

Borough of Highlands

Affordable Housing Trust Fund Spending Plan

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Borough of Highlands
Monmouth County, New Jersey

Prepared By:



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The original of this report was signed and
sealed in accordance with N.J.S.A. 45:14A-12

A handwritten signature in black ink, appearing to read 'Susan S. Gruel', is written over a horizontal line.

Susan S. Gruel, P.P. #1955

With contributing content by Megan Adam, Associate Planner

INTRODUCTION

The Borough of Highlands in Monmouth County has prepared a Fourth Round 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.) and the Fair Housing Act (N.J.S.A. 52:27D-301, et. seq.). A Development Fee Ordinance creating a dedicated revenue source for affordable housing was adopted by the Borough on October 16, 2019 (Ordinance No. O-19-17). The Development Fee Ordinance establishes the standards for the collection, maintenance, and expenditure of development fees consistent with applicable COAH rules and P.L.2008, c.46 (C.52:27D-329.1 et al.).

Pursuant to the Development Fee Ordinance, the Borough will continue to deposit 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 into its Affordable Housing Trust Fund. These funds shall be spent in accordance with N.J.A.C. 5:99 or applicable regulations as described in the sections that follow.

1. REVENUES FOR CERTIFICATION PERIOD

To calculate a projection of revenue anticipated during the period of the Fourth Round, the Borough of Highlands 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):

Any actual and committed payments in lieu (PIL) of construction from developers.

(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, 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 municipal Affordable Housing Trust Fund at the current average interest rate.

Projected Revenue

Projected Revenues - Affordable Housing Trust Fund 2025 through 2035												
SOURCE OF FUNDS	2025 (Half Year)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035 (Half Year)	TOTAL
Historical Balance	\$49,660											\$49,660
Projected Development Fees	\$29,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$58,000	\$29,000	\$580,000
Interest	\$131	\$261	\$261	\$261	\$261	\$261	\$261	\$261	\$261	\$261	\$130	\$2,610
Total	\$78,791	\$58,261	\$58,261	\$58,261	\$58,261	\$58,261	\$58,261	\$58,261	\$58,261	\$58,261	\$29,130	\$632,270

To calculate the projection of revenue anticipated from the development fees, 11 years (2013 through 2023) of construction data for the Borough, acquired from the New Jersey Department of Community Affairs, was examined. From this analysis, the estimated annual collection amounted to approximately \$58,000.

As of April 12, 2025, the balance of the Borough's Affordable Housing Trust Fund is \$49,660. The Borough projects a total of \$580,000 will be collected between June 1, 2025 and June 30, 2035. An additional \$2,610 in interest is projected to be earned. All interest earned on the account shall accrue to the account to be used only for the purposes of affordable housing. The Borough therefore projects total Trust Fund revenues and interest of \$632,270 through June 30, 2035.

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 of Highlands:

(a) Collection of development fee revenues:

Collection of development fee revenues shall be consistent with Highlands Borough's development fee ordinance for both residential and non-residential developments.

(b) Distribution of development fee revenues:

The Administrative Agent and the Municipal Housing Liaison will manage the projects outlined in this Spending Plan and the Housing Element and Fair Share Plan.

(c) Collection and distribution of barrier free funds:

Collection and distribution of barrier free funds shall be consistent with the Borough's Affordable Housing Ordinance (Chapter 26 of the Borough's General Code) and in accordance with applicable regulations. A process describing the collection and distribution procedures for barrier free escrow is detailed within the Borough's Affordable Housing Ordinance.

3. DESCRIPTION OF ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS

The following represents the anticipated affordable housing projects within the Borough of Highlands that will utilize Trust Fund monies.

Affordability Assistance ([N.J.A.C. 5:99-2.5](#))

Affordability Assistance (N.J.A.C. 5:99-2.5)		
Development Fees and Interest earned through 4/12/2025		\$49,660
Projected Collection 2025-2035	+	\$580,000
Projected Trust Fund Interest 2025-2035	+	\$2,610
Total	=	\$632,270
80% maximum	x 0.80 =	\$505,816
PROJECTED MINIMUM Affordability Assistance Requirement 6/1/2025 through 12/31/2035	=	\$505,816
PROJECTED MINIMUM Very Low-Income Affordability Assistance Requirement 6/1/2025 through 12/31/2035	÷ 3 =	\$168,605

As per the requirements regarding the use of funds for affordability assistance laid out in [N.J.A.C. 5:99-2.5](#), the Borough is required to dedicate at least 30 percent of all development fees collected and interest earned to provide affordability assistance to low- and moderate-income households.

In addition, at least one-third of the affordability assistance shall be used to provide affordability assistance to very-low income households. The Borough, therefore, will dedicate at least \$505,816 from the Affordable Housing Trust Fund to render units more affordable, including \$168,605 to render units more affordable to households earning 30 percent or less of median income by region by converting low income units to very-low income units as follows:

- For-sale units in the form of down-payment assistance, homeowner assistance loans for Condominium or Homeowner Association fees, and homeowner assistance loans for mortgage payments up to two months or less in arrears to forestall foreclosure (Appendix A).
- For-rent units in the form of security deposit assistance and rental assistance, which are enhanced for very low-income households (Spending Plan Appendix A).

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

Administrative Expenses		
Development Fees and Interest earned through 4/12/2025		\$49,660
Projected Collection 2025-2035	+	\$580,000
Projected Trust Fund Interest 2025-2035	+	\$2,610
Total	=	\$632,240
20 percent cap	x 0.20 =	\$126,454
Projected Maximum Administrative Expenses 6/1/2025 through 12/31/2035	=	\$126,454

No more than 20% of revenues collected from development fees shall be expended on administration, including, but not limited to, salaries and benefits for municipal employees or consultant fees necessary to develop and implement: a rehabilitation program; a new construction program; a housing element; and an affirmative marketing program. Administrative funds may be used for: income qualification of households; monitoring the turnover of sale and rental units; and compliance with monitoring requirements.

Moving forward, the Borough projects that \$126,454 will be available from the Affordable Housing Trust Fund to be used for administrative purposes, including but not limited to:

- Administration and expenses associated with the Borough's affordable housing units;
- Expenses associated with the preparation and implementation of the Housing and Fair Share Plan and monitoring of the current and future housing programs for the Borough of Highlands.

4. EXPENDITURE SCHEDULE

Project Expenditure Schedule 2025-2035												
Program	2025 (Half Year)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035 (Half Year)	Total
Affordability Assistance	\$25,291	\$50,582	\$50,582	\$50,582	\$50,582	\$50,582	\$50,582	\$50,582	\$50,582	\$50,582	\$25,291	\$505,816
Admin. Expenses	\$6,323	\$12,645	\$12,645	\$12,645	\$12,645	\$12,645	\$12,645	\$12,645	\$12,645	\$12,645	\$6,323	\$132,280
Total	\$31,613	\$63,227	\$63,227	\$63,227	\$63,227	\$63,227	\$63,227	\$63,227	\$63,227	\$63,227	\$31,613	\$632,270

SUMMARY

The Borough of Highlands intends to spend Affordable Housing Trust Fund revenues in accordance with N.J.A.C. 5:93.

As of April 12, 2025, the Borough's Trust Fund has a balance of \$49,660. Highlands anticipates an additional \$632,270 in revenues and interest by June 30, 2035. The Borough will dedicate \$505,816 to render units more affordable and \$126,454 to administrative costs.

SPENDING PLAN SUMMARY	
Balance as of April 12, 2025	\$49,660.00
Projected REVENUE June 2025 to December 31, 2035	
Development fees	+ \$580,000
Payments in lieu of construction	+ \$0
Other funds	+ \$0
Interest	+ \$2,610
TOTAL REVENUE + CURRENT BALANCE	= \$632,270
EXPENDITURES	
Affordability Assistance	- \$505,816
Administration	- \$126,454
TOTAL PROJECTED EXPENDITURES	= \$632,270
REMAINING BALANCE	= \$0

SPENDING PLAN APPENDIX A

FOR-SALE UNIT AFFORDABILITY ASSISTANCE

AND RENTAL UNITS AFFORDABILITY ASSISTANCE PROGRAM

BOROUGH OF HIGHLANDS

FOR-SALE UNIT AFFORDABILITY ASSISTANCE PROGRAM

AND RENTAL UNIT AFFORDABILITY ASSISTANCE PROGRAM

FOR-SALE UNIT AFFORDABILITY ASSISTANCE PROGRAM

Down Payment Loan Program

The Borough will offer a Down Payment Assistance Loan program to qualified purchasers of households earning 80% or less of median income of the housing region. To be eligible for the loan, the qualified Buyer must be able to supply 3% of the down payment with the Buyer's own funds, plus additional closing costs that exceed the amount of the loan. No gifts or other loans may be used to fund the 3% down payment amount but may be used to fund additional closing costs. The loan amount may be made up to ten percent (10%) of the purchase price.

The Borough must approve the Buyer's qualifications and need for the loan. The loan has no prepayment penalty. It is due and payable when the Buyer resells, borrows against the property or refinances the First Purchase Money Mortgage. The loan may be subordinated only to the First Purchase Money Mortgage. When calculating the borrowing capacity of the homeowner and the equity in the property, this loan must be included. The Buyer must sign a mortgage and mortgage note to the Borough.

Payment of Closing Costs

Eligible Buyers may receive payment of closing costs, i.e., title work and policy, reasonable attorney's fees for closing of title, preparation of survey, homeowner's insurance, recording fees, and other necessary closing expenses to third parties, not to exceed one thousand five hundred dollars (\$1,500.) per unit. This assistance shall be in the form of a grant. Total buyer assistance grants, which include Payment of Closing Costs and Payment of Lender Fees, shall not exceed three thousand dollars (\$3,000) per unit. Utility deposits, i.e., gas and electric, paid to utility companies are to be returned to the Borough Affordable Housing Trust Fund upon resale of the unit. The buyer will execute documents required to secure payment to Highlands.

Payment of Lender Fees

Eligible Buyers may receive payment of lender fees, i.e., mortgage points, application fees, appraisal fees, bank attorney review fees, and necessary mortgage closing expenses, not to exceed one thousand five hundred dollars (\$1,500.) per unit. This assistance shall be in the form of a grant. Total buyer assistance grants, which include Payment of Closing Costs and Payment of Lender Fees, shall not exceed three thousand dollars (\$3000) per unit.

Administration

Borough of Highlands' Affordability Assistance Programs will be managed by the Borough Affordable Housing Administrative Agent. The availability of the program shall be advertised continually on the Borough's website. The following administrative process is applied to the For-Sale Unit Affordability Assistance Program:

1. The Buyer contacts the Administrative Agent to confirm that he/she wants to receive Down Payment Assistance.
2. The Buyer must present proof to the Administrative Agent that he/she is qualified for Affordable Housing in the Borough.
3. Buyer must produce an exact copy of a signed Real Estate Contract for an affordable housing unit in Highlands, which indicates clearly the full amount of the purchase price. Buyer must provide the Administrative Agent with the full name, address, phone number, and fax number of the Buyer's Attorney or Settlement Agent so that the Attorney or Settlement Agent can review and approve any and all documents required for the loan.
4. The Administrative Agent contacts the Realtor or Developer for confirmation of the sale of the unit, and the name of the Attorney handling the sale for the Developer at closing.
5. The amount of the Down Payment Assistance loan is verified (not to exceed ten percent of the Purchase Price) so that a Mortgage Note, Mortgage, and Repayment Agreement can be prepared by the Administrative Agent.
6. The amount of the Down Payment Assistance must be disclosed to the Lender, so that the Lender can accurately prepare the First Mortgage documents. The Buyer must give a copy of the First Mortgage Commitment to the Administrative Agent upon receipt of same, so that the Lender can receive full information about the Down Payment Assistance Loan, which shall constitute a Second Mortgage on the premises. The Lender must approve the secondary financing. The Borough Affordable Housing Attorney will contact the Lender once the Affordable Housing Attorney has a copy of the First Mortgage Commitment.
7. The Highlands Finance Department will generate the necessary forms and obtain Borough Council approval for it to issue an Affordable Housing Trust Fund check payable to the Seller's Attorney or Settlement Agent, so that the Down Payment Assistance check can be deposited into the Seller's Attorney Trust Account or Settlement Agent Trust Account pending Closing of Title. The letter and check to the Seller's Attorney or Settlement Agent shall state that the deposit money must be returned to the Borough if the closing is

canceled, or if the sale is declared null and void. If there is a Closing of Title, the Down Payment Assistance money shall be released to the Seller. This money shall be shown on the Closing Statement as a deposit, with credit given at closing to the Buyer. The Buyer must fully execute the Mortgage Note, Mortgage, and Repayment Agreement at the Closing of Title before any money is released.

8. The Seller's Attorney or Settlement Agent shall verify that the Mortgage Note, Mortgage, and Repayment Agreement have been properly executed, and shall file the original Mortgage with the County Clerk to protect the Borough Second Mortgage on the property and return the Filed Mortgage to Affordable Housing Attorney along with the original Mortgage Note and Repayment Agreement.

RENTAL UNIT AFFORDABILITY ASSISTANCE PROGRAM

Rental Assistance

The Borough of Highlands may offer a Rental Assistance Program that will be managed by the Administrative Agent. Eligible recipients of the program are renters who qualify for a very-low, low- or moderate-income rental unit. The following assistance is available to very-low, low- and moderate-income households:

1. Payment of "moving expenses" based upon verified receipts, in an amount not to exceed five hundred dollars (\$500.) per family.
2. Rent subsidy for the first month's rent.
3. Utility deposit assistance.

The following assistance is available to very low-income households:

1. Payment of "moving expenses" based upon verified receipts, in an amount not to exceed one thousand five hundred dollars (\$1,500.) per household.
2. Rental security deposit – Deposits paid to landlord to be returned to the Borough's Affordable Housing Trust Fund upon termination of tenancy.
3. Rent subsidy for the first month's rent.
4. Utility deposit assistance.

Rental assistance does not need to be repaid by the tenant. The amount of the rental supplement will be calculated initially based on the tenant's actual income and the rent level of the affordable units to help bring the total shelter costs down to 30% of the total household income or lower, if warranted by the particular household circumstances. If the tenant wishes to renew the lease, he/she must be re-income qualified and the rental supplement will be recalculated. If the tenant no longer qualifies for the rental assistance, he/she may renew the lease and stay in the unit but will no longer receive rental assistance.

Administration

Highlands Borough's Rental Unit Affordability Assistance Programs will be administered by the Administrative Agent. The availability of the program shall be advertised continually on the Borough's website. After an applicant is income qualified by the Administrative Agent pursuant to the Uniform Housing Affordability Controls, the applicant will complete and provide an affordability assistance application to the Administrative Agent.

For qualified and approved payment of moving expense, the Administrative Agent will follow the Borough purchasing and requisition process for generating a check that is made out to the applicant. Once the check is produced, the Administrative Agent provides it to the applicant.

For qualified and approved payment of utility deposit, the Administrative Agent follows the Borough purchasing and requisition process for generating a check that is made out to the utility company. Once the check is produced, the Administrative Agent provides it to the applicant for payment to the utility company.

The affordability assistance recipient will sign a contract with the Borough of Highlands that states, at a minimum: the amount of funds granted, interest information, procedures, duration and conditions of affordability assistance, and repayment information if required.

The availability of any Affordability Assistance Programs must be noticed to all tenants of affordable units within the Borough and provided to all administrative agents of affordable units within Highlands Borough and advertised on the Borough's website.

An income eligible occupant or applicant for an affordable unit within the Borough may not be denied participation in the Affordability Assistance Program(s) unless funding is no longer available.