

## Frequently Asked Questions (FAQ): Ocean City Affordable Housing

### What is affordable housing?

Affordable housing controls rent and/or sales price for at least 30 years. It is made available to households earning up to 80 percent of the area median income for the region. In Ocean City, for example, the maximum income for a one-person household is \$40,868 and for a two-person household is \$46,707. Applicants are required to have an acceptable credit score.

### Why does the City have to provide affordable housing?

According to the state Supreme Court, every municipality in New Jersey has a constitutional obligation to provide its fair share of the regional needs for affordable housing. The number of units for which each municipality is obligated differs depending upon a variety of factors, including the existence of available land suitable for affordable housing development. A municipality that fails to comply with its affordable housing obligation is vulnerable to “builder’s remedy lawsuits,” in which a builder seeks court approval to disregard the municipality’s zoning plan and zoning ordinances to build at higher densities in exchange for creating some affordable housing units. Ocean City’s obligation for just the current round was determined to be between 849 and 1,000 housing units, not including prior round obligations (“prospective need”). Since Ocean City does not have sufficient land available to meet this obligation, the city administration negotiated a lower number of units. Ocean City’s settlement agreement requires it to create 93 units.

### Where in Ocean City will the new affordable housing be located?

Since Ocean City does not own enough vacant land suitable for the construction of 93 housing units, the administration has entered into an agreement with the Ocean City Housing Authority to create 80 units on the Housing Authority’s land at 601 West Avenue and at Pecks Beach Village on Fourth Street.

The city is creating the other 13 units in lieu of permitting a local developer to build a 7-story, 100-unit for-profit market-rate high-rise on a parking lot near the boardwalk in disregard of zoning requirements for that location (similar to a builder’s remedy lawsuit result). These 13 units will be created as follows:

- **224 Simpson Avenue, 240-44 Haven Avenue, \*36<sup>th</sup> and Bay:** 10 family rental units constructed on city-owned land. (\*Pumping station at this location may require a site adjustment.)
- **Market to Affordable Units:** Ocean City has agreed to acquire and make affordable 3 units on the open market. These units will be deed-restricted to ensure that each can be sold only to a qualifying purchaser.

Additional units could be created by private developers through zoning modifications. Amended ordinances, for instance, would allow greater density for residential units above businesses – if they are designated for affordable housing.

### When will affordable housing be available?

Pre-applications for three one-bedroom units will be accepted until January 21, 2019. Forms are available at [www.ocnj.us](http://www.ocnj.us). The first unit (at a location still to be determined) will be available for sale and ready for occupancy in early 2019. Ocean City must meet its full obligation by 2025.

### How much will this cost Ocean City?

It is not possible to precisely predict a total cost at this time; however, the Housing Authority’s consultants estimate that Ocean City’s contribution towards its obligation to create the 80 units over 6 years will be \$15 million, far less than it would be if the city were required to purchase the land on which to build the 80 units.

The city’s current pool of \$5 million will be used to fund the construction of the 13 units to be created to forestall the construction of the high-rise near the boardwalk.

The Housing Authority will be primarily responsible to obtain the financing for the units to be constructed on its property. The Housing Authority is managed by an experienced team that will apply for grants, loans and tax credit financing as funding sources. The city will supplement the funding obtained by the OCHA.

**What will the new units look like?**

At 601 West Avenue, a new building to complement the existing Bay View Manor has been presented to the Planning Board and will go out to bid shortly.

The 10 family rental units will be duplexes that are consistent with the appearance of the neighboring homes. The new units at Pecks Beach Village will also look like duplexes, so that the Housing Authority property will no longer be distinguishable from any other neighborhood in town. This approach should improve the residents' pride in their homes, as well as the property values of the surrounding properties.

**Why would the City of Ocean City provide money to the federally funded Ocean City Housing Authority?**

Ocean City has an obligation to create affordable units and insufficient land on which to do so, and the Housing Authority has land but insufficient funds for redevelopment. A partnership between the two saves Ocean City the expense of purchasing land for its affordable units and helps the Housing Authority improve its dated housing stock without displacing its long-time Ocean City residents in the process, all without any high-rise construction marring the neighborhoods.

**Will the Ocean City Housing Authority pay Ocean City back?**

Ocean City will have a mortgage on each Housing Authority unit/building to which Ocean City contributes taxpayer funds.

**Why would the city turn down a proposal from a developer to build affordable housing at no cost to the city?**

Ocean City was invited to join in discussions between the Housing Authority and a private developer in 2014-2015. Ultimately, in order for the transaction to work, the developer needed more density than the Housing Authority and the City would tolerate (150 units to replace 60 existing), the proposed design did not blend in with the surrounding neighborhood (instead of duplexes, the developer proposed barracks-styled, three-story buildings), and the developer fees were more than the Housing Authority was able to pay without a cash infusion from the city in an amount in excess of the total in the City's COAH trust fund. At that time, the City did not know how many units COAH/the Court would require it to build and was therefore wary of spending all of the trust fund monies. The administration was also concerned that the Housing Authority's loss of control over Housing Authority land would mean the end of the Housing Authority. The Housing Authority and the administration jointly decided to pursue other options, such as obtaining a \$4,424,950 NJHMFA loan to construct a new building at Bayview Manor.

**Why can't the city put affordable housing somewhere else?**

Building on publicly owned land saves the cost of land acquisition and is the most cost-effective approach. It is anticipated that all four wards of the city will have affordable housing by 2025.

**What if Ocean City does not comply with the settlement agreement outlining the City's affordable housing obligations?**

The city would be vulnerable to a builder's remedy lawsuit in which high density, high-rise construction could be forced on the city in total disregard of zoning regulations. Neither the Housing Authority nor the city would have input regarding the location, design or density for affordable housing in Ocean City. The landscape of Ocean City could be radically changed. Additionally, the court could impose sanctions for failure to comply with the court-approved settlement agreement. The court could order the city to forfeit its COAH trust fund.