

Fourth Round Housing Trust Fund Spending Plan (2025-2035)

TOWNSHIP OF MONTCLAIR, ESSEX COUNTY, NEW JERSEY



Housing Trust Fund Spending Plan Township of Montclair, New Jersey

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INTRODUCTION

The Township of Montclair, County of Essex, 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 new State regulations for affordable housing (N.J.A.C. 5:99-2.1 et seq.). A development fee ordinance creating a dedicated revenue source for affordable housing was approved by the New Jersey Council on Affordable Housing (COAH) on December 11, 2002 and adopted by Montclair Township in October 2002. The ordinance established the Township of Montclair's affordable housing trust fund for which this spending plan is prepared. COAH approved Montclair's first spending plan in 2002 and amended spending plans in 2005, 2009, and 2012. An amended Spending Plan was approved by the Court in August, 2018. As of January 1, 2025 the Township of Montclair has collected \$4,232,316, expended \$2,212,699, resulting in a balance of \$2,019,647. A summary of revenue sources and expenditure details are provided in Table 1.

Table 1: Housing Trust Fund Summary, 2004 – December 31, 2024

Revenue Source	
Development Fees	\$3,332,893
Interest	\$158,062
Other Income	\$496,103
Payments in Lieu	\$245,257
Total	\$4,232,316
Expenditure Summary	
Rehabilitation Program	\$175,377
Market to Affordable Program	\$1,013,740
Extension of Controls Program	\$437,275
Affordability Assistance Program	\$88,546
Total	\$1,714,940
Administrative Costs	
Total Costs	\$2,212,699
Balance	\$2,019,647

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 fees are deposited in a separate interest-bearing affordable housing trust fund in Citizens Bank for the purposes of affordable housing. These funds shall be spent in accordance with N.J.A.C. 5:99-2.3 as described in the sections that follow.

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REVENUES FOR CERTIFICATION PERIOD

Anticipated revenue from January 1, 2025 through December 31, 2034 are provided in Table 2. The Township of Montclair projects a total of **\$2,821,545** in revenue to be collected between January 1, 2025 and December 31, 2034. All interest earned on the account shall accrue to the account to be used only for the purposes of affordable housing. Interest calculated at 6 months of beginning balance and 6 months of ending balance. Total revenues are **\$4,838,192** when combined with the existing balance of \$2,019,647 in the Housing Trust Fund.

Table 2: Housing Trust Fund Anticipated Revenues

Revenue Sources	Projected Revenues										Total
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Development Fees	\$222,193	\$222,193	\$222,193	\$222,193	\$222,193	\$222,193	\$222,193	\$222,193	\$222,193	\$222,193	\$2,221,929
Payments in Lieu	\$16,350	\$16,350	\$16,350	\$16,350	\$16,350	\$16,350	\$16,350	\$16,350	\$16,350	\$16,350	\$163,505
Other Funds	\$33,074	\$33,074	\$33,074	\$33,074	\$33,074	\$33,074	\$33,074	\$33,074	\$33,074	\$33,074	\$330,736
Interest	\$10,538	\$10,538	\$10,538	\$10,538	\$10,538	\$10,538	\$10,538	\$10,538	\$10,538	\$10,538	\$ 105,375
TOTAL	\$284,179	\$284,180	\$284,181	\$284,182	\$284,183	\$284,184	\$284,185	\$284,186	\$284,187	\$284,188	\$2,821,545

To calculate a projection of revenue anticipated during the fourth round period, the Township of Montclair considered the following:

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.

Payment in lieu (PIL)

Montclair Township requires developers to build their affordable housing in the Township. Payments in lieu are accepted for calculating the cash equivalent of fractional units.

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Other funding Sources

Recapture fees from the sale of units with extinguished controls and other payments to the Township that are earmarked for affordable housing.

Projected interest

Interest on the projected revenue in the municipal affordable housing trust fund at the current average interest rate which is 3.75%.

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 Township of Montclair:

Collection of development fee revenues:

Collection of development fee revenues shall be consistent with Montclair's development fee ordinance for both residential and non-residential developments in accordance with N.J.A.C. 5:99-3.

Distribution of development fee revenues.

Montclair Township's Director of Planning and Community Development is Montclair Township's Municipal Housing Liaison (MHL). The MHL works with local non-profit organizations such as HOME Corp and the Essex Community Land Trust to identify potential projects that can be funded through the market to affordable program. The MHL works with the Montclair Housing Commission, established by the Township Council in 2004, to advise the Township Council on issues related to affordable housing, including requests to use affordable housing trust funds as set forth in this Spending Plan. The Township Council reviews the request and renders a decision which is memorialized by resolution. Once a funding request is approved, the Township Chief Financial Officer releases the revenues from the fund for the specific use as per the Township Council's resolution.

DESCRIPTION OF ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS

Table 3 summarizes the anticipated use of the Housing Trust Fund which will create 61 new affordable units between 2025 and 2035.

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Table 3: Summary of Expenditures

Program	Funding	Average Cost per Unit	Number of Units
Program Budget			
Rehabilitation Program	\$350,000	\$35,000	10
Gut Rehabilitation Program	\$500,000	\$100,000	8
Market to Affordable Program	\$750,000	\$75,000	10
Extension of Controls Program	\$805,000	\$35,000	23
100% Affordable Housing			
<i>Faith Based Organizations</i>	\$375,000	\$75,000	5
<i>Special Needs Housing</i>	\$375,000	\$75,000	5
Affordability Assistance Programs	\$483,819		
Subtotal	\$3,638,819		61
Administrative Costs	\$967,638		
Total Costs	\$4,606,458		

Rehabilitation Program

The Township of Montclair adopted an ordinance to create a housing rehabilitation program in 2009. In 2020, the Township retained an administrative agent to implement a local Home Improvement Program and has spent a total of \$190,313 to rehabilitate eight units at an average cost of approximately **\$24,000** per unit. The Township will increase the maximum cost per unit to **\$35,000** and allocate a total of **\$350,000** to rehabilitate a total of 10 units through this program. A 10-year deed restriction is required for each unit rehabilitated through this program to ensure that the units are occupied by income-eligible households.

Gut Rehabilitation Program

One of the problems with the home improvement program is that it cannot be used to improve homes that require more funding than permitted to bring the home up to current code. The program should be expanded to include funding for gut rehabilitation, allowing up to \$100,000 per unit. This would, however, have a mandatory deed restriction of 20 years. A new Gut Rehabilitation Program will be created to support the rehabilitation of affordable housing units in the Township's targeted area. A minimum of **\$60,000** per unit will be available to rehabilitate units to be occupied by low- and moderate-income households. A total of **\$500,000** is allocated for this program which will lead to the creation of 8 new affordable units.

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Market to Affordable Program

The Township of Montclair will dedicate \$750,000 (hard costs) toward the market to affordable program which was created by ordinance in 2009 and included in the approved Spending Plan. Working in partnership with non-profit organizations, the Township will provide funding to purchase, rehabilitate and/or build new affordable housing units. Based on previous experience, the fund will be used to acquire property appropriate for affordable housing and to subsidize the cost to create these affordable units at a minimum of \$75,000 for a low-income unit and \$50,000 for a moderate-income unit. A total of 10 affordable units will be created through this program.

Extension of Controls Program

The affordability controls of 32 units in Montclair Township are to expire before 2035. The Township has the right of first refusal to purchase affordable sales units and resell them as affordable units, thereby extending the affordability controls on these units in perpetuity. This functions as a revolving loan program, since the cost to purchase these units will be refunded to the Township upon resale of the units. There are also rental units with expiring controls. A total of \$850,000 is budgeted for the Extension of Controls Program. This program will be used as a revolving loan program to purchase and resell units with expiring controls. The rehabilitation program identified in paragraph (a) will be used to improve these units, if necessary, prior to resale. In addition, the fund will be used to provide a \$35,000 grant as an incentive to owners of affordable housing whose deed restrictions have expired to extend their deed restrictions for another 30 years. It is anticipated that 23 new affordable units will be created through this program.

100% Affordable Housing

A total of \$750,000 allocated. Can be used by faith-based organizations to create affordable housing or by non-profit organizations to create supportive housing. An average of \$75,000 per unit is budgeted, which will create a total of 10 affordable units.

Affordability Assistance

The Township of Montclair has allocated 10% of the housing trust fund to affordability assistance. The Township has created a First-Time Homebuyer's Program and a Rental Assistance Program and has spent over \$88,000 in affordability assistance since the program's inception. The updated Spending Plan allocates 10% of gross revenues for affordability assistance, which totals \$483,819.

Administrative Expenses (N.J.A.C. 5:99-2.4)

The Township of Montclair has allocated \$967,638 from the affordable housing trust fund to be used for administrative purposes. Projected administrative expenditures will be subject to the 20 percent cap. The Township of Montclair has contracted with Acuity Consulting Services (ACS) to provide administrative agent services. The administrative agent has been certified through the program offered by Rutgers Center for Continuing Education and has the resources to manage the Township's affordable housing units and large waiting list. Additional administrative costs include software, consultants as needed, affordable housing attorneys and program administration.

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EXPENDITURE SCHEDULE

The Township of Montclair intends to use affordable housing trust fund revenues for the creation and/or rehabilitation of housing units. Where applicable, the creation/rehabilitation funding schedule below parallels the implementation schedule set forth in the Housing Element and Fair Share Plan and is summarized as follows.

Table 4: Expenditure Schedule

Expenditure Summary	Total	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Rehabilitation Program	\$ 350,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Gut Rehabilitation Program	\$ 500,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Market to Affordable Program	\$ 750,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Extension of Controls Program	\$ 805,000	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500	\$ 80,500
Faith Based Organizations	\$ 375,000	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500
Special Needs Housing	\$ 375,000	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500
Affordability Assistance Programs	\$ 483,819	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382	\$ 48,382
Total	\$3,638,819	\$363,882	\$363,882	\$363,882	\$363,882	\$363,882	\$363,882	\$363,882	\$363,882	\$363,882	\$363,882
Administrative Costs	\$ 967,638	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764	\$ 96,764
Total Costs	\$4,606,457	\$460,646	\$460,646	\$460,646	\$460,646	\$460,646	\$460,646	\$460,646	\$460,646	\$460,646	\$460,646

Excess of Shortfall of Funds

The Township has not adopted a resolution agreeing to fund any shortfall of funds required for implementing a housing program because the Township has fully met its housing obligation.

Barrier-Free Escrow

Collection and distribution of barrier-free funds shall be consistent with Montclair's Affordable Housing Ordinance in accordance with N.J.A.C. 5:99-2.6.

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SUMMARY

The Township of Montclair intends to spend affordable housing trust fund revenues pursuant to N.J.A.C. 5:99-2 and consistent with the housing programs outlined in the Fourth Round Housing Element and Fair Share Plan adopted by the Planning Board in May 2025. The Township of Montclair has a balance of **\$2,151,745.05** as of December 31, 2024 and an anticipated budget of **\$4,606,457** as of December 31, 2034. The municipality will dedicate **\$350,000** towards a rehabilitation program, **\$500,000** towards a gut rehabilitation program, **\$750,000** towards a market to affordable program, **\$805,000** to an extension of controls program, **\$750,000** for 100% affordable housing program, **\$483,819** for affordability assistance programs, and **\$222,463** to administrative costs.

Table 5: Spending Plan Summary

Balance as of December 31, 2024		\$2,019,647
PROJECTED REVENUE – 1/2025 – 12/2034		
Development fees	+	\$2,221,929
Payments in lieu of construction	+	\$163,505
Other funds	+	\$330,736
Interest	+	\$105,375
TOTAL REVENUE	=	\$4,841,192
EXPENDITURES		
Funds used for Rehabilitation Program	-	\$350,000
Funds used for Gut Rehabilitation Program	-	\$500,000
Funds used for Market to Affordable Program	-	\$750,000
Funds for Expiring Controls Program	-	\$805,000
Funds for 100% Affordable Housing	-	\$750,000
Affordability Assistance	-	\$483,819
Administration	-	\$967,638
TOTAL PROJECTED EXPENDITURES	=	\$4,606,457
REMAINING BALANCE	=	234,734