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# Memorandum

**TO:** Princeton Mayor and Council  
**FROM:** Shirley M. Bishop, P.P.  
**DATE:** April 9, 2015  
**RE:** Spending Plan

Although Princeton adopted a Spending Plan in 2013, COAH did not review and approve the plan because the agency was still discussing how to proceed with a Spending Plan from a consolidated town. We are still waiting but time has run out for COAH to develop procedures. This is because Princeton needs to withdraw \$ 400,000 from the trust fund account for the group home next month. As such, a new Spending Plan has been prepared which begins with the balance of \$ 1,108,037.53 from December 31, 2013 which was the first monitoring form completed for the consolidated Princeton.

Princeton is projecting a total of \$ 2.3 million ( including the balance) between 2013 and 2018.

As you will see, \$ 200,000 has been allocated for rehabilitation. It is expected that Princeton will have a rehabilitation obligation of at least 100 units. Allocating \$ 200,000 is a start and an ambitious marketing program will be undertaken by a new administrative agent for the program.

As previously discussed, Princeton is expending \$ 400,000 to purchase an existing four-bedroom home that will become a group home for four developmentally disabled adults. In addition, an offer has been made to the owner of a five-unit condominium complex which will result in those units becoming affordable units. When the owner accepts the bid, Princeton will bond for the sale and Princeton Community Housing (PCH) will handle renovations via a partnership agreement. It is expected that PCH will assume ownership and management of the five units. An amount of \$ 588,283.80 from the trust fund is being targeted to repay the debt service.

As you are aware, half of the trust fund moneys are regulated by COAH. At least 30 percent of the funds must be used for Affordability Assistance. Page 5 of the Spending Plan contains all the activities Princeton is proposing for the mandated \$ 711,170.26. Princeton receives NO credit toward its obligation but must spend that amount.

Finally, COAH permits no more than 20 percent to be utilized for administration. Details are spelled out on Page 6 of the plan.

A resolution has been prepared that requests COAH's review and approval. One section addresses any funding shortfall as COAH requires a resolution agreeing to either bond, utilize general revenues or amend the Fair Share Plan if there is a shortfall.

**Princeton / Mercer County**  
**Consolidated Affordable Housing Trust Fund Spending Plan**  
April 2015

**INTRODUCTION**

The former Princeton Borough and the former Princeton Township / Mercer County prepared Housing Elements and Fair Share Plans that addressed their regional fair shares of the affordable housing needs 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. 5:97-1 et seq. and N.J.A.C. 5:96-1 et seq.).

As of January 1, 2013, the Township and Borough consolidated and became known as Princeton.

Development Fee Ordinances creating dedicated revenue sources for affordable housing were approved for the former Borough by the Superior Court on December 15, 1995 and adopted on June 8, 1995. The former Township's Development Fee Ordinance was approved by COAH on October 11, 1995 and adopted on June 24, 1996. A new Development Fee Ordinance for the consolidated Princeton is in the process of being adopted.

In the meanwhile, the original Development Fee Ordinances established the former Borough and the former Township Affordable Housing Trust Funds.

As of December 31, 2013 Princeton had a beginning balance of \$1,108,037.53. 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 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.

From January 1, 2005 through December 31, 2012, the former Borough and the former Township expended funds on affordable housing activities that were previously approved by COAH and documented in the Annual Trust Fund Monitoring Reports submitted to COAH.

**This Spending Plan is the first Spending Plan for the consolidated Princeton and serves as the baseline Spending Plan.**

**1. REVENUES FOR CERTIFICATION PERIOD**

To calculate a projection of revenue anticipated during the period of third round substantive certification, Princeton 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:

All PIL have been collected. However, PIL are not currently anticipated to be collected or assessed, except as they may incidentally flow from obligations for fractions of units in inclusionary developments.

(c) Other funding sources:

Funds from other sources, including, but not limited to, the sale of units with extinguished controls, repayment of affordable housing program 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 Affordable Housing Trust Fund is based on the average interest rate of one percent.

SOURCE OF FUNDS	PROJECTED REVENUES-HOUSING TRUST FUND - 2013 THROUGH 2018									
	2013	2014	2015	2016	2017	2018	Total			
(a) Development fees:										
1. Approved Development	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000			
2. Development Pending Approval										
3. Projected Development										
(b) Payments in Lieu of Construction	0	0	0	0	0	0	0			
(c) Other Funds (Specify source(s))	0	0	0	0	0	0	0			
(d) Interest	2,500	2,500	2,500	2,500	2,500	2,500	15,000			
<b>Total</b>							<b>1,515,000</b>			

Princeton projects a total of \$1,515,000 in revenue to be collected between January 1, 2013 and December 31, 2018. All interest earned on the account shall accrue to the account to 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 Princeton:

(a) Collection of Development Fee Revenues:

i Collection of development fee revenues shall be consistent with the Princeton Development Fee Ordinance for both residential and non-residential developments in accordance with COAH'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

(b) Distribution of Development Fee Revenues:

The governing body shall adopt a resolution authorizing the expenditure of development fee revenues consistent with the COAH-approved spending plan. Once a request has been approved by resolution, the CFO shall release the requested revenue from the Affordable Housing Trust Fund for the specific use approved in the governing body resolution.

## **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)**

. Princeton is continuing its town-wide Rehabilitation Program and is allocating \$200,000 for the program that will be administered by a new, experienced administrative agent. The program is open to income eligible owners and renters.

Princeton is currently considering the acquisition of 1-5 Peck Place, a five unit condominium development located near 353 Nassau Street. Each of the units contains two bedrooms. The property is owned by the Calo Estate and is currently on the market. An offer to purchase the properties was submitted by Princeton. If successful, Princeton intends to designate two units for moderate income households, two units for low income households and one unit for a very low income household.

Princeton is currently in discussions with Princeton Community Housing (PCH) regarding a partnership or memorandum of understanding, whereby PCH would pay for and oversee the code renovations and be the owner of the five units. Assuming that Princeton borrows money for the acquisition, the payment for the debt service would come from the trust fund as this is an eligible affordable housing activity. As a result, the spending plan is allocating \$585,283.80 for debt pay back. Princeton is hopeful that PCH will assist in the debt pay back.

Princeton will also contribute \$400,000 toward the acquisition and renovation of an existing home in the town that will become a group home for the developmentally disabled. The proposed home is located at 9 Hilltop Drive and contains four bedrooms.

YCS, an experienced non-profit, will be the sponsor of the group home in cooperation with Our House, an affiliate of YCS.

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

Projected minimum affordability assistance requirement:

Actual development fees through 12/31/2013		\$1,107,589.01
Actual interest thru 12/31/13		\$478.52
Development fees projected 2014-2018	+	\$1,250,000
Interest projected 2014-2018	+	\$12,500
Less housing activity expenditures through 12-31-12	-	\$00.00
<b>Total</b>	=	\$2,370,567.53
30 percent requirement	x 0.30 =	\$711,170.26
Less affordability assistance expenditures	-	\$00.00
<b>PROJECTED MINIMUM Affordability Assistance Requirement 2014 through 2018</b>	=	\$711,170.26
<b>PROJECTED MINIMUM Very Low-Income Affordability Assistance Requirement 1/1/2005 through 12/31/2018</b>	÷ 3 =	\$237,056.75

Princeton will dedicate \$711,170.26 from the affordable housing trust fund to render units more affordable, including \$237,056.75 to render units more affordable to households earning 30 percent or less of median income by region, as follows:

Down payment assistance loans, subsidizing the resale price of an affordable unit so that the new purchaser pays no more than 28 percent of household income for principal, interest, taxes and insurance, association fee assistance to bring homeowner association dues current, real estate tax payment assessments for deed restricted units, mortgage buy-ins to homeowners to avoid foreclosure, assistance with emergency repairs, energy efficiency and a market to affordable program to render units affordable to households earning 30 percent or less of median income.

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

Princeton projects that \$474,083.51 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:

Administrative salaries and benefits for municipal employees and/or consultant fees to implement an affordable housing program, preparation of a Housing Element,/ Fair Share Plan, spending plan and amendments , an affirmative marketing program, income qualification of households, monitoring the turnover of sale and rental units, preserving existing affordable housing and compliance with COAH monitoring requirements.

<b>PRINCETON PROJECTED MAXIMUM ADMINISTRATIVE EXPENSES</b>		
Actual Development Fees and Interest to 12/31/13		\$1,108,067.53
Development Fees and Interest Projected 2014-2018	+	\$1,262,500.00
	+	
Payments in Lieu of Construction through 7-17-08	+	\$0.00
Less RCA Expenditures through 2018	-	\$0.00
Total for Administrative Expenses	x.20	\$474,113.51
Less Actual Administrative Expenses through 12/31/13	-	\$30.00
<b>Total Remaining Projected Administrative Expenses</b>		<b>\$474,083.51</b>

#### **4. EXPENDITURE SCHEDULE**

Princeton intends to use Affordable Housing Trust Fund revenues for the creation and/or rehabilitation of housing units up to 2018. Where applicable, the funding schedule below parallels the new implementation schedule and is summarized as follows: Rehabilitation, affordability assistance, administration, a group home and a market to affordable program.



## **5. EXCESS OR SHORTFALL OF FUNDS**

The governing body of Princeton has adopted a resolution agreeing to fund any shortfall of funds required for implementing the affordable housing programs. In the event that a shortfall of anticipated development fees occurs, Princeton will bond or utilize general revenues. Princeton may also elect to amend its Fair Share Plan.

In the event of excess funds, any remaining funds above the amount necessary to satisfy the affordable housing obligation will be used for affordability assistance, housing rehabilitation and/or to expand the market to affordable program.

## **6. BARRIER FREE ESCROW**

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

## **SUMMARY**

Princeton 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 Spending Plan outlined above.

Princeton had a balance of \$1,108,037.53 as of December 31, 2013 and anticipates an additional \$1,262,500 in revenues for a total of \$2,370,537.53. Princeton will dedicate \$1,185,283.76 towards rehabilitation, a market to affordable program and a group home, \$711,170.26 to render units more affordable, and \$474,083.51 to administrative costs. Any shortfall of funds will be offset by bonding, general revenues or an amendment to the Fair Share Plan.

<b>SPENDING PLAN SUMMARY</b>	
Balance as of December 31, 2013	\$ 1,108,037.53
<b>PROJECTED REVENUE 2013-2018</b>	
Development fees	+ \$1,250,000
Payments in lieu of construction	+ \$00.00
Other funds	+ \$00.00
Interest	+ \$12,500
<b>TOTAL REVENUE</b>	<b>= \$2,370,537.53</b>
<b>EXPENDITURES</b>	
Funds used for Rehabilitation	- \$200,000
Market to Affordable ( debt pay down for Peck Place)	- \$585,283.76
Group Home ( 9 Hilltop Drive)	- \$400,000
	- \$
	- \$
	- \$
	- \$
	- \$
	- \$
Affordability Assistance	- \$ 711,170.26
Administration	- \$474,083.51
Excess Funds for Additional Housing Activity	
	-
	-
	-
<b>TOTAL PROJECTED EXPENDITURES</b>	<b>= \$2,370,537.53</b>
<b>REMAINING BALANCE</b>	<b>= \$0.00</b>

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# Memorandum

**TO:** Princeton Mayor and Council  
**FROM:** Shirley M. Bishop, P.P.  
**DATE:** April 9, 2015  
**RE:** Timeline

Attached you will find a Timeline for the submittal of a Spending Plan, documents needed to file a Declaratory Judgment action and plan preparation deadlines.

The Spending Plan is on the agenda for action at Monday's meeting and is discussed in a separate memo.

The Declaratory Judgment (DJ) filing will include the two adopted Housing Elements/Fair Share Plans for the former Borough and Township, information on the consolidation and a narrative/certification on Post-2008 affordable housing activity. The December 2008 housing plans contained all the affordable housing activity to that date and the Court has to be made aware of all post-2008 housing activity in deciding if temporary immunity is to be granted.

Even though Princeton will have five months to develop a plan, a draft Housing Element can be prepared as the Housing Element contains mostly census data. However, the 2008 plans contained 2000 census data and new data from the 2010 census must be utilized.

As to the Fair Share Plan, without a number, it is difficult to prepare a plan but Princeton should be discussing what affordable housing options from the two former 2008 plans should be retained and what new affordable housing options should be entertained.

Hopefully, in its DJ decision, the Court will give a definitive date when a new plan needs to be filed. At that time, a new Timeline will be prepared.

**TIMELINE FOR PREPARATION OF SPENDING PLAN, DECLARATORY JUDGMENT (DJ) ACTION,**

**HOUSING ELEMENT /FAIR SHARE PLAN: PRINCETON**

April 13, 2015

May 29, 2015

June 1, 2015

July 7, 2015

Spending Plan \_\_\_\_\_  
Shirley/Christy/Ed \_\_\_\_\_

**DJ Documents**

1. 2 adopted plans plus  
consolidated information \_\_\_\_\_  
Lee \_\_\_\_\_

2. Narrative/Certification of  
Post-2008 affordable housing \_\_\_\_\_  
Christy/Shirley \_\_\_\_\_

Housing Element/Prepare Draft \_\_\_\_\_  
Lee/Shirley \_\_\_\_\_

Begin Fair Share Draft Plan \_\_\_\_\_  
Christy/Shirley \_\_\_\_\_

File DJ \_\_\_\_\_

**SPENDING PLAN:** The Spending Plan is to be submitted to COAH after approval by the Council at its April 13 meeting.

**DECLARATORY JUDGMENT:** The DJ action must be filed no later than July 8, 2015.

**HOUSING ELEMENT/FAIR SHARE PLAN:** A new timeline will be prepared for the five months needed to finalize a new Housing Element and Fair Share Plan. The timing depends on when the Court sets the five-month date for submittal. Regardless, the Planning Board adopts the Housing Element and Fair Share Plan with the Council endorsing the Housing Element and Fair Share Plan for submittal to the Court for review and a Judgment of Compliance.