

# City of Millville Spending Plan

## INTRODUCTION

The City of Millville has prepared a Housing Element and Fair Share Plan that addresses its regional fair share of the affordable housing need in accordance with N.J.S.A. 40:55D-28b(3), the Fair Housing Act (N.J.S.A. 52:27D-301) and the regulations of the NJ Council on Affordable Housing found in N.J.A.C. 5:96-1 et seq. and N.J.A.C. 5:97-1 *et seq.* A development fee ordinance creating a dedicated revenue source for affordable housing was most recently adopted by the municipality on August 2, 2005 and approved by COAH on March 3, 2006. The ordinance established the City of Millville's affordable housing trust fund for which this spending plan is prepared.

As of July 17, 2008, City of Millville has collected \$164,479 and expended \$0, resulting in a balance of \$164,479. Accumulated interest income to date is \$6,979 and is included in the gross figure, above. 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 and have been deposited in a separate interest-bearing affordable housing trust fund in Susquehanna Bank, for the purposes of affordable housing. These funds shall be spent in accordance with N.J.A.C. 5:97-8.7 through -8.9 as described in the sections that follow.

## REVENUES FOR CERTIFICATION PERIOD

To calculate a projection of revenue anticipated during the period of third round substantive certification, the City of Millville considered residential and nonresidential projects which have had development fees imposed upon them at the time of preliminary or final development approvals, all projects currently before the planning and zoning boards for development approvals that may apply for building permits and certificates of occupancy, and future development that is likely to occur based on historical rates of development.

The City's revenues have been generated from residential and non-residential development impact fees. While certain payments in lieu of construction were imposed, Chapter 46 of P.L. 2008 has eliminated the ability of municipalities to collect such fees from projects that have not yet received a certificate of occupancy. Since that applies to every potential payment in lieu of construction fee, the City does not anticipate any actual or future payments in lieu of construction for affordable housing.

The table on the following page indicates anticipated revenue to be generated from development impact fees.



Table SP-I. Projected Revenues-Housing Trust Fund - 2008 through 2018

Period Source of Funds	7/18/08 - 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Development fees												
Approved Development	\$0	\$467,250	\$500,000	\$700,000	\$1,000,000	\$1,000,000	\$1,000,000	\$800,000	\$0	\$0	\$0	\$5,467,250
Development Pending Approval	\$0	\$0	\$0	\$224,507	\$300,000	\$300,000	\$300,000	\$400,000	\$400,000	\$400,000	\$500,000	\$2,824,507
Projected Development	\$0	\$0	\$0	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$62,500	\$500,000
Interest	\$1,028	\$2,336	\$2,500	\$4,935	\$5,813	\$6,813	\$6,813	\$6,313	\$2,313	\$2,313	\$2,813	\$43,990
<b>Total</b>	\$1,028	\$469,586	\$502,500	\$991,942	\$1,368,313	\$1,369,313	\$1,369,313	\$1,268,813	\$464,813	\$464,813	\$565,313	\$8,835,747

City of Millville projects a total of \$8,835,747 to be collected between July 18, 2008 and December 31, 2018, including interest, to be used for affordable housing purposes. The total including the amount in the account is \$ 9,000,226.

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## **ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE FUNDS**

The following procedural sequence for the collection and distribution of development fee revenues shall be followed by the City of Millville.

### **Collection of Development Fee Revenues**

As stipulated in Chapter 30, Land Use and Development Regulations of the Land Use Ordinance (Section 30-303 to 30-304 of the codified ordinances of the municipality) all collection of development fee revenues will be consistent with local regulations for both residential and non-residential developments and in accordance with N.J.A.C. 5:96 et seq., N.J.A.C. 5:97 et seq. and P.L.2008, c.46, sections 8 (N.J.S. 52:27D-329.2) and 32-38 (N.J.S. 40:55D-8.1 through -8.7).

### **Distribution of Development Fee Revenues**

Requests for distribution of funds will first be made to the Department of Community Development for eligible activities. The Director of Community Development will evaluate the request and provide a synopsis and recommendation to the Township Manager. The request for funds will detail the amount requested, the beneficiary of the distribution, the use of funds and the time line for distribution. In this request for funds and determination of eligible activities the municipal staff may be assisted by the City Attorney. Upon examination and approval, the City Clerk/Administrator will transmit the requested amount to the Chief Financial Officer (CFO) of the municipality. If sufficient funds are available, the requested amount will be brought before the City Commission for approval and the amount encumbered in the affordable housing trust fund by the CFO. City Commission approval may take one of any number of forms, including resolution authorizing the expenditure of funds, inclusion of the amount on a bill list for approval, or any other mechanism allowed by statute or rule for the dispersal of funds. Once approved, the payment will be made by the CFO to the designated individual or organization and the proper notation made in the affordable housing trust fund.

### **Distribution of Development Fee Revenues**

Millville may use the funds in the trust fund for any of the below listed items, pursuant to N.J.A.C. 5:97-8.7(a):

- New construction of affordable housing units and related development costs; in the case of inclusionary developments, eligible costs shall be pro-rated based on the proportion of affordable housing units included in the development;
- Extensions or improvements of roads and infrastructure directly serving affordable housing development sites; in the case of inclusionary developments, costs shall be pro-rated based on the proportion of affordable housing units included in the development;

- Acquisition and/or improvement of land to be used for affordable housing;
- Purchase of existing market rate or affordable housing for the purpose of maintaining or implementing affordability controls;
- Accessory apartment or market to affordable programs;
- Green building strategies designed to be cost-saving for low- and moderate income households, either for new construction that is not funded by other sources, or as part of necessary maintenance or repair of existing units;
- Maintenance and repair of affordable housing units;
- Repayment of municipal bonds issued to finance low and moderate income housing activity; and
- Affordability assistance to very low, low and moderate income buyers and renters of affordable housing units to lower the cost of homeownership, subsidize closing costs, or to reduce the capitalized basis of the rent payments; and
- Any other activity as specified herein.

At least 30% of collected development fees, excluding expenditures made from the inception of the fund to June 2, 2008 on all new construction, previously funded rehabilitation activities, shall be used to provide affordability assistance to low- and moderate-income households in affordable units included in the Fair Share Plan. Additionally, no more than 20% of the revenues collected from development fees each year shall be expended on administration, including, but not limited to, salaries and benefits for municipal employees or consultant fees necessary to prepare or implement a rehabilitation program, a new construction program, a housing element and fair share plan, and/or an affirmative marketing program.

If funding should fall short of the amount necessary, Millville will seek grants, low cost loans or use general revenues and its bonding capacity to meet such shortfall.

### **Specific Projects**

Millville will dedicate \$3,600,090 or 40% of its development fee revenue to Rehabilitation or New Construction programs. These are as follows:

#### Housing Rehabilitation Programs

The City will provide funding for low and moderate income owner and renter occupied households. Trust fund resources will be combined with CDBG funds, HOME Investment Partnership Program funds and Revenue Allocation District funds, where authorized, for these programs.

The programs will be implemented by the Assistant Director of Community Development, Russell Barringer. A summary of the two programs follows:

1. Single family homeowner assistance

Recipients must be qualified as low and moderate income households as defined by COAH income guidelines. Rehab assistance will be provided in the form of forgivable loans for a ten-year period. The affordability period will coincide with the loan term.

The rehabilitation work will meet the definition of a deficient housing unit as per COAH regulations.

As long as the unit remains, affordable, 10% of the loan balance will be forgiven each year. If the loan is sold prior to the end of the loan term, the owner will be responsible for paying the remaining balance of the loan at the time of sale.

Recaptured funds will be deposited into the Housing Trust Fund and utilized for additional rehabilitation projects.

The minimum average loan will be \$10,000 per unit with a maximum of \$2,000 per unit for administration.

2. Rental Rehabilitation Assistance

Investor owners will qualify for rental rehabilitation assistance in the units being rehabilitated are subject to affordability controls for a minimum of 10 years. Rental property owners will be provided with a 50% grant and a 50% loan for rehabilitating deficient rental units in conformance with the Uniform Construction Code and the Rehabilitation Subcode. Owners must demonstrate that the project and the repayment of the loan are financially feasible. The maximum grant/loan amount is \$25,000 per unit.

All proceeds from the loan will be deposited into the Housing Trust Fund and used for additional rental projects. The City will insure that the units will be rented to low or moderate income households as required by COAH and UHAC regulations. If the property is sold prior to the end of the loan term, the balance at the time of sale shall be paid to the Housing Trust Fund.

New Construction Programs

The City of Millville will work collaboratively with local nonprofit organizations and the Millville Housing Authority as well as private developers to contribute funds toward the construction of new affordable units. Such projects may include:

1. 100% affordable or municipally sponsored projects, including the acquisition of property or construction of infrastructure improvements for such projects;
2. Support the construction of alternative living arrangements which provide housing to very low, low and moderate income households.

### Affordability Assistance Programs

The City will also dedicate \$2,700,068 or 30% of its development fee revenue to Affordability Assistance programs. Examples of such programs are as follows:

1. Down payment assistance:

For projects administered by nonprofits and the Millville Housing Authority (MHA) the City will provide down payment assistance to income qualified buyers who successfully pass HUD-certified housing counseling courses.

2. Security deposit assistance:

The City will provide security deposit assistance of up to \$1,000 to very-low and low income renter households who successfully apply for housing in nonprofit and MHA developments.

3. Individual savings accounts:

In conjunction with Susquehanna Bank, the City will provide matching funds toward the establishment of individual savings accounts for low and moderate income persons for the purpose of purchasing an affordable housing unit.

### Administrative Expenses

The City will utilize 15% of the development fee revenue or \$1,350,004 for administrative expenses. Such expenses include:

1. Salaries of staff required to complete annual COAH monitoring tasks, implement housing rehabilitation programs, and coordinate assistance with local nonprofit housing agencies;
2. Consultant fees to update the Fair Share Plan and to monitor progress; and
3. Administrative fees incurred by the MHA to implement affirmative marketing requirements and affordability controls.

### Infrastructure Improvements

The City will also utilize 15% of the development fee revenue or \$1,350,004 for infrastructure improvements. These improvements may include the extension of water and sewer mains or the upgrading of such utilities to sever an affordable housing development, the extension or construction of new roads to provide access for such projects and related site improvement costs.

**SHORTFALL OF FUNDS**

If the City is unable to secure grants, loans, or other revenue sources for affordable housing, the municipality shall support the implementation of the housing plan with its bonding capacity.

**AFFORDABILITY ASSISTANCE (N.J.A.C. 5:97-8.8)**

The following table indicates the amount anticipated being available for affordability assistance to low and moderate income households, including very low income households.

**Table SP-2. Projected Minimum Affordability Assistance Requirement.**

Actual development fees through July 17, 2008		\$157,500
Actual interest earned through July 17, 2008	+	\$ 6,979
Development fees projected, July 18, 2008-2018	+	\$8,791,757
Interest projected, July 18, 2008-2018	+	\$43,990
Less housing activity expenditures	-	\$0
<b>Total</b>	=	<b>\$9,000,226</b>
30 percent requirement	x 0.30 =	\$2,700,068
Less affordability assistance expenditures through 12/31/2004	-	\$0
Projected minimum affordability assistance requirement	=	\$2,700,068
Projected minimum very low-income affordability assistance requirement	÷ 3 =	\$900,023

**ADMINISTRATIVE EXPENSES (N.J.A.C. 5:97-8.9)**

**Table SP-3. Projected Allowed Administrative Expense.**

Actual development fees through 7/17/2008		\$157,500
Actual interest earned through 7/17/2008	+	\$ 6,979
Development fees projected* 2008-2018	+	\$8,791,757
Interest projected* 2008-2018	+	\$43,990
Less housing activity expenditures	-	\$0
<b>Total</b>	=	<b>\$9,000,226</b>
20 percent maximum permitted administrative expenses; 15% used*	x 0.15 =	\$1,350,034
Less administrative expenditures through 12/31/2004	-	\$0
Projected allowed administrative expenditures	=	\$1,350,034

Millville will not expend for administrative purposes in excess 15% which is less than the allowed allocation of 20%.

**EXPENDITURE SCHEDULE**

The expenditures from the fund as noted in the list on page SP-4 would be paid out over a number of years as Millville needed to match its affordable housing obligation from year to year through housing rehabilitation, 100% affordable housing projects and a redevelopment projects as based on the implementation schedule.

Table SP-4 - Projected Expenditure Schedule 2009 Through 2018

Program	Number of Units Projected	Funds Expended and/or Dedicated												
		2005 through 7/18/08	7/18/08 through 12/31/08	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Housing Rehabilitation	51	\$0	\$10K	\$50K	\$50K	\$50K	\$50K	\$50K	\$50K	\$50K	\$50K	\$50K	\$50K	\$510,000
A HOME CHOICE	23	\$0	\$0	\$0	\$200K	\$200K	\$200K	\$160K	\$160K	\$0	\$0	\$0	\$0	\$920,000
HCDC CHOICE	5	\$0	\$0	\$0	\$80K	\$80K	\$40K	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000
Holly Gardens Redevelopment	50	\$0	\$0	\$0	\$680K	\$680K	\$611K	\$0	\$0	\$0	\$0	\$0	\$0	\$1,971,000
Infrastructure Improvements	TBD	\$0	\$0	\$0	\$0	\$337.5K	\$337.5K	\$337.5K	\$337.5K	\$0	\$0	\$0	\$0	\$1,350,000
<b>Total Programs</b>	129	\$0	\$10K	\$50K	\$1.01M	\$1.35M	\$1.24M	\$547.5K	\$547.5K	\$50K	\$50	\$0	\$0	\$4,951,000
Affordability Assistance		\$0	\$0	\$270K	\$270K	\$270K	\$270K	\$270K	\$270K	\$270K	\$270K	\$270K	\$270K	\$2,700,000
Administration		\$0	\$0	\$135K	\$135K	\$135K	\$135K	\$135K	\$135K	\$135K	\$135K	\$135K	\$135K	\$1,350,000
<b>Total</b>	129	\$0	\$10K	\$0	\$1.42M	\$1.75M	\$1.64M	\$953K	\$953K	\$455K	\$455K	\$455K	\$455K	\$9,001,000