

Preliminary Notes:

Wall Township Citizens Committee on Affordable Housing & Business/Economic Development Committee - Joint Meeting:

Developer Brad Ingerman, was introduced and proceeded to explain the development process:

- NJ Housing & Mortgage Finance Agency; pivotal to process of financing development by setting guidelines for developers.
- Developers apply to the agency for funding generally in April and August, then in September the results of their selection is made known. About one third of all applicants actually get funding.
- Agency approval is objectively determined via application's satisfaction of Agency criteria in categories with each category having a point ranking system, which may evolve over time as funding or other court applied constraints change. Rating category and rating points can be seen at web site: www.state.nj.us/dca/hmfa/biz/devel/lowinc/. (see attached .pdf's). The main site is www.njhmfa.gov.
- Sources of town funding and tax abatement enhance developers application. In fact, if there is no tax abatement in the form of a Pilot (Payment In Lieu of Taxes) then a project has no chance of success. A Pilot ensures that all money goes only to the municipality with none to the County, schools or fire districts if the later exist in a town.
- Three categories of funding; senior, family, and special needs.
- State provides three sources of financing: federal affordable housing tax credits, sold to investors in capital markets; balancing housing money, funded by real estate transfer tax; and, state mortgage financing (HFMA).
- Two additional sources are county government funding and municipal funding. Municipal fund can be via trust fund contribution and/or municipal bond issue and/or donation of land for a project.
- Typical project 70 to 100 units @ \$150,000 to \$175,000 per unit. Includes all hard and soft costs. At 40 unit level cost may rise to \$200,000 per unit. 70 to 110 unit projects are the "sweet spot" fiscally.
- Two levels of tax credits; 9% and 4%. The 9% tax credit is more desirable but is harder to get from the state. It is very hard to be successful with 4% credits. Historically Fannie May and Freddie Mac were the biggest buyers of these, up to 30%. So, the market for tax credits is down accordingly. Also, these are financial vehicles issued by the government. They rise and fall in value in accordance with market factors.
- Applications require a preliminary site plan (~\$50,000 - \$150,000 up front developer cost). To go forth with an application, a developer has to make that investment, so they also want to be sure they have a project that can succeed before they invest.
- PILOT (Payment In Lieu Of Taxes) status is a ranking plus for securing 9% tax credit. Also, a resolution of need is desirable, indicating that the town is supportive of the project.

Q. There are 567 municipalities in NJ and 262 are suing over COAH, so that means 262 have projects they need to do to some degree or another? Is the competition no going to be even greater for these monies?

A. State enacted contribution levy of 2.5% on commercial development payable to municipality for COAH funding was thought to provide a boost to COAH III projects. Financial market has

quieted commercial development making that less realistic an option and more projects are in fact competing for less state financing money.

- Inclusion of market rate units does not make financial sense in Mr. Ingerman's experience. You can't build 100 market rate units and get the money necessary to build 110 affordable housing units. You have get the funding from balanced housing money and 9% tax credits and couple that with mortgages and town contributions to be successful. The addition of market rate units does not work.

Q. Subsidy available only for rental family category?

A. Choice Program (subsidy for for-sale housing) is available. Bonus credits are available for rental units. It is more difficult to secure state funding for rental units.

Q. Does size of project (# units) affect state attractiveness?

A. The # units does not affect rating. Sweet spot, for developer, is 70 to 100 units. Current family project limit tax credit cap is \$2.2 million

- An annual audit is performed for investors.

Q. Who determines the qualification of applicants?

A. Housing Management organization determines applicant's acceptability based upon prior 90 day income which is annualized. Background check performed.

Q. Turnover rate in Collingswood Mews?

A. 25 - 40%. Seniors more stable; family rental more turnover.

- Discussion ensued and general consensus was that COAH units would consume disproportionately more of town resources, e.g., police, etc.
- If municipalities do not address COAH needs the courts will enforce builder's remedy.
- Current financial market conditions will unfortunately not affect court requirements on rate of implementation of COAH.
- Site size: 10 acres vs. larger - More difficult to fund and build three 40 unit sites. Better to do one 120 unit site. Also, density is generally 8 to 12 units per acre, so the sweet spot here is 10 acres for 100 units.
- Application combining three or more sites possible, but would result in greater project management/construction costs to developer.

Committeeman Hoffman reviewed charge of Business/Economic Development Committee.

Focus has now changed to retention rather than recruitment. Intent is to maintain/improve ratable for town.

- Possible success currently on track to relocate solar energy panel manufacturer to town.
- Recent state representative informed committee that focus should be retention in lieu of new construction.
- Last meeting focused on retail support needs for companies located along Rt. 34 corridor, e.g., lunch, dry cleaning services, etc.

Committeeman Hoffman reviewed the status of the amendment to the Affordable Housing plan.

- Amendment to COAH: still progressing, as follows:
 - a. Removal of Hurley Pond Road site, removal of West Hurley Pond Road site, and designation change and # of units on Wykoff Road site has been accomplished.
 - b. Two other properties, Schwartz site and Olympic site, have been difficult to address, but DEP issues are clearing up. Phasing aspect has been recently included and is considered to be very important both for fiscal planning and for the town. Threatened and endangered species issues have been resolved on Schwartz. Wetlands and buffering issues have been addressed and findings of 35 buildable acres have been confirmed and verified by NJDEP. Need to get the DEP to talk internally to get the sewer planning issue resolved.
 - c. Amendment is to hopefully be forwarded to the Planning Board in 30 to 45 days for action, then to the Court, for approval.
 - d. Special Master, appointed by the Court to interpret the township's plan of action, has been met and communications have been exchanged necessary to move plan forward to indemnify town from builder's remedy lawsuit.
 - e. Costs still not fully known as negotiations still underway.
- Catch-22 situation exists with bonding requirement being met for \$19 to \$15 million to fund 100 unit project and the limitation of 4% per year tax cap. All we can do is to proceed to the point of having to provide funding and continue to meet Court stipulations for avoiding removal of repose order on builder's remedy lawsuit. At that point we will have to deal with the realities of the situation as it exists.
- Commercial construction permit levy funds a separate Affordable Housing Trust Fund which is used for the payment of professionals involved in the assessment of the various COAH sites and the management of all COAH related issues. Committeeman Hoffman will get a balance on this account and report back.

Al Lehrer opined that the Schwartz site is a perfect site for the COAH obligation as it is naturally and properly buffered and has the buildable area necessary. If a builder came forward to meet all our obligations at this site we should welcome that. When the Schwartz site was in his Court it was proposed that all the then COAH obligations would be met there. It is possible that a similar proposal may be currently elicited, and instead of spreading COAH housing all around the town perhaps it could be constructed there and the town may not have to spend all the money discussed. Discussion ensued with varying opinions and the fact that the current developer is not offering it all for nothing, there are instead negotiations ongoing.

- Olympic site has 5 buildable acres.
- Schwartz site has 35 buildable acres out of 100 total. Potential of 65 acres of open space or park space here.
- A property owner has come forward with a potential site, the Hess Pit, a mining pit off Allenwood Road between Rt. 138 and Rt. 34. Topographical problems were thought to exist, and difficult traffic patterns for ingress and egress are acknowledged. Two senior buildings have been presented on a preliminary site plan proposal. It is being looked at with the due diligence afforded all possible sites and if desirable would replace the Holly Blvd. site in the plan.

- Number of bedrooms and income level determines the number of school children a project will have.
- Currently we are at 187 units of obligation based on CO's issued since 2004 began. Probably at 235 units in 2011 when implementation begins, possibly 500 units total would be the COAH allocation limit reached. Of the 500 units, 25% or 125 units can be senior units; of the remaining 375 units 125 must be rental. The next 125 rental units built would yield a COAH credit bonus of two for one accounting for 250 units. This is best a phasing approach we have at this time.
- The number of new students would probably be a maximum 200 to 250. Spreading of the students would be necessary among the various districts. Possibly overcrowded schools may prompt redistricting per Princeton or other model, with loss of the neighborhood elementary schools.
- Phasing permits building senior units first which might minimize impact on schools, and allow the rental units to be at the back of the schedule. Hopefully, COAH requirements may change in the future.
- Current town population is 26,000; expected build out at just over 31,000. Buildable area is 30 square miles.
- Housing starts have fallen considerably in Wall in the year.
- Notification of CCAH members regarding new sites coming forward or other matters proposed/suggested to be posted on the COAH website.

Discussion ensued regarding the finality of the plan in regard of it being a working document that has the intent to satisfy the Court and prevent builder's remedy lawsuit. As additional properties become available or as COAH may change so might the plan, both in terms of the allocation of units to the various sites as well as their composition. The school district allocation along with the cost to the township is of utmost importance.

- (Sharon) Should homeowners with one and two acre lots be included in the plan? Mike Clayton pointed out that the Master Plan would be discarded and that if the built unit goes into the plan the possibility of housing a relative therein might not be a foregone conclusion. Rental may go to others.
- Can 'back houses' be used to fulfill the obligation? Clint Hoffman to follow up with clarification.
- Timeline is approximately 30 to 45 days, per legal advice, to send amendment to the Judge and Special Master.