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To: Chatham Township Council
From: Kendra Lelie, PP, AICP, LLA
Re: Chatham Township Fourth Round Prospective Need
Date: January 13, 2025

The methodology used by the Department of Community Affairs yields a fourth-round obligation of 156 units. The DCA released additional data related to the Land Capacity Factor component that is one of three metrics used to determine a municipal Fourth-Round obligation in accordance with the 2024 Fair Housing Act (FHA). The Land Capacity Factor data was released on November 27, 2024, which was a month after the FHA deadline for the issuance of the non-binding obligation.

In releasing the data, the DCA recognized in the release of the Land Capacity Factor (LCF) information that the identified areas could be over or under inclusive depending on various conditions and a municipality may provide more detailed analysis and mapping to support a different LCF value. The DCA noted that any disputes could be resolved in the Affordable Housing Dispute Resolution process.

In response to this invitation, Kyle + McManus Associates examined the DCA parcel data for the Township which includes land areas identified as developable and found that the DCA was overinclusive. Kyle + McManus Associates further found that when the land allocation factor was corrected, it resulted in a Fourth Round Prospective Need of units.

Broadly speaking, there are 6 steps to determine the obligation for each municipality. Each step and commentary regarding the potential for alteration of the data input follows:

1. Identify the housing region. Chatham Township has been and continues to be, as per the FHA, in Region 2. This region includes Morris, Essex, Union and Warren Counties.
2. Determine the regional (affordable housing) need. The FHA sets forth that the regional need for the 10-year round (2025-2035) shall be based on the household change experienced in the region between the most recent federal decennial census, and the second-most recent federal decennial census. The resulting change in households is divided by 2.5. The affordable housing need in Region 2 is determined to be 20,506 dwelling units.



3. Determine the regional and each municipal equalized nonresidential valuation factor. This step requires that the changes in nonresidential property valuations in the municipality, since the beginning of the round preceding the round being calculated, shall be divided by the regional total change in nonresidential valuation. The FHA states the data input shall be that which is published by the Division of Local Government Services. The division annually publishes a summary of municipal tax data, including a *Non-Residential Summary of Non-Residential Value*. This data addresses the value of all commercial, industrial, and apartment properties in the municipality. However, the value of the apartment properties is not included in the nonresidential valuation factor.
4. Determine the municipal and regional income capacity factor. This step is an average of 1) the municipal share of the regional sum of the differences between the median municipal household income and an income floor of \$100 below the lowest median household income in the region and 2) the municipal share of the regional sum of the differences between the median municipal household incomes and an income floor of \$100 below the lowest median household income in the region, weighted by the number of the households in the municipality. The FHA states the data input shall be American Community Survey (“ACS”) five-year estimates. The ACS publishes municipal median household incomes as part of its five-year estimates.
5. Determine the municipality’s land capacity factor. Estimate municipal developable land using the most recent land use land cover data and weighing such land based on the planning area type in which such land is located. The FHA sets forth one of three weighting factors for a variety of planning areas across the state. Developed areas of the State, such as Planning Areas 1 and 2, Centers, etc. have a weight of 1.0. Rural and environmentally sensitive planning areas have a weight of zero; the remaining areas have a weight of 0.5.

The parcels identified as developable in the DCA’s calculation of the LCF for Chatham is overinclusive.

Accordingly, I believe the developable land should be adjusted from 12.2 acres to 0.26 acres. The following criteria were utilized to exclude parcels as developable:

- Areas or portions of areas <25’ wide (because DCA’s methodology report states that a 25’ by 100’ area was their minimum threshold for developability).
- Areas within the regulatory floodway.
- Open space/parkland properties with deed restrictions and/or on ROSI.
- Properties under construction or recently developed.
- Sites with site plan approvals for development and/or permits issued for development.
- Public utility parcels, NJDOT/NJ Turnpike Authority parcels, DRPA parcels, railroad properties, rights-of-way, stormwater management, etc.
- Properties with easements restricting development within developable area.
- Properties that are within PA4 or PA5.

It is important to note that the LCF analysis is different from the analysis to determine a municipality’s



entitlement to a vacant land adjustment. While the analysis to correct the LCF focuses on developable land, the vacant land analysis focuses on developable land suitable for inclusionary development. Therefore, just because a parcel may not be removed for purposes of calculating the LCF has no bearing on whether it should be removed for purposes of calculating a vacant land adjustment.

Below is the developable land analysis for Chatham Township that supports the revised LCF value:

Acres	Block	Lot	Property Location	Not Developable Criteria
0.32	33	1	87 LONG VIEW AVE	Developed with SF home
0.06	43	7	HARDING AVE	Open Space and In PA5
0.33	48	65.07	MAPLE RD	Open Space and in PA5 (2/3) and wetlands
0.08	17	81.12	KARLIN DR	0 developable acres
0.40	48	220	BRITTEN RD REAR	PA5, wetlands, not accessible
0.00	48.14	106	GEOFFREY CT REAR	Not accessible, stream and wetlands
0.10	48.14	113.23	JAY RD	Developed with SF home
0.00	48	114	JAY RD REAR	Not accessible
0.26	115	29	JAY RD	Vacant - any approvals or permits
0.46	115	1	GATES & MITCHELL	Gas main easement
0.12	113	1	MITCHELL AVE	Gas main easement
0.14	113	1	MITCHELL AVE	Gas main easement
0.00	48	219	BRITTEN RD REAR	Open space in PA8
0.02	48	189.02	BRITTEN RD REAR	Open space in PA8
0.07	113	115.19	MITCHELL AVE REAR	Not accessible
0.26	Developable Acres			

- Determine the municipal obligation. The three factors (nonresidential value, income, and land capacity) are averaged and then applied to the regional need to determine how the need shall be allocated to each municipality.



**Chatham Township Fourth Round Obligation
Methodology Summary**

	DCA	KMA
Household Change (Region 2)	51,264	51,264
Low & Mod Home Estimate (Region 2)	20,506	20,506
Nonresidential Valuation Factor	0.28%	0.28%
Regional Income Capacity Factor	1.77%	1.77%
Land Capacity Factor	0.23%	0.004%
Average Factor	0.76%	0.69%
<i>Gross Prospective Need</i>	156	141