

West Orange Trust Fund Spending Plan

Prepared April 18, 2017

INTRODUCTION

West Orange Township / Essex County has prepared a Housing 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 the affordable housing regulations of the New Jersey Department of Community Affairs (the Department) (N.J.A.C. 5:97-1 et seq. and N.J.A.C. 5:96-1 et seq.). A development fee ordinance creating a dedicated revenue source for affordable housing was approved by the Council on Affordable Housing (COAH) on October 8, 1992 and adopted by the municipality on October 13, 1992. The ordinance establishes the West Orange affordable housing trust fund for which this spending plan is prepared.

1. REVENUES FOR CERTIFICATION PERIOD

As of December 31, 2016, West Orange has collected \$7,744,706.28 and expended \$4,366,238.04, resulting in a balance of \$3,378,368.24 as of December 31, 2016. 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 affordable housing trust fund in Garden State Bank for the purposes of affordable housing. These funds shall be spent in accordance with N.J.A.C. 5:97-8.7-8.9, as described in the sections that follow.

To calculate a projection of revenue anticipated during the period of third round compliance and repose, West Orange considered the following:

(a) Development fees:

1. Residential and nonresidential projects which have had development fees imposed upon them at the time of preliminary or final development approvals;
2. All projects 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.

\$3,600,000 - Proposed

(b) Payment in lieu (PIL):

Actual and committed payments in lieu (PIL) of construction from developers as follows:

\$00.00

(c) Other funding sources:

Funds from other sources, including, but not limited to, the sale of units with extinguished controls, repayment of affordable housing rehabilitation loans, rental income and proceeds from the sale of affordable units.

\$900,000

(d) Projected interest:

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

SOURCE OF FUNDS	PROJECTED REVENUES – HOUSING TRUST FUND – 2017 THROUGH 2025									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
(a) Development Fees	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	\$3,600,000
Approved Development										
Development Pending Approval										
Projected Development										
(b) Payments in Lieu of Construction										
(c) Other Funds (rehab loan repay)	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	\$900,000
(d) Interest	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	\$45,000
Total	505,000	505,000	505,000	505,000	505,000	505,000	505,000	505,000	505,000	\$4,545,000

West Orange projects a total of \$4,545,000 in revenue to be collected between January 1, 2017 and December 31, 2025. This projected amount, when added to West Orange's trust fund balance as of December 31, 2016, results in an anticipated total revenue of \$7,923,468.24 available to fund and administer its affordable housing plan. All interest earned on the account shall be used only for the purposes of affordable housing.

2. ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE FUNDS

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

(a) Collection of development fee revenues:

Collection of development fee revenues shall be consistent with West Orange's development fee ordinance for both residential and non-residential developments in accordance with the Department's rules and P.L.2008, c.46, sections 8 (C. 52:27D-329.2) and 32-38 (C. 40:55D-8.1 through 8.7).

(b) Distribution of development fee revenues:

The following procedural sequence for the collection and distribution of development fee revenues is being followed by West Orange and was previously approved by COAH:

The Director of Planning and Development will be responsible for the overall management of the fund. The director will supervise the collection of all fees, which will be turned over to the Chief Financial Officer. The Chief Financial Officer will then deposit all fees in a separate interest-bearing housing trust fund. The Township Council will review all fund requests on an as needed basis. The Director of Planning and Development will activate the procedures to disburse funds from the Affordable Housing Trust Fund. The Comptroller will certify as to the availability of funds.

Development fees will be paid in part upon issuance of a building permit based on the estimated added value of the project (50 percent of anticipated fees). This estimate will be determined by the Tax Assessor. The Township Construction Official will notify the Tax Assessor when a Certificate of Occupancy (CO) is ready to be issued. Upon completion of construction, the Township Tax Assessor will calculate the equalized assessed value to be added as a result of the project and the remaining amount of the development fee, which is due upon issuance of a CO. No CO will be issued until the Tax Assessor has made this calculation and the entire development fee is paid. The Director of Planning and Development will monitor this process and the Chief Financial Officer will provide reports to the governing body.

3. DESCRIPTION OF ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS

(a) **Rehabilitation and new construction programs and projects (N.J.A.C. 5:97-8.7)**

West Orange will dedicate \$5,047,908.82 to rehabilitation and new construction programs as follows:

Rehabilitation program: \$2,047,908.82 West Orange has an ongoing rehabilitation program with Community Action Services. The program provides funds for both owner occupied deficient homes and renter occupied deficient units. The West Orange program has a maximum amount of \$35,000 with an average expenditure of \$30,000 per unit.

New construction project(s): \$3,000,000 for Valley Road Residential LLC as presented in the amended Fair Share Plan. Valley Road Residential is a 100 unit mixed income rental development of which 55 units will be available for low, moderate and very low income households and the balance, 45 units, will be market rate units. The development will be the focus of an application for the Mixed Income Cycle of the Nine Percent Tax Credit Program. The Planning Board adopted an amendment to the Fair Share Plan on April 5, 2017 to include the Valley Road development as meeting a portion of its affordable housing obligation. West Orange is now committing \$3M to subsidize 40 of the low and moderate income rentals.

(b) **Affordability Assistance (N.J.A.C. 5:97-8.8)**

AFFORDABILITY ASSISTANCE CALCULATION		
Actual fees thru 12/31/2016		\$7,275,014.20
Actual interest thru 12/31/2016	+	\$469,692.08
Projected Development Fees, 2017 thru 2025	+	\$3,600,000
Projected Trust Fund Interest, 2017 thru 2025	+	\$45,000
Less Housing Activity thru 2016	-	\$3,804,508.23
Total	=	\$7,585,198.05.
30% Requirement	x .30	\$2,275,559.42
Less Affordability Assist. Expenditures thru 12/31/2016	-	\$00.00
Projected Min. Afford. Asst. 1/1/2017 thru 12/31/2025	=	\$2,275,559.42
Projected Min. Afford. Asst. for Very Low Income, 2017 thru 2025	x 1/3	\$750, 934.61

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West Orange will dedicate \$2,275,559.42 from the affordable housing trust fund to render units more affordable, including \$750,934.61 to render units more affordable to households earning 30 percent or less of median income by region, as follows:

Converting low income units to very low income units and / or emergency repairs and/ or energy efficiency assistance program.

(c) **Administrative Expenses (N.J.A.C. 5:97-8.9)**

ADMINISTRATIVE EXPENSE CALCULATION		
Actual fees and interest thru 12/31/2016		\$7,744,706.28
Projected Development Fees and Interest 2017 thru 2025	+	\$3,645,000
Payments-In-Lieu of Construction and other deposits thru 2025	+	\$900,000
Less RCA expenditures thru 12/31/18	-	\$00.00
Total for Admin. Calculation 1/1/2017 to 12/31/2025	=	\$12,289,706.28
20% Maximum for Admin. Expense	x .20	\$2,457,941.26
Less Admin. Thru 12/31/2016	-	\$561,729.81
Available for Admin. 1/1/2017 thru 12/31/2025	=	\$1,896,211.45

West Orange projects that \$1,896,211.45 will be available from the affordable housing trust fund to be used for administrative purposes. Projected administrative expenditures, subject to the 20 percent cap, are as follows:

These fees will be utilized for administrative purposes such as consultant's fees necessary to develop and implement the soft costs of the housing program, the housing element, the fair share plan and the affirmative marketing program. Administrative funds may be used to defray the costs of consultants that are preparing or implementing a plan. Administrative funds may be used to income qualify households and monitor implementation.

4. EXPENDITURE SCHEDULE

West Orange intends to use affordable housing trust fund revenues for the creation and/or rehabilitation of housing units.

PROJECTS/PROGRAMS	Number of Units Projected	Projected Expenditure Schedule 2017 - 2025									
		2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Rehabilitation		225,000	225,000	225,000	225,000	225,000	225,000	225,000	236,454.16	236,454.66	\$2,047,908.82
New Construction											
1. Valley Road	40	3,000,000									3,000,000
2.											
3.											
„4.											
5.											
Total											
Affordability Assistance											\$2,275,559.42
Administration											\$600,000
Total											\$7,923,468.24

5. EXCESS OR SHORTFALL OF FUNDS

In the event of any expected or unexpected shortfall if the anticipated revenues are not sufficient to implement the plan, West Orange will adopt a Resolution of Intent to Bond.

In the event more funds than anticipated are collected, projected funds exceed the amount necessary to implement the Fair Share Plan, or West Orange is reserving funds for affordable housing projects to meet a future affordable housing obligation, these excess funds will be used to continue the rehabilitation program.

6. BARRIER FREE ESCROW

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

SUMMARY

West Orange intends to spend affordable housing trust fund revenues pursuant to N.J.A.C. 5:97-8.7 through 8.9 and consistent with the housing programs outlined in the Fair Share Plan dated April 5, 2017.

West Orange has a balance of \$3,378,468.24 as of December 31, 2016 and anticipates an additional \$4,545,000 in revenues through 2025 for a total of \$7,923,468.24. The municipality will dedicate \$5,047,908.82 towards rehabilitation and Valley Road Residential, \$2,275,559.42 to render units more affordable, and \$600,000 to administrative costs. Any shortfall of funds will be offset by bonding. The municipality will dedicate any excess funds or remaining balance toward rehabilitation.

SPENDING PLAN SUMMARY		
Balance as of December 31, 2016		\$3,378,468.24
PROJECTED REVENUE 2017 – 2025		
Development Fees	+	\$3,600,000
Payments in lieu of construction	+	\$00.00
Other funds – Rehab loan repayment	+	\$900,000
Interest	+	\$45,000
TOTAL AVAILABLE FUNDS	=	\$7,923,468.24
PROJECTED EXPENDITURES 2017 - 2025		
Funds used for Rehabilitation		\$2,047,908.82
Funds used for New Construction		
1. Valley Road Residential	+	\$3,000,000
2.	+	
3.	+	
4.	+	
Affordability Assistance	+	\$2,275,559.42
Administration	+	\$600,000
Excess Funds or Remaining Balance Reserved for Additional Affordable Housing Activity	=	
1.	-	
2.	-	
TOTAL PROJECTED EXPENDITURES	=	\$7,923,468.24
	=	