

West Orange Trust Fund Spending Plan Amended December 2022

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 April 14, 2021, West Orange has collected \$10,309,749 and expended \$9,460,611, resulting in a balance of \$849,137 as of that date. The affordable housing trust fund balance as of December 31, 2021 was \$858,555. 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 Provident 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.

(b) Payment in lieu (PIL):

Actual and committed payments in lieu (PIL) of construction from developers as follows: none.

(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. No other funds have been or are anticipated to be collected.

(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–2022 THROUGH 2025				
	2022	2023	2024	2025	Total
(a) Development Fees					
Approved Development	\$50,000	\$0	\$0	\$0	\$50,000
Development Pending Approval	\$0	\$0	\$0	\$0	\$0
Projected Development	\$200,000	\$250,000	\$250,000	\$250,000	\$950,000
(b) Payments in Lieu of Construction	\$0	\$0	\$0	\$0	\$0
(c) Other Funds (rehab loan repay)	\$50,000	\$50,000	\$50,000	\$50,000	\$200,000
(d) Interest	\$6,000	\$8,000	\$8,000	\$8,000	\$30,000
Total	\$306,000	\$308,000	\$308,000	\$308,000	\$1,230,000

West Orange projects a total of \$1,230,000 in revenue to be collected between January 1, 2022 and December 31, 2025. This projected amount, when added to West Orange’s trust fund balance as of December 31, 2021 of \$858,555, results in an anticipated total revenue of \$2,088,555 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:

The Chief Financial Officer will be responsible for the overall management of the fund. The Chief Financial Officer will supervise the collection of all fees, which will then be deposited in a separate interest-bearing housing trust fund. The Township Council will review all fund requests on an as needed basis. The Chief Financial Officer 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 Chief Financial Officer will monitor this process and 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 \$1,033,555 to its rehabilitation and new construction programs as follows:

Rehabilitation program: \$533,555

New construction project(s): \$500,000 for the West Orange Library site senior affordable housing development.

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

Projected minimum affordability assistance requirement:

Actual development fees and other income through 12/31/21		\$858,555
Development fees projected 2022-2025	+	\$1,000,000
Other funds projected 2022-2025	+	\$200,000
Interest projected 2022-2025	+	\$30,000
Total	=	\$2,088,555
30 percent requirement	x 0.30 =	\$626,567
Less Affordability assistance expenditures through 12/31/2021	-	\$0
PROJECTED MINIMUM Affordability Assistance Requirement 1/1/2022 through 12/31/2025	=	\$626,567
PROJECTED MINIMUM Very Low-Income Affordability Assistance Requirement 1/1/2022 through 12/31/2025	÷ 3 =	\$205,856

West Orange will dedicate \$640,000 from the affordable housing trust fund to render units more affordable, including \$210,000 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.
- Providing applicants to the housing rehabilitation program who are certified to be low-income households a six-year forgiven loan and applicants to the housing rehabilitation program who are certified to be very low-income households a three-year forgiven loan.

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

West Orange projects that \$415,000 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, to administer a housing rehabilitation program and to manage the provision of affordability assistance to low-income and very low-income households.

4. EXPENDITURE SCHEDULE

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

Program	PROJECTED EXPENDITURE SCHEDULE				
	2022 -2025				
	2022	2023	2024	2025	Total
Rehabilitation	\$133,388	\$133,389	\$133,389	\$133,389	\$533,555
New Construction	\$0	\$250,000	\$250,000	\$0	\$500,000
Affordability Assistance	\$160,000	\$160,000	\$160,000	\$160,000	\$640,000
Administration	\$100,000	\$105,000	\$105,000	\$105,000	\$415,000
Total	\$518,388	\$523,389	\$523,389	\$523,389	\$2,088,555

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 November 17, 2020.

West Orange had a balance of \$858,555 as of December 31, 2021 and anticipates an additional \$1,230,000 in revenues through 2025 for a total of \$2,088,555. The municipality will dedicate \$533,555 towards rehabilitation, \$500,000 to new construction, \$640,000 to render units more affordable, and \$415,000 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, 2021		\$858,555
PROJECTED REVENUE 2022-2025		
Development fees	+	\$1,000,000
Payments in lieu of construction	+	\$0
Other funds	+	\$200,000
Interest	+	\$30,000
TOTAL REVENUE	=	\$2,088,555
EXPENDITURES		
Funds used for Rehabilitation	-	\$533,555
New construction	-	\$500,000
Affordability Assistance	-	\$640,000
Administration	-	\$415,000
TOTAL PROJECTED EXPENDITURES	=	\$2,088,555
REMAINING BALANCE	=	\$0

