

Fair Share Plan

**City of Ocean City
Cape May County**

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PREFACE

A municipality's affordable housing obligation is cumulative, and includes affordable housing need for the period 1987 to 2018. The affordable housing obligation consists of three components:

- Rehabilitation Share (2000)
- Prior Round Obligation (1987-1999)
- Growth Share (2000-2018)

A municipality's Rehabilitation Share is a measure of old, crowded, deficient housing that is occupied by low- and moderate-income households. Rehabilitation Share numbers from each prior round are replaced with the latest round numbers because the numbers are updated with each decennial census.

A municipality may receive credit for rehabilitation of low-and moderate-income deficient housing units completed after April 1, 2000 provided the units were rehabilitated up to the applicable code standard, the capital cost spent on rehabilitating a unit was at least \$10,000 and the units have the appropriate controls on affordability to ensure the units remain affordable during the required period of time.

Rehabilitation credits cannot exceed the Rehabilitation Share and can only be credited against the rehabilitation component, not the new construction component.

The prior obligation is the municipal new construction obligation from 1987 to 1999. All municipalities participating in the COAH process must use these figures. COAH continues to offer credits, reductions and adjustments that may be applied against the Prior Round obligation (1987-1999) for affordable housing activity undertaken from 1980-1999.

II. REHABILITATION SHARE

The purpose of a rehabilitation program is to renovate deficient housing units. Deficient housing units are defined as units with health and safety code violations that require the repair or replacement of a major system. A major system includes weatherization, roofing, plumbing, (including wells), heating, electricity, sanitary plumbing (including septic systems), lead paint abatement and/or load bearing structural systems. Upon rehabilitation, the housing deficiencies must be corrected and the unit must comply with the applicable code standard.

A municipality must demonstrate that it has the capability to administer a rehabilitation program by either designating an experienced employee to administer the program or entering into an agreement with a governmental agency or private consultant to administer all or some of the program. A municipality must provide the consultant or municipal employee's credentials to administer the program as well as a procedures manual.

Rental units cannot be excluded from a municipal rehabilitation program. There must be at least 10-year affordability controls placed on both owner-occupied units and rental units. For owner occupied units, these controls may be in the form of lien filed with the appropriate property's deed. For rental units, the controls must be in the form of a deed restriction and may also include a lien. Units rehabilitated after April 1, 2000 are eligible for credits against the third round Rehabilitation Share.

The municipal investment for the rehabilitation of a unit must be at least \$10,000 per unit. Documentation must also be submitted demonstrating adequate funding source(s) and a resolution of intent to bond in the event there is a shortfall of funds.

A municipality is also required to prepare and submit a rehabilitation manual to COAH that summarizes the administration of the rehabilitation program including an affirmative marketing plan. The affirmative marketing program must clearly describe the outreach efforts to be used in implementing the program.

COAH has recalculated Ocean City's Rehabilitation Share to be 138 units.

Ocean City rehabilitated deficient units since April 1, 2000 as part of a previous NPP grant. Ocean City is claiming credit for 29 units of rehabilitation that will be documented once the files are reviewed. However, at this time, it is not possible to calculate the exact number of rehabilitated units that qualify for COAH credit. The previous NPP Coordinator is no longer in that position and the records need to be reviewed to see the major systems that were repaired. In addition, NPP only requires a five-year lien. As a result, the owners of the rehabilitated units will have to be contacted to see if they still reside there so that the previous six-year lien requirement is met.

It appears that there were a total of 29 NPP homes rehabilitated between 2001 and 2006. However, only those homes that were rehabilitated prior to December 20, 2004 are eligible to receive COAH credit. That is because a 10-year lien is required for units rehabilitated after December 20, 2004. Ocean City will require a 10-year lien for future rehabilitated units.

In addition to the NPP funds, Ocean City also utilized NPP Home funds for rehabilitation. Similarly, those files must also be researched for additional eligible credits.

In order to determine a Rehabilitation Share for a pre-credited need number, Ocean City is claiming credit for 29 units of rehabilitation that will be documented once the files are reviewed.

Ocean City reserves the right to undertake an external survey at a later date. Ocean City believes that the COAH Rehabilitation Share is too high.

III. PRIOR ROUND OBLIGATION

COAH has determined that Ocean City's Prior Round obligation is 411 units.

With COAH determined Rehabilitation Share of 138 units, Ocean City has a pre-credited need of 549 units.

Ocean City requested prior cycle credits for an age-restricted development known as Wesley by the Bay. This U.S. Housing and Urban Development (HUD) Section 202 project contains 60 one-bedroom low-income units. COAH granted the city prior cycle credits.

After subtracting the prior cycle credits, Ocean City's second round calculated need became 351 units. However, Ocean City had a vacant land adjustment for 343 units that resulted in an eight unit RDP. It is understood that COAH will honor this vacant land adjustment. As a result, Ocean City's Prior Round obligation is reduced to an eight unit RDP and the unmet need becomes 343 units.

A. Rental Obligation and Rental Bonuses

The rental component is calculated as follows;

$$.25 \text{ (RDP)}$$

$$.25 \text{ (8)}$$

$$.25 \text{ (8)}=2$$

Therefore, Ocean City has a rental obligation of two units.

The maximum number of units for which a municipality may receive rental bonuses is also calculated in the formula above. One bonus is granted for family rental units and a 0.33 bonus is granted for age-restricted units.

B. Maximum Age-restricted Units.

A municipality may receive credit for age-restricted units according to the following formula:

$$.25 \text{ (RDP + rehabilitation component – rehabilitation credits)}$$

$$.25 \text{ (8 + 138-29)}$$

$$.25 \text{ (50)} = 29$$

Bases on this formula, Ocean City is eligible to age-restrict 29 units for COAH credit, which is more than its eight unit RDP.

C. Implementation

To address its RDP of eight units, Ocean City proposed to purchase and complete single-family homes in the 600 block of Simpson Avenue. To address its previous unmet need, Ocean City

proposed to implement an accessory apartment program in the 600 block of Simpson Avenue and adopt a development fee ordinance.

1. RDP Obligation

To date, Ocean City has obtained and completed two homes in the 600 block of Simpson Avenue. The city expected to continue this program in order to purchase and complete the remaining six single-family houses. However, no additional housing has been realized. All documentation is on file with COAH.

The two houses that were completed were sold to moderate income households and will remain affordable for a minimum of 30 years.

As a result, Ocean City is proposing to provide an age-restricted rental complex that will fully address the remaining units from the Prior Round obligation. Ocean City is considering purchasing an existing structure that can be reconstructed into affordable housing and/or purchasing available land in order to construct five age-restricted affordable rentals that will contain one handicapped unit. At the moment, Ocean City is exploring both options. Ocean City proposes to credit the constructed or reconstructed five units to the Prior Round obligation. There will be one handicapped unit and the one handicapped unit will receive one rental bonus credit. In total there will be five units: one age restricted that will address the rental obligation as well as the one handicapped unit.

Ocean City is contemplating utilizing all available public and private subsidies to fund land acquisition and development costs in addition to development fees.

Ocean City has sufficient water and sewer for this development.

2. Unmet Need

Ocean City now has an unmet need of 343 units.

Ocean City adopted an Accessory Apartment Ordinance No. 99-13 on September 21, 1999. The city provides an owner occupant of a residence in the R-2 and RMF zones a minimum of \$10,000 for the construction of an accessory unit. The unit created must be rented year-round to an income eligible household and must remain affordable for a minimum of 10 years via a deed restriction. COAH approved the accessory apartment program as addressing unmet need as well as the adoption of a development fee ordinance. All documentation is on file with COAH.

COAH approved Ocean City's development fee ordinance for residential and non-residential development on March 10, 1998. Ocean City adopted the development fee ordinance on July 15, 1998. Ocean City proposes to utilize development fees for age-restricted rental housing and for the accessory apartment program that addresses unmet need.

IV. GROWTH SHARE OBLIGATION

The Fair Share Plan includes the projects and strategies to address an affordable housing obligation. The Fair Share Plan is based upon the municipal fair share obligation developed by COAH. The planning board adopts the Fair Share Plan and it is endorsed by the governing body prior to the petition for substantive certification. The proposed implementing ordinances may be adopted prior to substantive certification but in any event must be adopted no later than 45 days after COAH grants substantive certification.

The Fair Share Plan consists of a proposal on how a municipality intends to provide for its affordable housing obligation. Once certified, the plan will be monitored by COAH to verify that the construction or provision of affordable housing is in proportion to the actual residential growth and employment growth.

COAH rules have a number of different provisions regulating the development of affordable housing. The options available to meet the 2000-2018 fair share obligation include:

- Municipal zoning
 - Zoning for inclusionary developments
 - Redevelopment districts/sites
- Municipally sponsored new construction and 100 percent affordable developments
- Alternative living arrangements
 - Permanent supportive housing
 - Group homes
 - Congregate housing
 - Residential health care facilities
- Accessory apartments
- Market to Affordable Program
- Municipally sponsored rental program
- Assisted living residences
- Affordable housing partnership program
- Expanded crediting opportunities
- Extension of affordable units with expiring controls
- Age-restricted housing
- Rental housing with bonus credits
- Very low-income housing with bonus credit

A. Obligation

COAH has given Ocean City a targeted Growth Share obligation of 52 units that is reduced to 51 units because of exclusions.

With a 51-unit Growth Share obligation, Ocean City has a 13 unit rental obligation and may receive credit for 12 units of age-restricted housing.

B. Implementation

1. New Age-Restricted and Rental Units

Ocean City is proposing to construct or reconstruct at least 38 units of low and moderate income housing with age-restricted and family rental units that will address the city's growth share obligation. This is in addition to the four age-restricted and one handicapped unit that will address the prior round obligation. Ocean City is exploring the feasibility of purchasing one or two existing structures that can be reconstructed into low and moderate-income and/or purchasing available land and demolishing the existing structures. The program would be undertaken in phases and is envisioned to be implemented by scattered sites within Ocean City.

Ocean City is anticipating utilizing its development fee money and all available public subsidies for the proposed low and moderate-income rental housing program. Ocean City will prepare a Request for Proposals (RFP) once the site(s) are designated. These units will also address Ocean City's rental obligation and very low obligation.

4. Summary

The following charts outline Ocean City's Prior Round obligation and Growth Share obligation:

PRIOR ROUND OBLIGATION

Type	Number	Project
Wesley by the Bay	60	Age-restricted Rentals
Simpson Avenue	2	Family For Sale
Prior Round Balance	5	4 Age-restricted, 1 Handicapped
Rental Bonus	1	Handicapped
Unmet Need	343	Accessory Apartments/Dev. Fee Ord.
	TOTAL	411

GROWTH SHARE OBLIGATION – 51

Type	Number	Project
Family Units	26	Rental
Age-restricted Units	12	Rental
Rental Bonus	13	
	TOTAL	51

All told, Ocean City will provide for 43 low and moderate-income rental units. Those rentals will address the remaining Prior Round obligation and the Growth Share obligation. Of the 43, 16 will be age-restricted and one will be a handicapped unit. The balance will be 26 family units, all affordable. The seven very low income units will be addressed in the new construction program.