is subject to the Homeowners Association Declaration of Covenants and Restrictions which clause will also appear in the Deeds for all Units in this development.

8. Statement of Exemption - Low Income Condominiums. The Agency shall, under certain circumstances, declare that the sale, resale or rental of a Low Income Condominium is exempt from the restriction of sale, resale or rental only to a Low Income Family Qualified Purchaser. If no Low Income Family being a Qualified Purchaser of a Low Income Condominium has become

contractually obligated to complete the purchase of a particular Low Income Condominium within sixty (60) days of the Developer's receipt of the certificate of occupancy for that Low Income Condominium, or within ninety (90) days of the date upon which the Non-Developer Owner of the Low Income Condominium notified the Agency that the Low Income Condominium is on the market available for resale, the Agency shall declare the resale of the Low Income Condominium exempt from the restriction of sale, resale or rental to a Low Income Family and shall permit the resale of the Low Income Condominium to a Moderate Income Family.

If the applicable mortgage Interest Rate has risen above 14% and no Low Income Family has become contractually obligated to rent a particular Low Income Condominium within 60 days of the date upon which K. Hovnanian at Somerset II, Inc. notified the Agency that it has been attempting to rent such Low Income Condominiums pursuant to the terms of this Plan, or if the Agency, in its sole and complete discretion finds it prudent and consistent with the intent and purpose of this Affordable Housing Plan, the Agency shall, pursuant to this section, exempt such Low Income Condominium from the restriction of rental to a Low Income Family and shall permit the rental of the Low Income Condominium to a Moderate Income Family subject to the same terms and conditions as are applicable to a Low Income Family.

To permit the sale, resale or rental of a Low Income Condominium under this section, the Agency shall issue a Statement of Exemption in recordable form to the Owner or K. Hovnanian at Somerset II, Inc. as the case may be, desiring to sell, resell or rent the Low Income Condominium. The Agency may specify conditions under which the Statement of Exemption may be granted. The Agency may specify different conditions for the grant of each Statement of Exemption. A copy of the Statement of Exemption shall be given, at the time of purchase or rental, to the Moderate Income Family as a Qualified Purchaser. The Statement of Exemption shall deem such Moderate Income Family to be a Low Income Family Qualified Purchaser for purposes of any subsequent resale. A Statement of Exemption issued pursuant to this section shall exempt only the specific sale, resale or rental transaction for which it was issued. Such Statement of Exemption shall be valid according to the terms and conditions, and for such period of time, as specified by the Agency.

The restrictions of resale or rental to only Low Income Family Qualified Purchasers shall apply to the subsequent resale or rental of a Low Income Condominium resold or rented pursuant to a Statement of Exemption, unless a new Statement of Exemption is issued pursuant to this section. As provided in this section, the Moderate Income Family Owner which became a Qualified Purchaser and Owner by virtue of a Statement of Exemption (Owner at the time of subsequent resale) of the Low Income Condominium shall be deemed to be a Low Income Family Qualified Purchaser for purposes of compliance with the restrictions of sale or resale of Low Income Condominiums to Low Income Families. The effect of exemption from the restriction of resale or rental of a Low Income Condominium to only a Low Income Family pursuant to a Statement of Exemption shall be that the Owner may resell or rent, as the case may be, the Low Income Condominium to a Moderate Income Family. Such Moderate Income Family, however, shall take title and/or possession to the Low Income Condominium subject to the same terms, restrictions, conditions and provisions of this Affordable Housing Plan applicable to Low Income Condominiums including those addressing use, occupancy, improvements and resale as though such Moderate Income Family were in fact a Low Income Family Qualified Purchaser.

Nothing, herein, shall preclude the Agency from purchasing the Low Income Condominium and holding, renting or conveying it to a Low Income Family if such right is exercised prior to the Owner accepting a bona fide offer to purchase such Low Income Condominium from a Lower Income Family.

9. Statement of Exemption - Moderate Income Condominiums. The Agency shall, under certain circumstances, declare that the sale, resale or rental of a Moderate Income Condominium is exempt from the restriction of sale, resale or rental to a Moderate or Low Income Family Qualified Purchaser. If no Moderate or Low Income Family being a Qualified Purchaser of a Moderate Income Condominium has become contractually obligated to complete the purchase of a particular Moderate Income Condominium within sixty (60) days of the Developer's receipt of the certificate of occupancy for that Moderate Income Condominium, or within ninety (90) days of the date upon which the Non-Developer Owner of the Moderate Income Condominium notifies

Developer's
notice of
6-8-77

the Agency that the Moderate Income Condominium is on the market available for resale, the Agency shall declare the resale of the Moderate Income Condominium exempt from the restriction of sale or resale to a Moderate or Low Income Family and shall permit the resale of the Moderate Income Condominium to a non-Lower Income Family, provided, however, that the sale and any subsequent resales of a Moderate Income Condominium under this section shall remain subject to the maximum resale price restrictions set forth in this Plan as well as the obligation of the Condominium Unit Owner to obtain prior approval of the resale from the Agency as provided in this Plan.

If the applicable mortgage Interest Rate has risen above 14% and no Moderate Income Family has become contractually obligated to rent a particular Moderate Income Condominium within 60 days of the date upon which K. Hovnanian at Somerset II, Inc. notified the Agency that it has been attempting to rent such Moderate Income Condominium or if the Agency, in its sole and complete discretion finds it prudent and consistent with the intent and purpose of this Plan, the Agency shall, pursuant to this section, exempt such Moderate Income Condominium from the restriction of rental to a Moderate Income Family and may permit the rental of the Moderate Income Condominium to a Non-Moderate Income Family subject to the same terms and conditions as are applicable to a Moderate Income Family.

To permit the sale, resale or rental of a Moderate Income Condominium under this section, the Agency shall issue a Statement of Exemption in recordable form to the Owner desiring to sell, resell or rent the Moderate Income Condominium. A copy of the Statement of Exemption shall be given, at the time of closing, to the purchaser of the Moderate Income Condominium resold under this section. The Statement of Exemption shall deem such purchaser to be a Moderate Income Family and Qualified Purchaser of the Moderate Income Condominium for purposes of any subsequent resale. A Statement of Exemption issued pursuant to this section shall exempt only the specific sale, resale or rental transaction for which it was issued.

The restrictions of resale or rental to Qualified Purchasers in accordance with this Plan shall apply to all subsequent resales or rentals of the Moderate Income Condominium unless a new Statement of Exemption is

issued pursuant to this section specifically for a subsequent resale or rental transaction. As provided in this section, the Qualified Purchasers by reason of a Statement of Exemption (Owner at the time of subsequent resale) of the Moderate Income Condominium shall be deemed to be a Moderate Income Family and, therefore, a Qualified Purchaser for purposes of compliance with the restrictions of resale to Qualified Purchasers and the restriction of resale or rental to Moderate Income Families. The effect of exemption from the restriction of resale to Qualified Purchasers pursuant to a Statement of Exemption shall be that the Owner may resell or rent the Moderate Income Unit to any potential purchaser regardless of whether such purchaser is a Qualified Purchaser, however, all other terms, provisions and restrictions of this Affordable Housing Plan remain in full force and effect. Such purchaser, however, shall take title and possession to the Moderate Income Condominium subject to the terms, restrictions, conditions and provisions of this Affordable Housing Plan applicable to Moderate Income Condominiums including those addressing use, occupancy, improvement and resale as though such purchaser were in fact a Qualified Purchaser.

Nothing, herein, shall preclude the Agency from purchasing the Moderate Income Condominium and holding, renting or conveying it to a Qualified Purchaser if such option is exercised prior to the Owner accepting a bona fide offer to purchase such Moderate Income Condominium.

10. Exempt Transactions. The following transactions shall be deemed "non-sales" for purposes of this Plan and therefore, the Owner receiving title by virtue of such transaction shall be entitled to a Statement of Exemption from the Agency and the Agency shall issue such Statement of Exemption.

- (a) Transfer of Ownership of a Condominium Unit between husband and wife;
- (b) Transfer of Ownership of a Condominium Unit between former spouses ordered as a result of a judicial decree of divorce, (and not including sales to third parties);
- (c) Transfer of Ownership of a Condominium Unit between family members as a result of inheritance;
- (d) Transfer of Ownership of a Condominium Unit through an Executor's Deed to any Person;
- (e) Transfer of Ownership of a Condominium Unit through an Order of the Superior Court.

Such Transfers of Ownership neither extinguish the Plan's Restrictions nor terminate any liens set forth under this Plan. Liens must be satisfied in full prior to the subsequent sale of a Condominium Unit to any non-exempt party.

11. Violation of Plan. The Agency shall serve a Notice of Breach upon the Owner in the event that the Agency finds that the Owner has violated any provision of this Plan. Such Owner shall have a period of sixty (60) days to either cure such violation or place the Affordable Condominium on the market for resale in accordance with the terms of this Plan. Failure or refusal of the Owner to either cure the violation or place the Affordable Condominium on the market for resale in accordance with terms and restrictions of the Affordable Housing Plan and diligently pursue same as provided herein shall automatically empower and entitle the Agency to immediately commence court action to obtain a judgement against the Owner to the effect that the Owner is in violation of the terms, restrictions and provisions of this Affordable Housing Plan. Said judgement shall be enforceable as if same were a judgement of default of the First Purchase Money Mortgage and shall constitute a lien against the Affordable Condominium. Such judgement shall be enforceable at the option of the Agency, by means of immediately holding a Sheriff's Sale at which the Affordable Condominium of the violating Owner shall be sold (at a price not less than the amount necessary to fully satisfy any First mortgage lien) in full compliance with the terms, restrictions and provisions of the Affordable Housing Plan and the violating Owner shall have his right to possession terminated as well as his title conveyed pursuant to the Sheriff's Sale.

The proceeds of the Sheriff's Sale shall first be applied to satisfy the First Purchase Money Mortgage lien upon the Affordable Condominium. The excess, if any, shall be applied to reimburse the Agency for any and all costs and expenses incurred in connection with either the court action resulting in the judgment of violation or the Sheriff's Sale. In the event that the proceeds from the Sheriff's Sale are insufficient to reimburse the Agency in full as aforesaid, the violating Owner shall be personally

responsible for and to the extent of such deficiency, in addition to any and all costs incurred by the Agency in connection with collecting such deficiency. The remainder, if any, shall be placed in escrow by the Agency for the Owner and shall be held in such escrow for a period of two years or until such time as the Owner shall make a claim with the Agency for such. Failure of the Owner to claim such remainder within the two year period shall automatically result in a forfeiture of such remainder to the Agency. Any interest accrued or earned on such remainder while being held in escrow shall belong to and shall be paid to the Agency whether such remainder shall be paid to the Owner or forfeited to the Agency.

Title shall be conveyed to the purchaser at the Sheriff's Sale subject to the restrictions and provisions of the Affordable Housing Plan. The Owner determined to be in violation of the provisions of this Plan and from whom title and possession were taken by means of the Sheriff's Sale shall not be entitled to any right of redemption. If there are no bidders (or insufficient amounts bid) at the Sheriff's Sale, the Agency may acquire title to the Affordable Condominium by satisfying the First Purchase Money Mortgage and crediting the violating Owner with an amount equal to the difference between the First Purchase Money Mortgage and the maximum sales price for which the Affordable Condominium could have been sold under the terms of this Affordable Housing Plan. This excess shall be treated in the same manner as the excess which would have been realized from an actual sale as previously described. Failure of the Affordable Condominium to be either sold at the Sheriff's Sale or acquired by the Agency shall obligate the Owner to accept an offer to purchase from any Qualified Purchaser, which may be referred to the Owner by the Agency, with such offer to purchase being equal to the maximum sales price of the Affordable Condominium as permitted by the terms and provisions of this Affordable Housing Plan.

The Owner shall remain fully obligated, responsible and liable for complying with the terms and restrictions of this Plan until such time as title is conveyed from the Owner.

12. Covenants Running With Land. The provisions of this Affordable Housing Plan shall constitute covenants running with the land with respect to each Affordable Condominium affected hereby, and shall bind all purchasers of each such Unit, their heirs, assigns and all persons claiming by, through or under their heirs, executors, administrators and assigns, except as provided for in paragraph 12 hereinafter. The terms, restrictions and covenants of this Plan shall, however, automatically expire and terminate at the earliest of the following: (1) thirty (30) years from the date hereof; and (2) the date upon which the event set forth in paragraph 12¹³ hereinafter shall occur; and (3) the date upon which the Association dissolves or ceases to exist for any period of time for any reason, in which case, an instrument executed by the Association evidencing same must be duly recorded with the Office of the Clerk of Somerset County.

13. Effect of Foreclosure. Any Affordable Condominium which is acquired by a first mortgagee by Deed in lieu of foreclosure, or by any purchaser at a mortgage foreclosure sale conducted by the holder of the first mortgage (including the first mortgagee but excepting the defaulting mortgagor) shall be permanently released from the restrictions and covenants of this Plan and all resale restrictions shall cease to be effective as to the first mortgagee and all subsequent purchasers and mortgagees of that particular unit (except for the defaulting mortgagor, who shall be forever subject to the resale restrictions of this plan with respect to the unit owned by him at the time of his default). Execution or Foreclosure sales by any other class of creditor shall not result in a release of the unit from the provisions of this plan.

14. Obligations of Owners. Any Owner of an Affordable Condominium shall notify the Agency within ten (10) days in writing of any default in the performance by the Owner of any obligation under either the Master Deed of the Association or any mortgage, or other lien, against the Affordable Condominium which is not cured within sixty (60) days of the date upon which the default first occurs. The Owner shall not permit any lien, other

than the First Purchase Money Mortgage, to attach and remain on the property for more than sixty (60) days.

The Owner of an Affordable Condominium shall keep the unit in good repair and shall not commit waste thereon.

The Owner shall pay all taxes and public assessments levied upon or assessed against the unit, or any part thereof, as and when the same become due and before penalties accrue.

*Amended by
2/11/14*

This Affordable Condominium is part of a condominium together with appurtenances thereto. The Owner, even though fully exempt from any and all assessments and Association dues required to be paid pursuant to the Master Deed, shall otherwise comply with all of the terms, covenants or conditions of said Master Deed, as well as fully comply with all terms, conditions and restrictions of this Affordable Housing Plan.

15. Agency's Right to Cure. The Agency may, at its option, advance and pay all sums necessary to protect, preserve and retain the unit as an Affordable Condominium subject to the terms of this plan. All sums so advanced and paid by the Agency shall become a lien against such unit and shall have a higher priority than any lien except the First Purchase Money Mortgage lien and liens by duly authorized government agencies. Such sums may include, but are not limited to, insurance premiums, taxes, assessments (public or private) and liens which may be or become prior and senior to any First Purchase Money Mortgage as a lien on the Unit, or any part thereof. In the event any First Mortgagee or other creditor of an Owner of an Affordable Condominium exercises its contractual or legal remedies available in the event of default or nonpayment by the Owner of an Affordable Condominium, the Owner shall notify the Agency in writing within 10 days of such exercise by the First Mortgagee or creditor and no later than 10 days after service of any summons and complaint and the Agency shall have the option to purchase, redeem, or cure any default upon such terms and conditions as may be agreeable to all parties in interest and/or to acquire the First Purchase Money Mortgage to the Unit, thereby, replacing the First Mortgagee as the First Mortgagee of the Unit. The Agency shall have the same priority of lien as was held by the First

Mortgagee at the time the Agency acquires such First Purchase Money Mortgage, and shall have the right of subrogation with respect to any other claim or lien it satisfies or acquires.

16. Provisions for First Purchase Money Mortgagees. The terms and restrictions of this Affordable Housing Plan shall be subordinate only to the First Purchase Money Mortgage lien on any Affordable Condominium and in no way shall impair the First Mortgagee's ability to exercise the contract remedies available to it in the event of default as such remedies are set forth in the First Purchase Money Mortgage documents for the unit. So long as the First Purchase Money Mortgage is not sold to the Federal National Mortgage Association or in the secondary mortgage market, the First Mortgagee and/or mortgage servicer shall serve written notice upon the Agency within ten (10) days after the First Purchase Money Mortgage is three (3) months in arrears, and again within ten (10) calendar days of the filing of the complaint seeking foreclosure of the First Purchase Money Mortgage held on an Affordable Condominium.

The obligation of the First Mortgagee and servicer to notify the Agency shall cease automatically and immediately upon the sale of the First Purchase Money Mortgage to the Federal National Mortgage Association or in the secondary mortgage market unless the rules and regulations or guidelines of the Federal National Mortgage Association are amended so as to not prohibit or exclude placing such obligation upon the holder of the mortgage or its service representative, in which case, an instrument duly evidencing same must be recorded with the Office of the Clerk Somerset County, New Jersey, before any such obligation shall exist. Provided that the First Mortgagee is obligated to give the Agency the above mentioned notices, the First Mortgagee shall also serve written notice of any proposed Foreclosure sale upon the Agency at least thirty (30) days prior to the first scheduled date of such sale. The First Mortgagee shall serve notice upon the Agency within thirty (30) days of the sale of the First Purchase Money Mortgage to the Federal National Mortgage Association or in the secondary mortgage market.

The Township of Franklin and/or the Agency or any instrumentality designated by the Township shall have the right to purchase any mortgage which is in default at any time prior to the entry of a foreclosure judgment, or within the redemption period thereafter. Notification of a default and of the institution of a Foreclosure action and of a sheriff's sale shall be served in writing upon the Township Clerk as aforesaid. The Township of Franklin shall at all times be considered a party in interest and shall have the right to be joined as a party defendant and/or shall have the right to intervene in any foreclosure action seeking foreclosure of a first mortgage and/or shall have the right to redeem and acquire the owner's equity of redemption or to acquire the unit from the Owner upon such terms and conditions as may be determined by the Agency.

17. Surplus Funds. In the event of a Foreclosure sale by the holder of the First Purchase Money Mortgage, the Owner shall be personally obligated to pay to the Agency any surplus funds, but only to the extent that such surplus funds exceed the difference between what the Owner could have resold his unit for under this Plan at the time of the Foreclosure sale and the amount necessary to redeem and satisfy the First Purchase Money Mortgage debt, including costs of foreclosure. For purposes of this paragraph, surplus funds shall be the total amount paid to the sheriff in excess of the amount required to pay and satisfy the First Purchase Money Mortgage, including the costs of foreclosure, even if junior creditors actually receive payment from said surplus funds to the exclusion of the Owner. The Agency is hereby given a first priority lien, second only to the First Mortgagee of a Unit and any taxes or public assessments by a duly authorized governmental body, equal to the full amount of surplus funds. This obligation of the Owner to pay this full amount to the Agency shall be deemed to be a personal obligation of the Owner of record at time of the Foreclosure Sale and the Agency is hereby empowered to enforce the obligation of the Owner in any appropriate court of law or equity as though same were a personal contractual obligation of the Owner. Neither the First Mortgagee nor the purchaser at the Foreclosure Sale shall be responsible or liable to the Agency for any portion of this excess.

18. Disclosure Statements. K. Hovnanian at Somerset II, Inc. shall provide Disclosure Statements to all initial purchasers of Affordable Condominiums prior to the execution of any contract of sale. The provisions of such disclosure statements shall be as set forth on Exhibit D attached hereto. All Owners of Affordable Condominiums shall provide copies of such Disclosure Statements to subsequent buyers prior to execution of contracts for sale with such buyers. In addition, K. Hovnanian at Somerset II, Inc., shall provide to the initial owner of an Affordable Condominium, who, (as well as all future Owners) in turn, shall provide to prospective buyers, copies of the Ordinance creating the Agency, together with copies of existing regulations promulgated by the Agency and a copy of this Affordable Housing Plan together with any duly approved and recorded amendments at the time the contract of sale is executed and delivered to the prospective purchaser.

19. Service Upon Township or Agency. Wherever in this document the Township Department of Planning and Community Development, the Agency or the Township of Franklin is authorized to receive letters, contracts or other documents, the Township Clerk shall be the person to whom same are delivered.

20. Captions Headings. All captions and headings in this Affordable Housing Plan are for purposes of reference only and shall not affect the interpretation or construction of any provision of this Affordable Housing Plan.

21. Severability. It is the intention of both the Township of Franklin and K. Hovnanian at Somerset II, Inc. that the provisions of this instrument are severable so that if any provisions, conditions, covenants or restrictions thereof shall be invalid or void under any applicable federal, state or local law, the remainder shall be unaffected thereby. In the event that any provisions, condition, covenant or restriction thereof, is at the time of recording of this instrument, void, voidable or

unenforceable as being contrary to any applicable federal, state or local law, both parties, their successors and assigns, and all persons claiming by, through or under them covenant and agree that any future amendments or supplements to the said laws having the effect of removing said invalidity, voidability or unenforceability, shall be deemed to apply retrospectively to this instrument thereby operating to validate the provisions of this instrument which otherwise might be invalid and it is covenanted and agreed that any such amendments and supplements to the said laws shall have the effect herein described as fully as if they had been in effect at the time of the execution of this instrument.

22. Agreement. K. Hovnanian at Somerset II, Inc. shall construct the 56 Affordable Condominiums and agrees that all such designated Affordable Condominiums shall be sold, rented and marketed in accordance with the provisions of this Moderately Priced Housing Plan.

Dated: _____

ATTEST:

HOVNANIAN AT SOMERSET II, INC.

BY: _____

ATTEST:

TOWNSHIP OF FRANKLIN

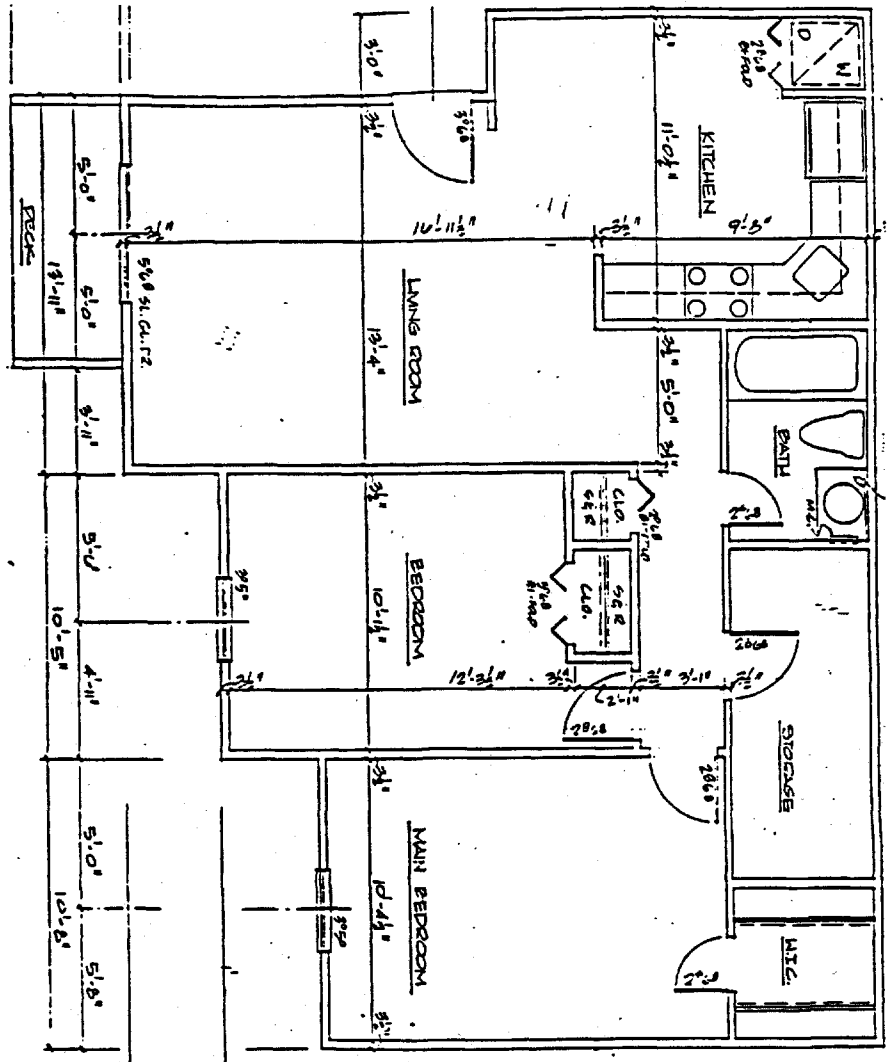
BY: _____

PREPARED BY:

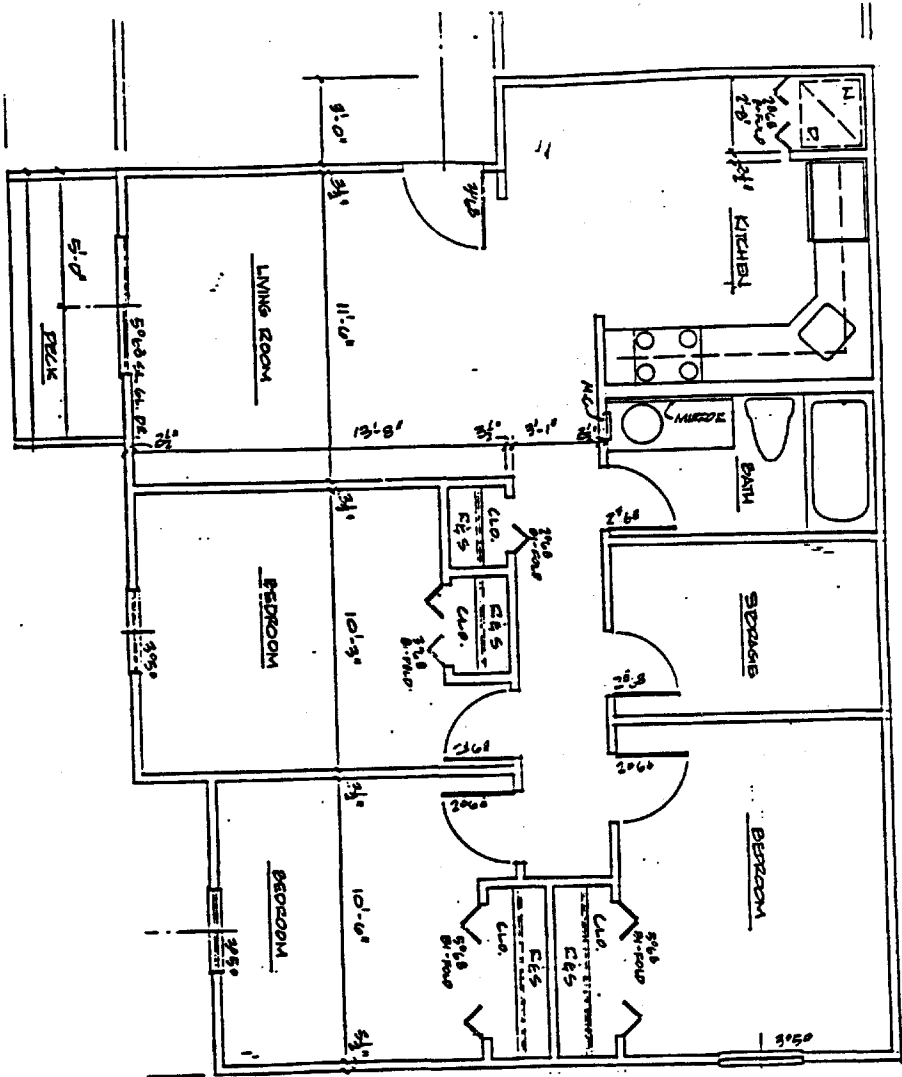
Andre K. Miesnieks
Attorney at Law of New Jersey

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Model 5302
 892 Square Feet



Model 5303
 934 Square Feet

DISCLOSURE STATEMENT FOR
AFFORDABLE CONDOMINIUMS IN
SOCIETY HILL AT SOMERSET II

The home which you are considering purchasing is an Affordable Condominium as defined in a document entitled "Moderately Priced Housing Plan for Society Hill at Somerset II", which has been recorded with the Clerk of the County of Somerset and the Clerk of the Township of Franklin. The Moderately Priced Housing Plan was prepared by K. Hovnanian at Somerset II, Inc. and the Township of Franklin and was a requirement of the Township of Franklin in its approval of this development. A complete reading of the Plan is necessary to fully understand and be aware of all the restrictions contained in the Plan which affect the home you are considering purchasing. By way of a brief summary, the following restrictions are contained in the Plan:

1. Purchasers of these Affordable Condominiums are limited to Moderate Income Families. These moderate income homes must be occupied by the owner and may not be rented except as may be permitted by the Affordable Housing Agency of Franklin. This restriction applies to the initial purchase as well as to all resales;
2. These Affordable Condominiums may not be resold at a sales price greater than the initial sales price plus a percentage increase based on the Consumer Price Index, or an alternate price index as the Township of Franklin may determine;
3. Owners of Affordable Condominiums will be required to obtain Municipal approval for any improvements which they propose to install on their unit. The purpose of this requirement is to assure that the Affordable Condominiums will not be improved to a level where they no longer qualify as Income Housing. It is possible that the cost of some of the improvements made by Owners may not be recoverable at time of resale due to the restrictions on resale;
4. These Affordable Condominiums, as well as the owners of these units, are exempt from assessments by the Condominium Association. Owners of these Affordable Condominiums, however, have the very same rights, privileges, duties and obligations as any other condominium owner in Society Hill at Somerset II. The owners of these units are entitled to participate fully in the affairs of the Association. There are no restrictions or limitations upon the ability of owners of these units to participate in the affairs of the Association; and
5. The terms, restrictions, provisions and covenants of the Affordable Housing Plan, and the provisions of the Master Deed referring to and incorporating the Affordable Housing Plan, shall automatically expire and terminate with respect to the Affordable Condominiums at the earlier of the following: (1) thirty (30) years from the date of the Moderately Priced Housing Plan; or (2) the date upon which a first mortgage forecloses its first mortgage lien upon the particular Moderately Priced Dwelling Unit; or (3) the date upon which the Association dissolves or ceases to exist for any reason and for any period of time.

EXHIBIT D

The above are limitations and restrictions which most greatly affect the Affordable Condominiums in Society Hill at Somerset II. To fully understand the Plan, and its requirements, requires a thorough and complete reading of the Plan in its entirety.

I have read the contents of this Disclosure Statement and understand same. I have been instructed that a thorough reading of the Plan in its entirety is necessary to understand its requirements and limitations. I have been further instructed to seek the assistance and advice of an attorney in reviewing the Plan.

Date: _____ Prospective Purchaser

Building No.: _____ Unit: _____ Prospective Purchaser