

# RESPONSE TO REQUEST FOR AFFORDABLE HOUSING PROPOSALS

BRANCBURG TOWNSHIP, NJ

March 11, 2016

**PROPERTY:** Lot 2, Block 17 (aka Vollers), Industrial Parkway East, Branchburg, NJ

**OPTIONAL (ADDITIONAL) PROPERTY:** p/o adjacent Midland School property (Lot 4, Block 17)

This document is provided to assist the Township in satisfying its third round affordable housing obligation, in response to the ***Request For Affordable Housing Development Proposals*** that was sent to interested parties. The required information is provided below, and is enumerated as listed in the Request, as follows:

1. **See attached Tax Map** of the property, and highlighted portion of adjacent Midland School tract which may be considered as an optional part<sup>1</sup> of this offering. The land is currently situated in the 'I-1' (industrial) Zoning District, while the Midland School is zoned 'CF' (Community Facilities). The vast majority of the land is vacant, partially wooded and contains some environmental features, except for an outdoor shooting range, which is utilized by the Branchburg Police Department. **See attached Tax Map/Aerial Photo Overlay.**

The majority of the Vollers property is taxed according to its farmland assessed designation (Class 3B-Farm Qualified), except for those portions of the property where the shooting range and surplus fill/stockpile is located. The Midland School property is taxed according to its community facilities zoning/educational use (Class 15B-Private School).

2. The Vollers tract is owned by: **Farm Acres, LLC** (c/o Robert Vollers), P.O. Box 5297, 3311 U.S. Highway 22, North Branch, NJ 08876. Contract Purchaser from Farm Acres is **K. Hovnanian North Jersey Acquisitions, LLC**, 110 Fieldcrest Ave, Edison, NJ 08837.

The Midland School property is owned by: **Midland School**, P.O. Box 5026, 94 Readington Road, Branchburg, NJ 08876

3. The proposal to develop the subject property has been recognized by Branchburg Township as a viable option for providing affordable housing in previous Fair Share Housing Plans. This submission reflects the intent of what the Township has considered as a feasible development opportunity to assist the town in meeting its new third round obligation.

There are two concept plans provided for the Township's consideration: (1) for the Vollers property only; and (2) one for the Vollers property, plus a portion of the adjacent Midland School tract, which would add roughly 11+/- acres of land to the development.

The Vollers-only plan (**Concept A**) is comprised of two styles of market-rate multi-family townhomes, plus 'for-sale' affordable homes situated in a 3-story townhouse condominium buildings. Recreational facilities are also proposed to provide the residents with a clubhouse,

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<sup>1</sup> The western portion of Lot 4, Block 17 contains approximately 11 acres that is under consideration for additional multi-family development, including affordable housing, in conjunction with the Vollers development. A **letter (copy attached)** from Shawn McNerney, President/CEO (Midland School) is provided as an illustration of ongoing discussions between Midland and Vollers to explore the value of additional development on the identified (expanded) tract which is reflecting in the second concept plan provided with this submission.

outdoor pool and other contemplated amenities, such as a tot-lot play area. This plan contains the following:

- **157 2-story traditional townhomes**, all 3 bdrm, most with two-car garages
- **83 3-story townhomes**, all 3 bdrm, all with two-car garages
- **60 affordable townhouse condominiums**, mix of 2 and 3-bdrm units (max 20% 3-bdrm), with 2/3 of the homes having a one-car garage

**TOTAL = 300 Homes**

The second plan is combined with roughly 11 additional acres from the western portion of the Midland School property (**Concept B**), and would result in an additional 54 homes (45 market-rate townhomes and 9 more low/mod units). This plan contains the following:

- **187 2-story traditional townhomes**, all 3 bdrm, most with two-car garages
- **98 3-story townhomes**, all 3 bdrm, all with two-car garages
- **69 affordable townhouse condominiums**, mix of 2 and 3-bdrm units (max 20% 3-bdrm), with 2/3 of the homes having a one-car garage

**TOTAL = 354 Homes**

Comparable recreation amenities would be constructed for either development proposal to offer residents a range of indoor and outdoor community facilities, managed by a Homeowners' Association. The association would likewise own and maintain other common area property (open space), stormwater basins and limited common elements for the benefit of the development.

As part of these proposals, the developer anticipates working with the Midland School to design an alternate entrance/access-way to the smaller Midland building on Industrial Parkway where students are dropped off by bus in the AM. The concept is to allow for more free-flowing bus movements off Industrial Parkway and onto their property in a way that allows for additional bus 'stacking' than current conditions permit. With this alternate entrance design, we expect that with a minor property dedication along the northern boundary of the school property (in that area of the extended vacant Industrial parkway ROW), the overall development plan may be able to add a few more townhomes.

4. As the developer of the subject properties, K. Hovnanian Homes has adequate resources and financial capabilities to successfully improve and develop the property as designed, using its internal and external capital resources. For land acquisition and development purposes, K. Hovnanian has access to internal cash based on capital raised through our public bonds. The company has a long-term successful track record as one of the country's top home-building companies. It has proven that it has the financial capacity and commitment to pursue a full range of development and redevelopment opportunities. With total revenues last year of more than \$2.1 billion, it delivered 5,776 homes in 16 different states. This volume of business places it 6<sup>th</sup> among all home builders nationwide.

Should the Township require additional information regarding K. Hovnanian's financial capabilities, we can provide a copy of the company's Audited Financial Statement (consolidated balance sheets) as of October 31, 2015; an excerpt from Hovnanian's FORM-10K Annual Report (2015) pursuant to Section 13 or 15(d) of the Securities Exchange Act.

5. This affordable housing development proposal would result in a number of positive outcomes, all of which would benefit the Township at large. First and foremost, the construction of this development would result in the **production of between 60 and 69 affordable housing units** at no cost to the municipality, helping to satisfy its third round affordable housing obligation. This



20% set-aside of low & moderate income housing would, in turn, provide reasonably priced new housing in Branchburg for those with limited incomes.

While a detailed fiscal impact analysis has not yet been performed, we estimate the total valuation of the development to be in the range of \$125 to \$148 Million, depending on the size and scope of the community. Although this real estate asset will result in some associated municipal costs (and school expenditures), in our experience, this type of development and housing product will produce a modest amount of school-age children. Therefore, it is expected that there would be a net positive fiscal/financial benefit to the Township, School District and County as result of the tax revenue generated by the development.

Other positive attributes include: (1) land use that is compatible with surrounding uses; (2) adequate road access and infrastructure to support the development; (3) completion of an uncompleted Master-planned roadway (Industrial Parkway); (4) easy access to the Route 22 corridor for commuting and shopping; (5) multi-family townhouse living opportunities for local population -- satisfying a demand for modest priced new housing for young adults, couples and move-down buyers; and (6) infusion of new residents to support local economy.

6. The timing of the proposed development will, of course, depend on how quickly the Court and Branchburg Township finalizes its Mt Laurel Compliance Plan. However, assuming that takes place in 2016, it would be followed by the adoption of new zoning requirements consistent with the conceptual development plan, to allow for the approval of the development as proposed.

From the time of adoption of the zoning ordinance (to allow for the development), we would estimate roughly 18 to 24 months for securing all entitlements, followed by commencement of site construction. It is anticipated that approximately 6 to 8 months of land development work would be necessary before the start of townhome construction -- which would begin with the start of model homes and affordable townhomes. Depending on market demand and sales pace, it is estimated that we would sell-out the community in 4 to 5 years.

7. There is no monetary contribution required from Branchburg Township in order to support the development of either of the two development plans.
8. Both concept plans anticipate the development of low & moderate income housing (townhouse condominium) units as 'for-sale' homes; not as rentals.

We trust that this offering will be well-received by the Township of Branchburg as part of its third round Fair Share Housing Compliance Plan. Knowing that the Vollers property has already been identified by the Township as a potential affordable housing site, it should provide serious consideration of this proposal for inclusion in the Compliance Plan at this time.

Should the Township care to discuss any details of this proposal in more detail, we encourage you to contact either our office, or the property owner, Robert Vollers at your convenience.

Prepared By:



David B. Fisher, Vice President

**K. Hovnanian Homes**

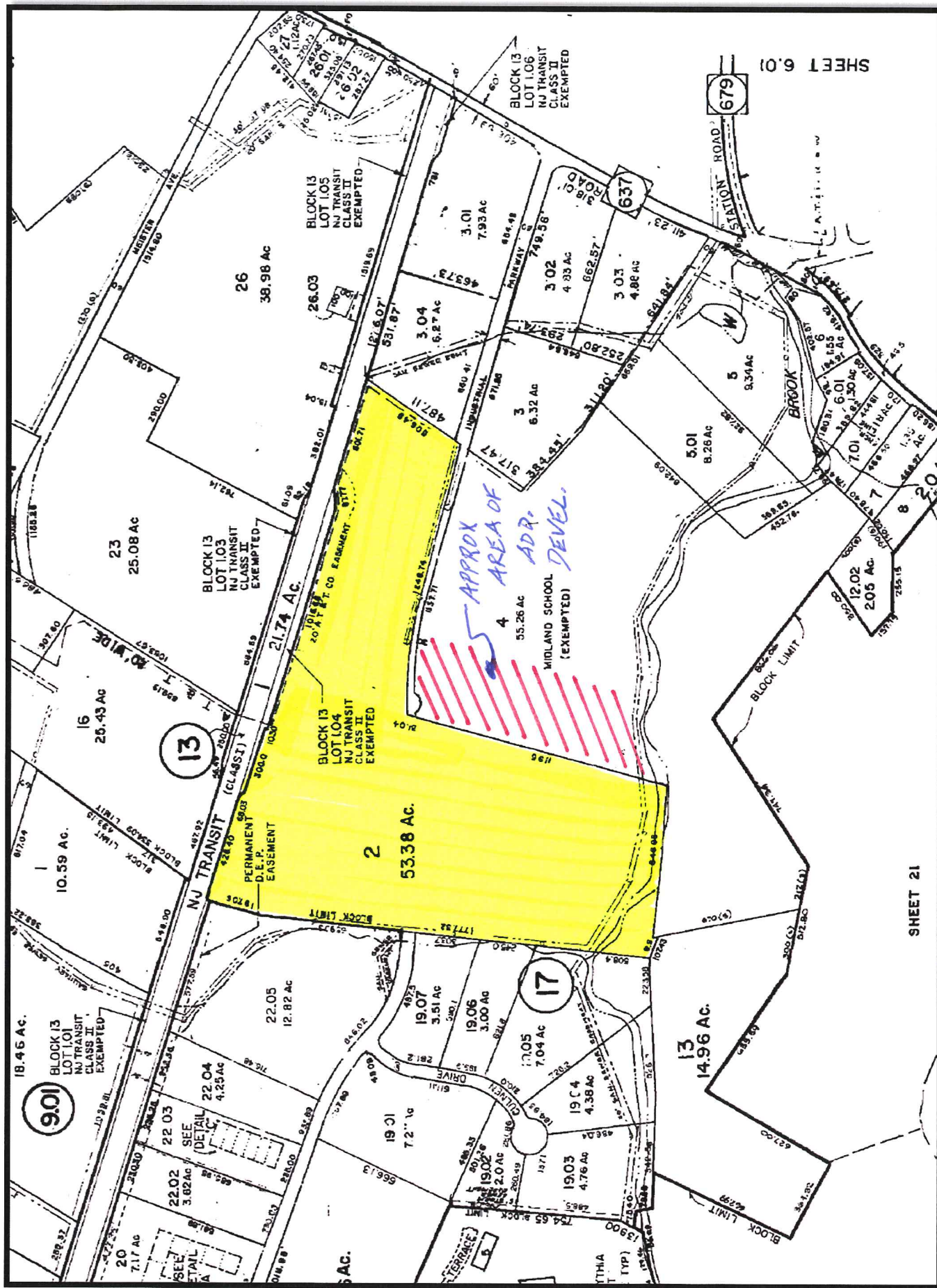
**CONTACTS:**

**David B. Fisher, PP, AICP | K. Hovnanian Homes**  
Vice President – Governmental Affairs  
110 Fieldcrest Avenue - 5th Floor  
Edison, NJ 08837  
Office 732.623.6927 | Cell 908.618.6034  
Email: [dfisher@khov.com](mailto:dfisher@khov.com)

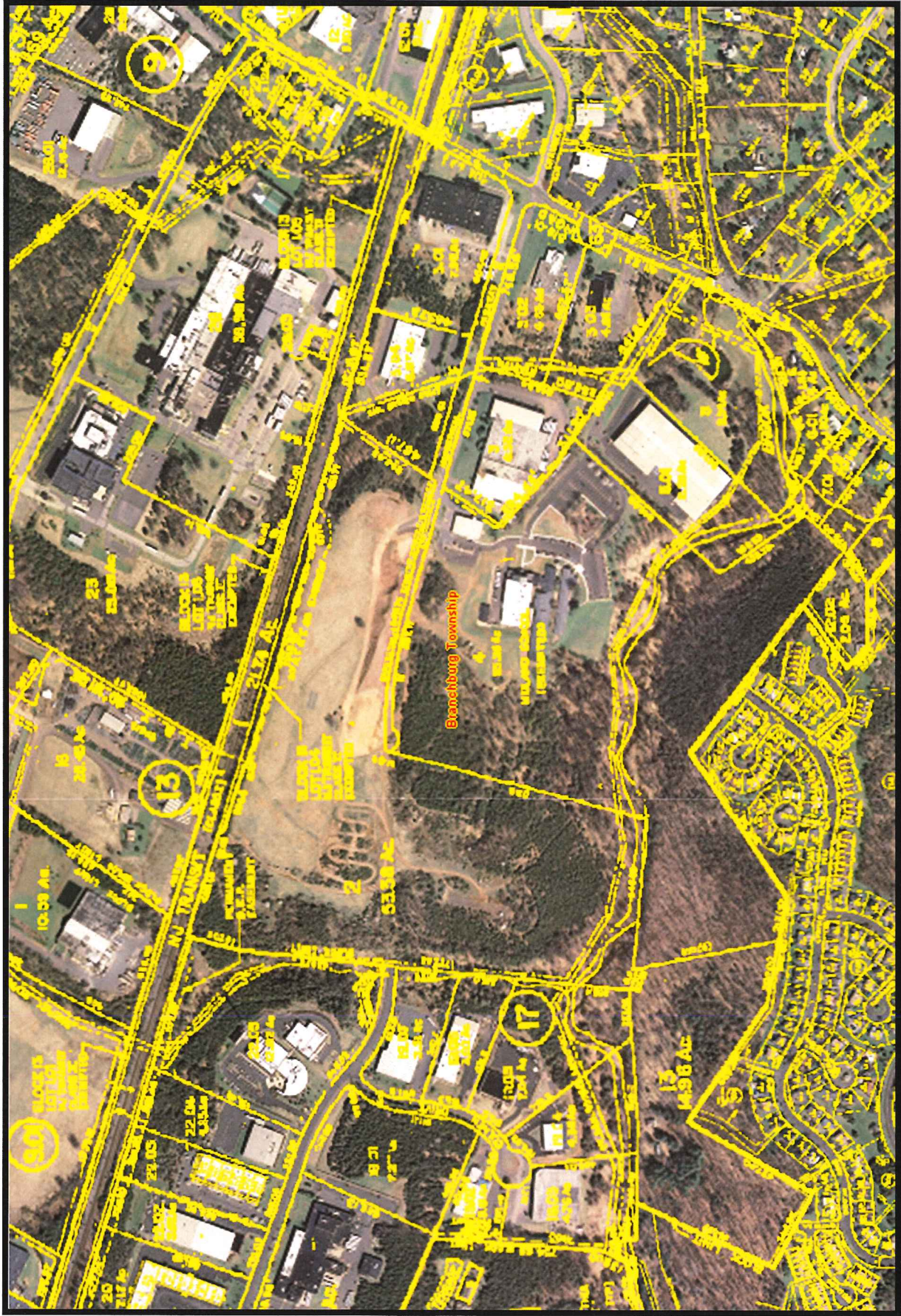
**Robert Vollers (Farm Acres, LLC)**  
P.O. Box 5297  
3311 U.S. Highway 22  
North Branch, NJ 08876  
(908) 725-1026

**ATTACHED EXHIBITS:**

- Tax Map of Properties
- Tax Map/Aerial Photo Overlay
- Letter from Midland School
- Concept Plan 'A' (Vollers Only)
- Concept Plan 'B' (includes Midland)







TAX MAP OVERLAY ON AERIAL PHOTO – Vollers and Midland School Tracts, Branchburg, NJ





P.O. Box 5026, North Branch, New Jersey 08876, (908) 722-8222  
www.midlandschool.org FAX (908) 722-1547

March 10, 2016

Robert Vollers, Manager  
Farm Acres, LLC  
c/o Vollers Construction  
3311 U.S. Highway 22  
Branchburg, NJ 08876

Dear Mr. Vollers:

As you know, The Midland School has been in active discussions with you for the potential sale to you of approximately 11 acres of the lands that we own (the "Midland Parcel"), which are a part of Lot 4, Block 17 on the Tax Maps of Branchburg Township (the "Township"). The Township has published a request for proposals for development of affordable housing in the Township, and the deadline for submitting such a proposal is March 14, 2016.

In light of the impending deadline, you have requested the consent of The Midland School to include the Midland Parcel in such a proposal that you intend to make to the Township on property that is adjacent to the Midland Parcel before we have agreed upon, negotiated and entered into a contract of sale for the Midland Parcel.

We consent to your including the Midland Parcel in such proposal for affordable housing to the Township. This consent is expressly based on your understanding and agreement that in giving this consent, we do not bind or intend to bind The Midland School to sell the Midland Parcel to you or to develop it as you may propose to the Township. Although we look forward to continuing negotiations with you towards a potential transaction, a binding agreement to sell can only be achieved by a written contract of sale approved by our Board and signed by both parties. Additionally, as discussed, we will need to gather additional facts for the Midland Board of Trustees prior to proceeding.

If there are any questions concerning the foregoing, please contact the undersigned.

The Midland School

By: 

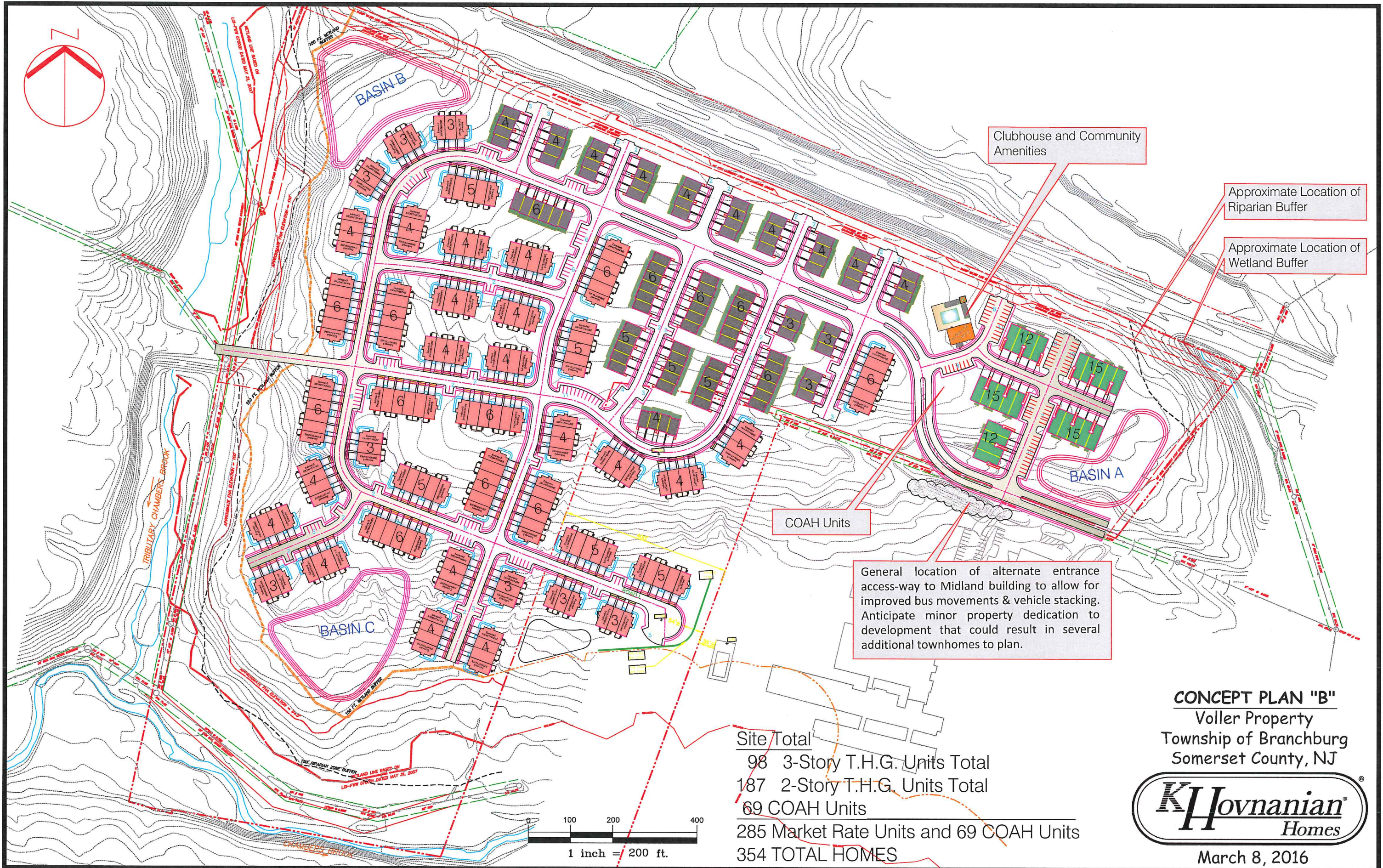
Shawn M. McInerney  
President and CEO

cc: Gregg J. Sweetman









Site Total  
 98 3-Story T.H.G. Units Total  
 187 2-Story T.H.G. Units Total  
 69 COAH Units  
 285 Market Rate Units and 69 COAH Units  
 354 TOTAL HOMES

**CONCEPT PLAN "B"**  
 Voller Property  
 Township of Branchburg  
 Somerset County, NJ



March 8, 2016