2018 Master Plan
Spending Plan City of
Cape May
Cape May County, New Jersey

Endorsed by Resolution by the City of Cape May on ____________________________

THE CITY OF

CAPE MAY

NATIONAL HISTORIC LANDMARK

City of Cape May
643 Washington Street Cape May, NJ 08204

2018 Master Plan
Spending Plan
For the
City of Cape May
Cape May County, New Jersey

MAYOR

Clarence F. Lear III.

COUNCIL MEMBERS

Shaine P. Meier, Deputy Mayor
Patricia Gray Hendricks
Roger M. Furlin
Beatrice Gauvry Pessagno

PLANNING BOARD

William Bezaire, Chairman
Clarence F. Lear, Mayor
Harley Shuler
Joseph Picard
Patricia Gray Hendricks
Robert Elwell
Gerald France
Jerome Inderwise, Jr.
Michael Jones
John Macciocchi
Scott Maslow
Linda Wolf
David Martz

Prepared By:

Louis M. Belasco, Municipal Housing Liaison

The original of this document was signed and sealed in accordance with NJAC 13:41-1.3b

TABLE OF CONTENTS

Contents

INTRODUCTION

Cape May City has prepared a Housing Element and Fair Share plan that addresses its regional fair share of the affordable housing need 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 regulations of the Council on Affordable Housing (COAH) (N.J.A.C. 5:91-1 et seq. and N.J.A.C. 5:93-1 et seq.). A development fee ordinance creating a dedicated revenue source for affordable housing was approved by COAH on October 14, 2009 and adopted by the municipality on November 16, 2009. The development fee ordinance establishes the Cape May City affordable housing trust fund for which this spending plan is prepared.

As of December 31, 2017, Cape May City has collected $876,230.48 and expended $0 for a final balance of $876,230.48. 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 Sturdy Savings Bank for the purposes of affordable housing. These funds shall be spent in accordance with N.J.A.C. 5:93-8.1-8.22 as described in the sections that follow.

City of Cape May, Cape May 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 Department on October 14, 2009 and adopted by the municipality on November 16, 2009. The ordinance establishes the City of Cape May affordable housing trust fund for which this spending plan is prepared.

The City filed a Declaratory Judgment action in July of 2015 in accordance with the NJ Supreme Court's March 10, 2015 decision. The City completed and adopted a Housing Element and Fair Share Plan on _______________ which was prepared in accordance with a Fairness Hearing held April 20, 2018 under Docket No. CPM-L-307-15. This Spending Plan is prepared in accordance with the City Housing Element and Fair Share Plan and in accordance with the requirements of the Fairness Hearing.

REVENUES FOR CERTIFICATION PERIOD

To calculate a projection of revenue anticipated during the period of third round substantive certification, Cape May City considered the following:

(a) Development fees:

1. Projects which have had development fees imposed upon them at the time of development approvals;
2. All projects currently before the planning and zoning boards for development approvals that may apply for certificates of occupancy; and
3. Future development that is likely to occur based on historical rates of development and/or projected development in accordance with COAH projections.
4. Revenues from the 2.5 non-residential, for all commercial development

(b) Other funding sources:

1. Funds from other sources, including, but not limited to, the sale of units with extinguished controls.

(c) Projected interest: Interest on the projected revenue in the municipal affordable housing trust fund based upon the average amount earned on prior years.

SOURCE OF FUNDS	PROJECTED REVENUES-HOUSING TRUST FUND - 2018 THROUGH 2025								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
(a) Projected Development fees:	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,200,000
(b) Payments in	0	0	0	0	0	0	0	0	0
Lieu of Construction									
(c) Other Funds	0	0	0	0	0	0	0	0	0
(d) Interest – .06%	90	90	90	90	90	90	90	90	720
Total	150,090	150,090	150,090	150,090	150,090	150,090	150,090	150,090	1,200,720

The above projected revenues are based upon projected residential and commercial development growth rates from prior years. Cape May City projects a total of $1.2 million in revenue to be collected between January 1, 2018 and December 31, 2025. All interest earned on the account shall accrue to the account to be used only for the purposes of affordable housing.

ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE FUNDS

The City's Finance Office is responsible for the day-to-day management of the Affordable Housing Trust Fund. The City Manager and Chief Financial Officer will review all fund requests and approves the disbursement of funds from the Fund. The following procedural sequence for the collection and distribution of development fee revenues shall be followed by Cape May City:

(a) <u>Collection of Development Fee Revenues:</u>

1. The Planning and Zoning Board Administrator will notify the construction code official when a preliminary or final approval is granted for a development application.

2. When a request is made for a building permit, the construction office determines whether the project is subject to the imposition of a mandatory development fee. If so, the construction office obtains a preliminary assessment of the project from the City Tax Assessor who calculates the fee.

3. Before a building permit is issued fifty percent (50%) of the estimated development fee is paid to the City Clerk's Office at the time a building permit is issued. The funds are then forwarded to the Finance Office for deposit into the Affordable Housing Trust Fund.

4. Before a certificate of occupancy is issued The Construction Office obtains a final assessment of the project from the City Tax Assessor who calculates the final fee. The development fee less the initial payment is paid to the City Clerk's office. The funds are then forwarded to the Finance Office for deposit into the Affordable Housing Trust Fund

5. The City Manager monitors this process and provides, as needed, an annual report to the City Council.

(b) <u>Distribution of Development Fee Revenues</u>:

The City Council reviews the request for consistency with the spending plan and adopts a resolution recommending the expenditure of development fee revenues as set forth in this fee-spending plan.

The use and release of funds requires the adoption of a resolution in accordance with the spending plan. Once a request is approved, the Chief Financial Officer releases the revenues from the trust fund for the specific use pursuant to the resolution issued by the governing body.

ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS

Regulations permit the use of revenues generated by a development fee ordinance for activities that address the municipal fair share obligation including, but not limited to, rehabilitation, new construction, improvement to land, roads and infrastructure for affordable housing, assistance to render units more affordable, and administrative costs of housing plan implementation.

Affordable Housing Programs and Projects

Cape May City will dedicate funds to new construction programs in accordance with N.J.A.C.5:97-8.7 (see detailed descriptions in Fair Share Plan) as follows:

Accessory Apartments

The City intends to meet its realistic development potential of twelve through the accessory apartment program. Twelve of the units will be six low-income units of which two will be deed restricted for very low-income households, with funding levels of $20,000 for a moderate-income unit, $25,000 for a low-income unit, and $30,000 for a very low income unit

Affordability Assistance

The City commits to providing affordability assistance in accordance with the COAH requirements (N.J.A.C. 5:97-8.8). In accordance with the projections for new development prepared by COAH, the City of Cape May has prepared a table projecting the minimum affordability assistance requirement. The following table has been prepared solely to meet the requirements of N.J.A.C.5:97-8.8:
\

Development fees projected 1/2018-2025		$1,200,72
30 percent requirement	x 0.30 =	$ 360,000
PROJECTED MINIMUM Affordability Assistance Requirement 1/1/2018 through 12/31/2025	=	**$ 360,216**

Cape May City will dedicate money as required from the affordable housing trust fund to render units more affordable, including money to render units more affordable to households earning 30 percent or less of median income by region.

The City of Cape May will also create opportunities for down payment assistance, security deposit assistance, rental assistance and assistance with emergency repairs for the balance of the funds required to be used as affordability assistance.

Administrative Expenses

Cape May City projects that 20% of the Housing Trust Fund Balance will be available to be used for administrative purposes (N.J.A.C. 5:97-8.9). Projected administrative expenditures, subject to the 20 percent cap, are as follows:

Development fees projected 1/2018-2025	+	$1,200,720
20% CAP for Administrative Expense	X .20	$ 240,144
Available for Administrative Expense through 12/31/2025	=	**$ 240,144**

Administration includes such items as supplies that are used to assist to all affordable units, salaries, and benefits for municipal employees or consultant fees necessary for plan compliance, to develop or, implement a new program, a Housing Element and Fair Share Plan, and/ or an affirmative marketing program. Administrative funds can also be used to income qualify households, monitor the turnover of a sale and rental units, and comply with COAH'S monitoring requirements.

Expenditure Schedule

Cape May City intends to use affordable housing trust fund revenues for the creation of housing units. The following summarizes the use of the funds existing in the Housing Trust Fund as of December 31, 2017 over the next four years – as required under N.J.A.C.5:97-8.10(a)8:

AHTF Balance 12/31/2017		$876,230
Projected Revenue 2018-2025	+	$1,200,720
Total Revenue	=	$2,076,950
Expenditures		
New Construction Projects	-	$1,476,590
Affordability Assistance	-	$360,216
Administrative Expense	-	$240,144
Total Projected Expenditures	=	$2,076,950
Remaining Balance	=	$0.00

Administrative Expenses: The City of Cape May will expend funds for administrative expenses through December 31, 2025 for the purposes of salaries and benefits of the municipal employees involved in the implementation and administration of the City's Affordable Housing program, Housing Element and Fair Share Plan, and affirmative marketing program, as well as any other permitted program under N.J.A.C.5:97-8.9.

Affordability Assistance: The City of Cape May intends to spend funds for affordability assistance in accordance with N.J.A.C.5:97-8.8. One-third of the balance will be utilized for the affordability assistance to very low-income households.

Excess or Shortfall of Funds

The City of Cape May does not intend to realize a shortfall in funds for the programs in this plan. The City of Cape May will closely monitor the Housing Trust fund balance and will only expend those funds that are available. This is clear throughout the City's plan, in that, the City has not specified exact amounts to be spent on any one program.

Pursuant to the Housing Element and Fair Share Plan, the City Council of Cape May City has adopted a resolution with Intent to Bond for Unanticipated Shortfall in Funding should any shortfall of funds required for implementing the Spending Plan. In the event that a shortfall of anticipated revenues occurs, Cape May City will bond for the amount necessary to complete the programs. See attached resolution in Appendix B.

In the event more funds than anticipated are collected, projected funds exceed the amount necessary to implement the Fair Share Plan, the City of Cape May can reserve funds for affordable housing projects to meet a future affordable housing obligation, or to cover additional administration expenses. Any excess funds can be used to fund rehabilitation, affordability assistance program, administration costs, and/or new construction or other planning mechanism.

Summary

Cape May City 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 housing element and fair share plan approved on September 4, 2018.

Appendix A – Development Fee Ordinance

Appendix B – Municipal Intent to Bond Resolution