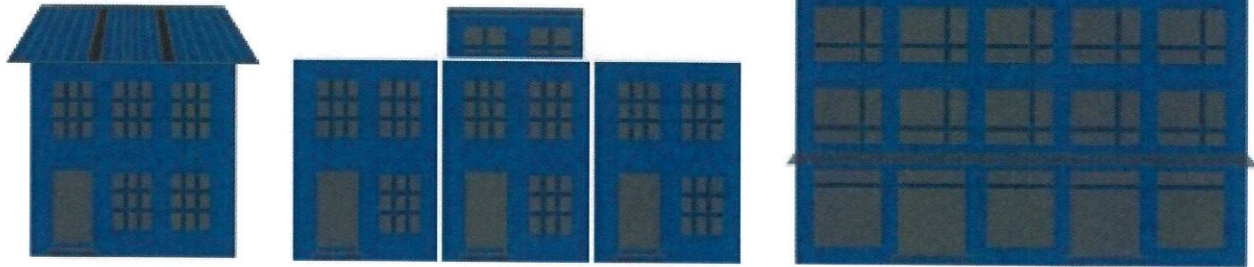


**BOROUGH OF CALDWELL**

**AFFORDABLE HOUSING**

**SPENDING PLAN**



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**APPROVED:**  
April XX, 2021  
R-X-XXX

**Introduction**

The Borough of Caldwell 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. 5:93-1 et seq.), as requested by the New Jersey Supreme Court. A development fee ordinance creating a dedicated revenue source for affordable housing was adopted by the municipality in March 16, 2021. This ordinance establishes the Caldwell’s Affordable Housing Trust Fund (AHTF) and has been prepared in accordance with current standards.

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 into this separate, interest-bearing Affordable Housing Trust Fund for the purposes of affordable housing. These funds shall be spent in accordance with N.J.A.C. 5:93, or applicable regulations, as described in the sections that follow.

In accordance with the settlement agreement with Fair Share Housing Center (FSHC), executed on June 24, 2020, the expenditures of funds contemplated under the FSHC agreement constitute a “commitment” for expenditure pursuant to N.J.S.A. 52:27D-329.2 and -329.3, with the four-year time period contemplated therein commencing in accordance with the provisions of applicable law. Upon approval of its Spending Plan, the Borough shall also provide an annual Mount Laurel Trust Fund accounting report to the New Jersey Department of Community Affairs, Council on Affordable Housing, Local Government Services, or other entity designated by the State of New Jersey, with a copy provided to FSHC and posted on the municipal website, using forms developed for this purpose by New Jersey Department of Community Affairs, Council on Affordable Housing, or Local Government Service.

**1. Revenues for Certification Period**

Since the developer fee ordinance was not established until 2021, the Borough has not collected revenues in a AHTF to collect historical data for a baseline for projected revenue. Therefore, to calculate anticipated projected revenue for the Third Round time period (2015-2025), the Borough of Caldwell considered residential / nonresidential developments that would have otherwise been imposed based on historic rates of development. The Borough also considered other potential sources of revenues, as indicated from the following sources:

- (A) Development fees: The Borough analyzed three years (2015 to 2017) of residential and nonresidential projects which would have qualified for development fees under the 2021 ordinance, and averaged the expected fee amount annually. The analysis excludes such projects from 2018 to 2020, as some are still under construction or have yet to revise their tax assessment card. The analysis also excludes tax exempt projects with improvements such as Caldwell University and projects showing decreased assessed values.

Through this analysis of qualifying projects during the 2015 to 2017 period, analysis of improved reassessed value, and a multiplier of 1.5% for residential improvements and 2.5% for non-residential improvements, we determined an annual average revenue fee of **\$26,973.32** to determine potential developer fees during 2021 to 2025.

2015	\$26,997.00
2016	\$30,845.45
2017	\$23,077.50
Average	\$26,973.32

- (B) Payment in lieu (PIL): Payments in lieu of construction expected to be collected from developers.
- (C) Funds from other sources such as the sale of units with extinguished controls, repayment of affordable housing program loans, rental income, or proceeds from the sale of affordable units are not anticipated.
- (D) Projected Interest: interest on the projected revenue in the municipal affordable housing trust fund at the current average interest rate. Interest is calculated based on the current prime interest rate of 3.25%.

Table A in the following section indicates the anticipated revenue to be generated from development fees, payments-in-lieu-of-construction and interest. Based on anticipated revenue as described above, the Borough of Caldwell projects an approximate of **\$134,675** to be collected between January 1, 2021 and June 30, 2025, including interest, to be used for affordable housing purposes under the assumptions presented after the table.

The Borough of Caldwell recently adopted its first redevelopment plan, which is expected to spur development throughout the Borough and, therefore, it is expected that the Borough may collect more revenue than previous years would have. However, since this is the first redevelopment plan in the Borough, a baseline cannot be established at this time. The Borough reserves the right to amend its spending plan accordingly if more development fees than projected are collected.

## 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 the Borough:

- (A) Collection of development fee revenues: Collection of development fee revenues shall be consistent with Caldwell's development fee ordinance for both residential and non-residential developments in accordance with COAH's Regulations and P.L.2008, c.46, sections 8 (C. 52:27D-329.2) and 3238 (C. 40:55D-8.1 through 8.7).
- (B) Distribution of development fee revenues: The governing body shall approve all expenditures from the account, including administrative expenses and direct expenditures. The Affordable Housing Administrator and/or the Municipal Housing Liaison shall directly manage projects described in this Spending Plan and the Housing Element and Fair Share Plan and expenditures from the fund.
- (C) Collection and distribution of barrier free funds shall be consistent with Caldwell's Affordable Housing Ordinance in accordance with N.J.A.C. 5:97-8.5.

<b>Table A: Projected Revenue</b>					
	2021	2022	2023	2024	2025 (First 6 Months)
<b>Development Fees</b>	\$26,973.32	\$26,973.32	\$26,973.32	\$26,973.32	\$13,486.66
<b>Previous Year Balance</b>	\$0.00	\$27,849.95	\$56,605.03	\$86,294.65	\$116,949.18
<b>Payment in lieu*</b>	\$0	\$0	\$0	\$0	\$0
<b>Interest (3.25% of balance)</b>	\$876.63	\$1,781.76	\$2,716.30	\$3,681.21	\$4,239.16
<b>Total</b>	\$27,849.95	\$56,605.03	\$86,294.65	\$116,949.18	\$135,113.32
<b>Total 2021-25 Fees</b>	<b>\$134,675.00</b>				
<b>Starting Balance**</b>	(+) <b>\$0.00</b>				
<b>Projected Revenue</b>	<b>\$134,675</b>				
*The Borough reserves the right to amend the Spending Plan should any PILs for a project be collected.					
**The Borough is establishing its AHTF and developer fee ordinance for the first time in 2021 and therefore has no opening balance at this time.					

## 3. Description of Anticipated Use of Affordable Housing Funds

The Borough of Caldwell may use the funds in the trust fund for any of the below listed items, pursuant to N.J.A.C. 5:93-8.16(a) and (c):

- New construction of affordable housing units and related development costs, and in the case of inclusionary developments, eligible costs shall be pro-rated based on the proportion of affordable housing units included in the development. New Construction program shall constitute projects such as Group Homes, Market to Affordable housing, or other similar opportunities; in this regard, the Borough intends to set aside money for opportunities that may occur in the event a housing unit becomes available for acquisition that may be appropriate for a conversion into affordable housing via a deed restriction and resale (Market-to-Affordable) or via deeding the unit over to a qualified group home provided. As the Borough

has a relatively high housing vacancy rate of approximately 7.7%, such vacant housing may be suitable for Market-to-Affordable conversion.

- 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, such as in the event of foreclosure;
- Accessory apartment or market-to-affordable programs;
- Green building strategies designed to save money 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 affordable units;
- Maintenance and repair of affordable housing units;
- Repayment of municipal bonds issued to finance low and moderate income housing activity;
- Affordability assistance to very low, low and moderate income buyers and renters of affordable housing units to lower the cost of homeownership; and
- Any other activity as specified herein.

Below are the specific estimates for funds to be dedicated to affordable housing activities and administration.

- (A) **Affordability Assistance:** At least 30% of collected development fees, excluding expenditures from the affordable housing trust fund, shall be dedicated to affordability assistance to low- and moderate-income households. In excess of the minimum requirement of 40,403 (30%), the Borough of Caldwell will dedicate a minimum of \$107,740 from the affordable housing trust fund to render units more affordable through 2025, if projected development fees are realized. At least \$35,913 from the Affordable Housing Trust Fund will be used to render units more affordable to households earning 30 percent or less of median income by region (i.e. VLI).

Funds will go towards down payment assistance as part of a monetary contribution to owner occupied affordable units. This down payment assistance is designed to help low- and moderate-income households achieve the goal of homeownership. This program will provide a zero-interest loan to income-qualified homebuyers of deed restricted affordable properties within the Borough of Caldwell to use as a principal down payment. Funds are made available through the Affordable Housing Trust Fund of Borough of Caldwell. The goal of the program is to provide financial assistance to income-qualified homebuyers moving to Borough of Caldwell.

Applicants for this loan program must be income-qualified by the Administrative Agent for Borough of Caldwell and must be under contract to purchase a deed restricted home in the Borough of Caldwell. This means that the applicant must have made application to buy a home, been income-qualified and selected to purchase an affordable home within the Borough of Caldwell, and signed a contract with the seller.

Properties must be single family homes within the Borough of Caldwell. The price of the home will be limited by the deed restriction to be affordable to either a low or moderate-income household.

The Borough of Caldwell's Downpayment Assistance Program will provide up to but not more than 20% of the maximum purchase price of the affordable unit.

Thus, Caldwell's down-payment assistance will satisfy the remainder of Caldwell's obligation for affordability assistance.

(B) **Administrative Expenses (N.J.A.C. 5:93-8.16):** The Borough of Caldwell will expend no more than 20 percent of the revenues collected from development fees and payments in lieu of construction. A projected \$26,935 will be available from the affordable housing trust fund to be used for administrative purposes. Projected administrative expenditures are as follows:

- Administration and setup expenses for all affordable housing programs including new construction;
- Administration and setup expenses for affordability assistance program;
- Staffing and consulting fees associated with future planning and outreach and activities, as permitted under N.J.A.C. 5:93-8.16;
- Other expenses associated with the implementation of the Housing Element and the monitoring of current and future housing programs in the Borough.

Administrative funds may also be used for: income qualification of households; monitoring turnover of sale and rental units; and compliance with monitoring requirements.

#### 4. Expenditure Schedule

The Borough of Caldwell intends to use affordable housing trust fund revenues for the rehabilitation of affordable housing units as needed and to assist the active community development groups in the Borough and the region with new opportunities for affordable housing. Where applicable, the funding schedule below parallels the implementation schedule set forth in the Housing Element and Fair Share Plan. To date, no expenditures have been made from the Borough's Affordable Housing Trust Fund.

Table B: Spending Plan Summary of Revenues and Expenditures		
<b>REVENUES</b>		
Current Cash on Hand as of 1/2021		\$0
Projected Fee Revenue	+	\$134,675
<b>Projected Revenues</b>	=	<b>\$134,675</b>
<b>EXPENDITURES</b>		
Minimum Affordability Assistance (Projected 80%)	-	\$107,740
1. For Very Low-Income Households (1/3)	=	\$35,913
2. Other Affordability Assistance (2/3)	=	\$71,827
Total Administration (Projected 20%)	-	\$26,935
<b>TOTAL PROJECTED EXPENDITURES</b>	=	<b>\$134,675</b>
<b>REMAINING BALANCE</b>	=	<b>\$0</b>

Table C: Schedule of Expenditures (Estimated)						
	2021	2022	2023	2024	2025	Total

Affordability Assistance	\$21,548	\$21,548	\$21,548	\$21,548	\$21,548	\$107,740
Administration	\$5,387	\$5,387	\$5,387	\$5,387	\$5,387	\$26,935
Total	\$26,935	\$26,935	\$26,935	\$26,935	\$26,935	\$134,675

**5. Excess or Shortfall of Funds**

The governing body of the Borough of Caldwell reserves the right to revise projections and anticipated funding commitments based upon actual revenues to the Affordable Housing Trust Fund. In the event that a shortfall of anticipated revenues occurs, the Borough will revise its spending plan accordingly.

In the event of excess funds, any remaining funds above the amount necessary to satisfy the municipal affordable housing obligation will be used toward the affordability assistance program, specifically, the downpayment assistance program.

**6. Barrier Free Escrow**

Collection and distribution of barrier free funds shall be consistent with Caldwell's Affordable Housing Ordinance in accordance with N.J.A.C. 5:93. A process describing the collection and distribution procedures for barrier free escrow is detailed within the Borough's Affordable Housing Ordinance.

**7. Summary**

The Borough of Caldwell intends to spend affordable housing trust fund revenues pursuant to N.J.A.C. 5:93 and consistent with the housing programs described in its Housing Element and Fair Share Plan. The Borough had a balance of \$0.00 as of January 2021 and anticipates a total of additional \$134,675 in revenues and interest by December 31, 2025. The Borough will dedicate \$107,740 towards affordability assistance to render units more affordable; and approximately \$26,935 to administrative costs.