

Affordable Housing Trust Fund Spending Plan

*Prepared for the:
Township of Ocean
Ocean County, New Jersey*

*Prepared: April 2017
Revised: September 2017*

Prepared by:



Eleven Tindall Road
Middletown, NJ 07748

APPROVED OCTOBER 12, 2017 BY THE TOWNSHIP COMMITTEE OF THE TOWNSHIP OF OCEAN

1. INTRODUCTION

The Township of Ocean, Ocean County, has prepared a Housing Plan Element and Fair Share Plan in accordance with the Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.), the Fair Housing Act (N.J.S.A. 52:27D-301) and applicable regulations of the New Jersey Department of Community Affairs (NJDCA). A development fee ordinance creating a dedicated revenue source for affordable housing was adopted by the Township on May 12, 2005. The Council on Affordable Housing (COAH) approved an amended development fee ordinance on October 6, 2004. The ordinance establishes the Township of Ocean Affordable Housing Trust Fund for which this Affordable Housing Trust Fund Spending Plan is prepared.

This Affordable Housing Trust Fund Spending Plan presents a plan for the expenditure of all monies in the Township's Affordable Housing Trust Fund, including monies collected through mandatory development fees and payments-in-lieu of construction. Monies to be collected as payments-in-lieu of the onsite construction of affordable units associated with the point-based system described in the Township's Housing Plan Element and Fair Share Plan are discussed and managed separately from other payments-in-lieu of construction, so as to facilitate their proper tracking and use. The management of payments-in-lieu associated with the point-based system is discussed in Section 6 of this spending plan.

2. AFFORDABLE HOUSING TRUST FUND REVENUES FOR CERTIFICATION PERIOD

As of December 31, 2016, the Affordable Housing Trust Fund had a balance of \$350,759.79. All development fees, payments-in-lieu of constructing affordable units on site, funds from the sale of units with extinguished controls, and interest generated by the fees are deposited in a separate interest-bearing account at TD Bank for the purposes of affordable housing. These funds shall be spent in accordance with the applicable regulations of the NJDCA, as described in the sections that follow.

To project revenue anticipated during the period through 2025, Ocean considered the following:

- (a) Development Fees:
 - 1. Residential and nonresidential developments which have had development fees imposed upon them at the time of preliminary or final development approvals;
 - 2. All developments currently before the planning and zoning boards for development approvals that may apply for building permits and certificates of occupancy; and,

3. Future development that is likely to occur based on historical rates of development.

(b) Payments-in-Lieu-of-Construction:

Payments-in-lieu-of-construction that are not associated with the point-based system to capture future affordable housing opportunities as described in the Township's Housing Plan Element and Fair Share Plan are not anticipated.

Please note that Ocean anticipates receiving payments-in-lieu that are associated with its point-based system to capture future affordable housing opportunities as described in the Township's Housing Plan Element and Fair Share Plan and established by ordinance. The Township will use these payments to create new affordable units within Ocean. As described in Section 6 of this spending plan, however, payments-in-lieu associated with the point-based system will be managed separately from other payments-in-lieu of construction. Indeed, to facilitate proper tracking of payments-in-lieu associated with the point-based system, and to ensure that they are used specifically for the creation of new affordable units, they will be deposited into a sub-account of the Affordable Housing Trust Fund and will be separately identifiable from other payments-in-lieu. Additionally, the total amount and number of payments-in-lieu associated with the point-based system will be recorded on an ongoing, project-by-project basis by the Township's chief financial officer. Accordingly, payments-in-lieu associated with the Township's point-based system to capture future affordable housing opportunities are not recorded in the projection of Affordable Housing Trust Fund revenues that is presented below. Ocean will use payments-in-lieu of construction associated with the point-based system to create new affordable units by any means that is compliant with applicable rules and regulations.

(c) Other Funding Sources:

No additional funding sources are anticipated.

(d) Projected Interest:

Interest on the projected revenue in the municipal affordable housing trust fund at the current average interest rate.

PROJECTED AFFORDABLE HOUSING TRUST FUND REVENUES
January 1, 2017 through December 31, 2025

Source of Funds	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Development Fees (Estimated):	—	—	—	—	—	—	—	—	—	—
Approved Development	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
Development Pending Approval	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000
Projected Development	\$10,000	\$14,000	\$21,500	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$29,000	\$219,500
Payments-in-Lieu-of-Construction	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Funds from Other Sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest	\$300	\$300	\$400	\$500	\$500	\$500	\$500	\$500	\$500	\$4,000
Total	\$14,300	\$14,300	\$21,900	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$29,500	\$227,500

Ocean projects a total of \$227,500 in Affordable Housing Trust Fund revenues to be collected between January 1, 2017 and December 31, 2025, including interest earned on the account. This projected amount, when added to the Affordable Housing Trust Fund balance as of December 31, 2016, results in an anticipated total of \$578,259.79 to implement the Township’s Housing Plan Element and Fair Share Plan.

3. ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE MONIES FROM THE AFFORDABLE HOUSING TRUST FUND

The following procedural sequence for the collection and distribution of development fee revenues shall be followed by the Township of Ocean:

- (a) Collection of development fee revenues:

Collection of development fee revenues shall be consistent with Ocean Township’s development fee ordinance for both residential and non-residential developments in accordance with applicable regulations of the NJDCA and PL 2008, c. 46, sections 8 (C. 52:27D-329.2) and 32-38 (C. 40:55D-8.1 through C. 40:55D-8.7).

- (b) Distribution of development fee revenues:

The Municipal Housing Liaison instructs the Chief Financial Officer to release the required amount of funding to the recipient entity based on the type and nature of the affordable housing activity.

4. DESCRIPTION OF ANTICIPATED USE OF MONIES FROM THE AFFORDABLE HOUSING TRUST FUND

- (a) Rehabilitation/Present Need:

The Township's rehabilitation/present need is 28 units. As described in the Township's Housing Plan Element and Fair Share Plan, Ocean will address its 28-unit present need through a continuation of the Ocean Township Housing Rehabilitation Program. To fund this program, which will be administered by Community Grants, Planning & Housing, this spending plan allocates a total of \$280,000, which provides for an average of \$10,000 for each unit.

Further details of the Township's rehabilitation/present need compliance strategy are provided in its Housing Plan Element and Fair Share Plan.

- (b) Administrative Expenses:

As indicated in the administrative expense calculation that is provided on the next page, up to a total of \$115,651.96 may be used for administrative purposes in the period from January 1, 2017 through December 31, 2025.

ADMINISTRATIVE EXPENSE CALCULATION		
Actual Development Fees through 12/31/16		\$336,839.50
Actual Interest Earned through 12/31/16	+	\$13,920.29
Projected Development Fees from 01/01/17 through 12/31/25	+	\$223,500.00
Projected Interest from 01/01/17 through 12/31/25	+	\$4,000.00
Payments-in-Lieu-of-Construction and Other Deposits through 07/17/08	+	\$0.00
Total RCA Expenditures	-	\$0.00
Total	=	\$578,259.79
20 Percent of Total	× 0.2 =	\$115,651.96
Administrative Expenses through 12/31/16	-	\$0.00
Projected Maximum for Administrative Expenses from 01/01/17 through 12/31/25	=	\$115,651.96

A maximum of \$115,651.96 may be used for administrative expenses. The Township of Ocean projects that \$115,651.96 will be used for administrative purposes.

Projected administrative expenditures, subject to the 20 percent cap, are as follows:

- 1) Administration of affordable housing programs.
- 2) Payment of employee salary and benefits.
- 3) Payment of other miscellaneous administrative expenses and costs related to the preparation and implementation of the Township Housing Plan Element and Fair Share Plan.

It is important to note that the maximum to be spent for administration is limited to 20 percent of Affordable Housing Trust Fund revenue in any given year, and not 20 percent of what is anticipated to be collected through 2025. This cap may, however, be exceeded if: 1) the Township has expended less than 20 percent of historic revenues on administration; and, 2) the total administrative expenditure in the given year does not amount to more than 20 percent of the annual revenue in the given year, plus the difference between 20 percent of historic revenues and historic administration expenditures. Although this spending plan allocates more than 20 percent of annual revenues to administration, the Township meets both conditions for exceeding the 20 percent cap.

In the event that the Township needs less than \$115,651.96 to cover its administrative expenses, the unneeded amount will be reallocated toward: “Rehabilitation/Present Need”, as detailed in Subsection “a” of Section 4 of this spending plan; or, “Affordability Assistance”, as detailed in Subsection “c” of Section 4 of this spending plan.

(c) Affordability Assistance

Municipalities are required to spend a minimum of 30 percent of development fee revenue to render existing affordable units more affordable and one-third of that amount must be dedicated to very low-income households (i.e. households earning less than 30 percent of the regional median income). As indicated in the following affordability assistance calculation, a total of at least \$173,477.94 must be dedicated to affordability assistance in the case of the Township of Ocean, including at least \$57,825.98 to render units more affordable to very low-income households.

AFFORDABILITY ASSISTANCE CALCULATION		
Actual Development Fees through 12/31/16		\$336,839.50
Actual Interest Earned through 12/31/16	+	\$13,920.29
Projected Development Fees from 01/01/17 through 12/31/25	+	\$223,500.00
Projected Interest from 01/01/17 through 12/31/25	+	\$4,000.00
Less housing activity expenditures through 6/2/2008	-	\$0.00
Total	=	\$578,259.79
Calculate 30 percent	x .30 =	\$173,477.94
Less Affordability assistance expenditures through 12/31/2016	-	\$0.00
PROJECTED MINIMUM Affordability Assistance Requirement 1/1/2017 through 12/31/2025	=	\$173,477.94
PROJECTED MINIMUM Very Low-Income Affordability Assistance Requirement 1/1/2017 through 12/31/2025	÷ 3 =	\$57,825.98

Although Ocean must dedicate a minimum of only \$173,477.94 toward affordability assistance, it will dedicate \$182,607.83 toward affordability assistance. This is \$9,129.89 more than the required minimum.

Ocean has contracted with Community Grants, Planning & Housing, which is a qualified affordable housing services provider, to develop and administer its affordability assistance program in a manner that is compliance with applicable rules and regulations. Specifically, Ocean will allocate affordability assistance to very low-, low-, and moderate-income households in the form of grants to cover the first month’s rent for renters moving into deed-restricted, affordable units.

The policies and procedures of the township’s affordability assistance program are detailed in the *Affordability Assistance Policies and Procedures Manual*, which was prepared for the Township by Community Grants, Planning & Housing on September 14, 2017.

5. AFFORDABLE HOUSING TRUST FUND EXPENDITURE SCHEDULE

The Township of Ocean intends to use funds for the creation and/or rehabilitation of housing units. Where applicable, the creation/rehabilitation funding schedule below parallels the implementation schedule set forth in the Housing Plan Element and Fair Share Plan and is tabulated in the following table.

		Projected Expenditure Schedule January 1, 2017 – December 31, 2025									
Developments and Programs	Number of Units	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Rehabilitation	25	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$40,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$280,000.00
Affordability Assistance	TBD	\$20,290.33	\$20,289.33	\$20,289.33	\$20,289.33	\$20,290.33	\$20,289.33	\$20,289.32	\$20,289.32	\$20,291.21	\$182,607.83
Subtotal		\$50,290.33	\$50,289.33	\$50,289.33	\$50,289.33	\$60,290.33	\$50,289.33	\$50,289.32	\$50,289.32	\$50,291.21	\$462,607.83
Administration	—	\$12,850.00	\$12,850.00	\$12,850.00	\$12,850.00	\$12,850.00	\$12,850.00	\$12,850.00	\$12,850.00	\$12,851.96	\$115,651.96
Total	—	\$63,140.33	\$63,139.33	\$63,139.33	\$63,139.33	\$73,140.33	\$63,139.33	\$63,139.32	\$63,139.32	\$63,143.17	\$578,259.79

6. PAYMENTS-IN-LIEU RESULTING FROM POINT-BASED SYSTEM TO CAPTURE FUTURE AFFORDABLE HOUSING OPPORTUNITIES

As described in the Township's Housing Plan Element and Fair Share Plan and established by ordinance, Ocean will impose an affordable housing set-aside of 15 percent on all multifamily rental and 20 percent of all multifamily sale development approvals throughout the Township. Developers, however, will be able to meet this set-aside requirement by either: providing all of the required set-aside onsite; or, at the developer's option, by providing a portion of the required set-aside onsite and a payment-in-lieu to fund the construction to fund the construction of the balance of the required set-aside on another site within the Township. Specific details of this program are provided in the Township's Housing Element and Fair Share Plan and in the Ocean Township Code Book.

Payments-in-lieu associated with the point-based system will be managed separately from other payments-in-lieu. Indeed, to facilitate proper tracking of payments-in-lieu associated with the point-based system and to ensure that they are used specifically for the creation of new affordable units, they will be deposited into a sub-account of the Affordable Housing Trust Fund and will be separately identifiable from other payments-in-lieu. Additionally, the total amount and number of payments-in-lieu associated with the point-based system will be recorded on an ongoing, project-by-project basis by the Township's chief financial officer.

Use of monies received as payments-in-lieu will be for the exclusive purpose of developing new affordable housing units within the Township. Specifically, payments-in-lieu will be used to create additional affordable units above the required twenty-percent set-aside within the Waretown Town Center. In particular, the township will prioritize opportunities to create new very low-income units.

7. EXCESS OR SHORTFALL OF FUNDS

All fees shall be committed for expenditure within four years from the date of collection pursuant to N.J.S.A. 52:27D-329.2d, effective July 17, 2008.

In the event of any expected or unexpected shortfall (i.e., in the event that anticipated revenues are insufficient to implement the plan), Ocean Township will address the shortfall through annual fee receipts, or with other available funding sources, as may be determined by the Township.

In the event that more funds than anticipated are collected, projected funds exceed the amount necessary to implement the Township's Housing Plan Element and Fair Share Plan, or Ocean Township reserves funds for affordable housing to meet a future affordable housing obligation, these excess funds will be used to fund an eligible affordable housing activity pursuant to applicable rules and regulations.

8. BARRIER FREE ESCROW

Collection and distribution of barrier free funds shall be consistent with Ocean Township's Affordable Housing Ordinance in accordance with N.J.A.C. 5:97-8.5.

9. SUMMARY

The Township of Ocean intends to spend affordable housing trust fund revenues pursuant to the applicable Department regulations and consistent with the housing programs outlined in its adopted Housing Plan Element and Fair Share Plan.

As of December 31, 2016, the Township had a total of \$350,759.79 for affordable housing development and administration. The Township anticipates an additional \$227,500 in Affordable Housing Trust Fund revenues to be collected between January 1, 2017 and December 31, 2025, including interest earned on the account. This results in an anticipated total of \$578,259.79 for affordable housing development and administration.

Ocean will dedicate: \$280,000.00 toward its rehabilitation program; \$182,607.83 toward affordability assistance; and, \$115,651.96 toward administrative costs. This results in a total of \$578,259.79 in expenditures for affordable housing development and administration.

**ATTACHMENT A:
SPENDING PLAN SUMMARY**

SPENDING PLAN SUMMARY		
Balance as of December 31, 2016 (Affordable Housing Trust Fund Account)		\$350,759.79
PROJECTED REVENUE (January 1, 2017 through December 31, 2025)		
Development fees	+	\$223,500.00
Payments-in-lieu of construction	+	\$0.00
Other funds	+	\$0.00
Interest	+	\$4,000.00
	TOTAL REVENUE	= \$578,259.79
EXPENDITURES (January 1, 2017 through December 31, 2025)		
Funds used for Rehabilitation	-	\$280,000.00
Affordability Assistance	-	\$182,607.83
Administration	-	\$115,651.96
	TOTAL PROJECTED EXPENDITURES	= \$578,259.79
	EXPECTED SHORTFALL	= \$0.00