

City of Cape May

Cape May County, New Jersey

Housing Element & Fair Share Plan



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Housing Element & Fair Share Plan

A. INTRODUCTION

The Municipal Land Use Law N.J.S.A 40:55D-28(b)(3) requires a municipal master plan to include a Housing Element. It is a component of the master plan which has the following characteristics:

- Shall be designed to achieve the goal of providing affordable housing to meet the fair share housing obligation, by demonstrating that zoning provides for adequate capacity and opportunity to accommodate residential and employment growth.
- Includes a statement of the standards, objectives and principals that includes but is not limited to residential standards and proposals for the construction and improvement of housing. It takes into account the environmental conditions, intensity of development, and existing zoning of a community; and a housing element which includes an analysis of housing, demographic and employment characteristics, and an analysis of municipal lands appropriate for affordable housing.
- It sets forth the municipal fair share obligation.

The Fair Housing Act of 1985 (FHA) establishes the requirement that every municipality within New Jersey must provide a “realistic opportunity for a fair share of its region’s present and prospective needs for housing low and moderate income families”.

The Fair Housing Act of 1985 also created the Council on Affordable Housing (COAH) to administer and implement affordable housing policy among local governments. The New Jersey Council on Affordable Housing (COAH) was established to provide the regulations for municipalities to follow in preparing the housing element and fair share plan to provide a realistic opportunity for the provision of affordable housing. COAH reviews the municipal housing element and fair share plan to determine compliance with the regulations and may grant substantive certification. Upon filing and certification, the petitioning municipality is protected from allegations of exclusionary zoning for a period of ten (10) years or December 20, 2015, whichever is earlier.

On December 20, 2004, the Council on Affordable Housing (COAH)’s third round (1999-2014) substantive and procedural rules became effective in accordance with N.J.A.C. 5:94 and the Procedural Rules can be found at N.J.A.C. 5:95. These rules govern affordable housing obligations for the period 1999-2014 for municipalities that received third round substantive certification prior to January 25, 2007.

On June 2, 2008 (with amendments dated to October 20, 2008) the Council on Affordable Housing (COAH)’s third round (1999-2014) substantive and procedural rules became effective in accordance with N.J.A.C. 5:97 and the Procedural Rules can be found at N.J.A.C. 5:96. These rules govern affordable housing obligations for the period 1999-2014 for municipalities, like Cape May City, that have not received third round substantive

certification prior to January 25, 2007.

These rules use a new methodology, known as growth share, to calculate a municipality's new construction affordable housing obligation. Under growth share, a municipality's affordable housing obligation is based on actual growth taking place in the municipality over time, and the affordable housing obligation is assigned as a proportion of that growth.

The third round methodology represents a substantial departure from the first and second round methodologies in four important respects. First, it adopts a growth share methodology, which bases the need for affordable housing upon growth projected by a municipality and assigns an affordable housing responsibility as a proportion of that growth. Second, it tightens the definition of realistic opportunity by requiring all participating municipalities to actually construct or otherwise realistically provide for affordable housing, not just zone for it. Third, it provides more flexibility for each municipality to meet its affordable housing obligation. And finally, it encourages municipalities to plan for future growth and ensures that sound planning at the local level drives the provision of affordable housing.

Under this new growth share methodology, municipalities are no longer assigned a specific number of new construction affordable units to provide independent of growth taking place in the municipality. Now, the municipality's affordable housing obligation is determined based upon the municipality's actual level of residential and non-residential growth as follows:

For every five market-rate units constructed in your municipality, the municipality is responsible for providing one affordable housing unit.

For every 16 jobs created, as measured by new or expanded non-residential construction, one (1) affordable unit must be provided.

The third round rules increase flexibility in satisfying your affordable housing obligation. They continue prior programs, eliminate some restrictions for obtaining credits, and introduce new options to create affordable housing. COAH encourages the municipality to consider innovative programs or approaches provided they are consistent with performance standards in the rules.

The new rules are consistent with the New Jersey State Development and Redevelopment Plan (the State Plan). Under the growth share methodology, municipalities that experience growth are required to provide affordable housing in proportion to their overall residential and nonresidential growth, ensuring that the provision of affordable housing is tied to actual growth in the appropriate locations.

Cape May City's affordable housing obligation is cumulative, and includes affordable housing need for the period 1987 to 2014. The affordable housing obligation consists of three components:

- The rehabilitation share (2000)
- The prior round obligation (1987-1999)
- The growth share (1999-2018)

The rehabilitation share is defined as the number of deficient housing units occupied by low- and moderate-income households within a municipality as established by NJSA 5:97 Appendix B. This share is established using municipal level data from the 2000 US Census.

The prior round obligation (1987-1999) is established by NJSA 5:97 Appendix C. This obligation is defined as the cumulative 1987-1999 fair share obligation determined by new construction during this time period.

The growth share (1999-2018) is established by NJSA 5:97 Appendix A. The growth share is the affordable housing obligation generated in each municipality by both the residential and non-residential development from 2004 through 2018 and is represented by a ratio of one affordable housing unit among five housing units constructed plus one affordable housing unit for every 16 newly created jobs as measured by new or expanded non-residential construction within the municipality in accordance with chapter Appendix D pursuant to NJAC 5:97-2.

Affordable housing is defined by COAH regulations as a dwelling, either for sale or rent that is within the means of households of either low or moderate income. Low income households are those with annual incomes that were equal to 50% or less than the median income for the region in which they are located. Cape May is located within COAH's Region 6. Moderate income households are defined as those earning between 50% and 80% of the regional median income.

The key to determining whether the cost of housing meets low or moderate "affordable" guidelines is the proportion of monthly household income spent on housing. Renters are expected to use no more than 30% of their income for housing while homeowners' housing expenses are limited to 28%. These monthly housing costs include utilities and, in the case of sale housing, mortgage principal and interest, taxes, and insurance.

The Housing Element shall be adopted by the planning board and endorsed by the governing body prior to the municipal filing pursuant to N.J.A.C. 5:96-2 or the municipal petition for substantive certification pursuant to N.J.A.C. 5:96-3.

B. MUNICIPAL OVERVIEW

The City of Cape May is a 2.2 square mile community located at the southern end of Cape May County. Cape May is separated from the New Jersey mainland by Cape May Harbor and the Cape May Canal. Cape May is bounded to the south by the Atlantic Ocean, and bounded to the north and west by the Borough of West Cape May and Lower Township. The eastern end of the city is occupied by a U.S.Coast Guard base, which occupies approximately 20% of the land area in the City. The remainder of the City, not impacted by environmental constraints, is primarily developed.

Cape May is influenced by sensitive environmental features that are common to seashore communities. Wetlands occur throughout all sections of the city and limit development on vacant lands, particularly near Cape May Harbor in the east end. Fragile dune environments abut the City's beach resources.

Cape May considers itself to be America's first resort community and tourism continues to play an important role in the City. Cape May has an extraordinary collection of late-nineteenth century Victorian architecture that has led to the City's designation as a National Historic Landmark. Summer remains Cape May's busiest season, with vacationers being attracted by a combination of its historic ambiance and its beachfront location.

C. INVENTORY OF CAPE MAY CITY HOUSING STOCK:

A Housing Element prepared in accordance with N.J.A.C. 5:97-2 and N.J.S.A. 40:55D-1 is required to include an inventory of the municipality's housing stock by number, age, condition, purchase or rental value, occupancy characteristics and housing type, including the number of units affordable to low and moderate income households and substandard housing units capable of being rehabilitated. Inventory information was taken from the 1990 and 2000 U.S. Census Data and other source information as identified. U.S. Census Data for 2006 was not available for the municipality.

Number of Housing Units:

The total number of housing units in 2000 within the city of Cape May is 4,064 units of which 1,821 are occupied units. The total number of vacant housing units is 2,243 of which 2,089 units are seasonal units. A further breakdown of units, including the 0.3% increase between 1990 and 2000 Census data is summarized in Table No. 1 below.

**TABLE NO. 1
CHANGES IN HOUSING CHARACTERISTICS
IN THE CITY OF CAPE MAY, NEW JERSEY
BETWEEN 1990 AND 2000**

CHARACTERISTICS	1990	2000	CHANGE %
Total Units	4,052	4,064	+0.3
Total Vacant Units	2,184	2,243	+2.7
Seasonal Units	1,121	2,089	+86.35
Other Vacant Units	1,063	154	-85.5
Total Occupied Units	1,868	1,821	-2.5
Owner-Occupied Units	760	1,034	+36.1
Renter-Occupied Units	884	787	-11.0

Source: Census Data, 2000, GCT-H5. General Housing Characteristics: 2000; Census Data, 1990

As indicated in the 2003 Master Plan, there were 4,064 dwelling units in 2000. This represents an increase of only 12 units since the 4,052 reported dwelling units in 1990. The slow growth in the housing stock is again expected to continue due to the lack of land for new construction. Of the 1,821 occupied housing units in Cape May in 2000, 1,034 or 56.8% were owner occupied and 787 or 43.2% were renter-occupied. There were 2,243 vacant housing units, 2,089 of which are listed as seasonal units. There was a vacancy rate of 1.1% for homeowner units and 9.7% for rental units in 2000. Cape May has a relatively high percentage of rental units, 43.2%, compared to the County as a whole, which has 25.8%.

Age of Housing Stock:

The relative age of housing units is summarized in Table No. 2 below. The majority of housing units (29.1%) were constructed prior to 1940. The vast majority of Cape May's housing stock,

75%, was built prior to 1980. A total of 240 housing units were constructed between 1990 and 2000.

**TABLE NO. 2
YEAR STRUCTURE BUILT
CITY OF CAPE MAY, NEW JERSEY**

YEAR CONSTRUCTED	NUMBER	PERCENT (%)
1999 to 2000	30	0.7%
1995 to 1998	95	95%
1990 to 1994	115	2.8%
1980 to 1989	785	19.3%
1970 to 1979	797	19.6%
1960 to 1969	468	11.5%
1940 to 1959	593	14.6%
Pre – 1940	1,181	29.1%
Total	4,064	100.0

Source: Census Data 2000, QT-H7. Year Structure Built and Year Householder Moved Into Unit: 2000; Master Plan, City of Cape May.

Condition of Housing Stock:

Housing stock conditions are identified based on occupants per room rates which are summarized in Table No. 3 below. Housing stock conditions are also measured by improvements such as heating types. The type of heating provided for occupied housing units is summarized in Table No. 4 below. A breakdown of the number of units in a structure is provided in Table No. 5.

**TABLE NO. 3
OCCUPANTS PER ROOM/OCCUPIED UNITS
CITY OF CAPE MAY, NEW JERSEY**

OCCUPANTS PER ROOM	1990	2000
1.00 person or less	1841	1798
1.01 – 1.50 persons	23	12
1.51 persons or more	4	11
Total	1868	1821

Source: US Census Bureau; 1990 & 2000

TABLE NO. 4
HOUSE HEATING FUEL/OCCUPIED HOUSING UNITS
CITY OF CAPE MAY, NEW JERSEY

TYPE OF HEATING FUEL	OCCUPIED UNITS	PERCENT (%)
Utility gas	1,135	62.3
Bottled, tank, or LP gas	9	0.5
Electricity	572	31.4
Fuel oil, kerosene, etc.	105	5.8
Coal or coke	0	0
Wood	0	0
Solar energy	0	0
Other fuel	0	0
No fuel used	0	0
Total	1,821	100.0

Source: US Census Bureau; 2000

TABLE NO. 5
UNITS IN STRUCTURE
CITY OF CAPE MAY, NEW JERSEY

UNITS IN STRUCTURE	NUMBER	PERCENT
One Unit Detached	751	41.24
One Unit Attached	371	20.37
2 Units	108	5.93
3 or 4 Units	185	10.16
5 to 9 Units	149	8.18
10 to 19 Units	34	1.87
20 or More Units	26	1.43
50 or More Units	197	10.82
Boat, RV, Van, Mobile Home	0	0
Total	1,821	100.0

Source: US Census Bureau; 2000

Purchase and Rental Value of Housing Stock:

Owner occupied housing values are summarized in the Table No. 6 below. The median value of owner occupied housing within Cape May has risen from \$156,800 in 1990 to \$212,900. Renter occupied housing units rent values are indicated in Table No. 7 below. Median monthly rental values have increased from \$425 in 1990 to \$548 in 2000.

TABLE NO. 6
SPECIFIED OWNER-OCCUPIED HOUSING UNITS BY VALUE
CITY OF CAPE MAY, NEW JERSEY

VALUE	1990	PERCENT (%)	VALUE	2000	PERCENT (%)
Less than \$75,000	32	4.2	Less than \$50,000	7	0.85
\$75,000-\$99,999	94	12.37	\$50,000 – \$99,999	60	7.27
\$100,000 – \$124,999	112	14.74	\$100,000 – \$149,999	132	16
\$125,000 – \$149,999	119	15.66	\$150,000 – \$199,999	178	21.58
\$150,000 – \$174,999	85	11.18	\$200,000 – \$299,999	238	28.85
\$175,000 – \$199,999	82	10.79	\$300,000 – \$499,999	163	19.76
\$200,000 – \$249,999	106	13.95	\$500,000 – \$999,999	47	5.70
\$250,000 – \$299,999	52	6.84	\$1,000,000 Or more	0	0
\$300,000 – \$399,999	46	6.05			
\$400,000 – \$499,999	16	2.11			
\$500,000 or more	16	2.11			
Total	760	100.0	Total	825	100.0
Median Value	\$156,800		Median Value	\$212,900	

Source: US Census Bureau; 1990 & 2000

The median housing value of all owner occupied housing in 1990 was \$156,800 and \$212,900 in 2000. As identified in the 2003 Master Plan, these figures are a self-reported sample from the census and it is the consensus of the Board that these values are too low. In 2000, more than one-third, 36.3%, of existing residents in Cape May are paying more than 30% of their monthly income for housing. In 2000, more than 65% of the rental units in Cape May had a gross rent of less than \$750. The median rent for all rental units in 2000 was \$564. Approximately 44% of people renting housing in Cape May pay less than 30% of their income on housing. Table No. 7 provides the specified renter-occupied housing units within the city.

TABLE NO. 7
SPECIFIED RENTER-OCCUPIED HOUSING UNITS
CITY OF CAPE MAY, NEW JERSEY

RENT	1990	PERCENT (%)	RENT	2000	PERCENT (%)
Less than \$100	24	2.71	Less than \$200	42	5.38
\$100 - \$149	55	6.22	\$200 - \$299	47	6.02
\$150 - \$199	32	3.62	\$300 - \$499	160	20.49
\$200 - \$299	67	7.58	\$500 - \$749	345	44.17
\$300 - \$399	130	14.71	\$750 - \$999	40	5.12
\$400 - \$499	221	25.00	\$1,000 - \$1,499	0	0
\$500 - \$599	157	17.65	\$1,500 or more	0	0
\$600 - \$699	67	7.58			
\$700 - \$749	7	0.79			
\$750 - \$999	14	1.58			
\$1,000 or more	8	0.91			
No cash rent	102	11.54	No cash rent	147	18.82
Total	884	100.0	Total	781	100.0
Median Value	\$425		Median Value	\$548	

Source: US Census Bureau; 1990 & 2000

Housing Types and Occupancy Characteristics of Housing Stock:

Occupancy characteristics and types of housing stock are summarized in Tables No. 8 and No. 9 below. Table No. 8 illustrates the municipal composition of the various housing types. Table No. 9 depicts a summary of bedroom numbers within various occupied housing types.

TABLE NO. 8
UNITS IN STRUCTURE
CITY OF CAPE MAY, NEW JERSEY

UNITS IN STRUCTURE	NUMBER	PERCENT
One Unit Detached	751	41.24
One Unit Attached	371	20.37
2 Units	108	5.93
3 or 4 Units	185	10.16
5 to 9 Units	149	8.18
10 to 19 Units	34	1.87
20 or More Units	26	1.43
50 or More Units	197	10.82
Boat, RV, Van, Mobile Home	0	0
Total	1,821	100.0

Source: US Census Bureau; 2000

TABLE NO. 9
NUMBER OF BEDROOMS IN OCCUPIED HOUSING UNITS
CITY OF CAPE MAY, NEW JERSEY

UNITS IN STRUCTURE	NUMBER	PERCENT
None	76	4.17
One	343	18.84
Two	433	23.78
Three	520	28.56
Four	244	13.40
Five or more	205	11.26
Total	1,821	100

Source: US Census Bureau; 2000

D. ANALYSIS OF CAPE MAY CITY DEMOGRAPHIC CHARACTERISTICS:

Population Trends:

Total population growth rates for Cape May City is depicted in Table No. 10 below. Total population for the municipality is 4,034 for the year 2000 which represents a reduction of 13.58% from the population of 4,668 in 1990. Cape May City's population shows a steady decrease which is most likely attributed to increased seasonal homeowner population and smaller household sizes.

**TABLE NO. 10
RATE OF POPULATION GROWTH
CITY OF CAPE MAY, NEW JERSEY**

YEAR	POPULATION	CHANGE (NO.)	CHANGE (%)
1950	3,607	-	-
1960	4,477	870	19.43
1970	4,392	-85	-1.94
1980	4,853	443	9.13
1990	4,668	-185	-3.96
2000	4,034	-634	-13.58

Source: www.capemaycountygov.net

Household Size:

Cape May City's average household size has decreased from 2.50 persons in 1990 to 2.02 persons in 2000 as summarized in Table No. 11 below.

**TABLE NO. 11
AVERAGE HOUSEHOLD SIZE
CITY OF CAPE MAY, NEW JERSEY**

YEAR	TOTAL POPULATION	NUMBER OF OCCUPIED HOUSING UNITS	HOUSEHOLD SIZE
1990	4,668	1,868	2.50
2000	4,034	1,821	2.02

Source: US Census Bureau; 1990, 2000

Age & Race Characteristics:

As indicated in the 2003 Master Plan, the age distribution of the population can have important implications for the housing plan. Communities with a relatively large proportion of children have a need for larger family units while those with high proportions of senior citizens may have

a need for smaller units. The population of Cape May has aged between 1990 and 2000. The percentage of each age group under age 35 has decreased, and the percentage of each age group over 35 has increased. In 1990, more than 47% of the population was under 35 years of age, while in 2000, that percentage had changed to just over 37% of the population. The median age in 1990 was 37.2, compared to 37.6 for the County as a whole. In 2000, the median age had risen to 47.4 compared to 42.3 for the County.

Cape May City's age and gender characteristics are illustrated in Table No. 12 below. Racial composition of the municipality is summarized in Table No. 13.

**TABLE NO. 12
AGE AND GENDER CHARACTERISTICS, 2000
CITY OF CAPE MAY, NEW JERSEY**

AGE GROUP	MALE	FEMALE	TOTAL	PERCENT (%)
Under 5	86	81	167	4.1
5 – 9	86	102	188	4.7
10 – 14	110	88	198	4.9
15 – 19	187	81	268	6.6
20 – 24	227	74	301	7.5
25 – 29	101	91	192	4.8
30 – 34	94	97	191	4.7
35 – 44	203	212	415	10.3
45 -54	229	258	487	12.1
55 – 59	108	132	240	5.9
60 – 64	112	127	239	5.9
65 - 74	244	325	506	14.3
75+	200	372	572	14.2
Total	1,987	2,047	4,034	100
Median Age	39.8	52.9	47.4	

Source: [US](#) Census Bureau: 2000

**TABLE NO. 13
RACIAL COMPOSITION, 2000
CITY OF CAPE MAY, NEW JERSEY**

RACE	NUMBER	PERCENT (%)
White	3,684	91.3
Black or African American	121	5.3
Asian	16	0.4
Two or more races	61	1.5
Some other race	53	1.3
Total	4,034	100

Source: [US](#) Census Bureau: 2000

Income Level:

Household income levels are provided in Table No. 14. The median household income for 2000 is \$33,462. It should be noted that approximately 34% of household income levels are below \$25,000.

TABLE NO. 14
HOUSEHOLD INCOME, 2000
CITY OF CAPE MAY, NEW JERSEY

INCOME CATEGORY	HOUSEHOLDS	PERCENT (%)
<\$10,000	174	9.5%
\$10,000 - \$14,999	148	8.1%
\$15,000 - \$24,999	300	16.4%
\$25,000 - \$34,999	315	17.3%
\$35,000 - \$49,999	256	14.0%
\$50,000 - \$74,999	254	13.9%
\$75,000 - \$99,999	159	8.7%
\$100,00 - \$149,999	79	4.3%
\$150,000 - \$199,999	74	4.1%
\$200,000+	67	3.7%
Total	1,826	100%
Median Household Income	\$33,462	

Source: [US](#) Census Bureau: 2000

Employment Status, Trends & Characteristics of Residents:

Table No. 15 indicates the New Jersey Department of Labor covered by unemployment insurance employment differences between year 1990 and 2000. The number of covered jobs has decreased 17.8% over the ten year period.

TABLE NO. 15
COVERED EMPLOYMENT
CITY OF CAPE MAY, NEW JERSEY

YEAR	NUMBER OF JOBS
1990	
Private	985
Government	423
Total	1408
2000	
Private	882
Government	276
Total	1158

Source: State of New Jersey, Department of Labor, Office of Labor Planning & Analysis, Trends in Employment and Wages Covered by Unemployment Insurance (1997-1999).

Employment Characteristics and Occupation Patterns of the Community's Residents:

Tables No. 16 and No. 17 provide a summary of employment status within the City by gender and occupation type. Approximately 96% of Cape May City's labor force was employed in 2000.

TABLE NO. 16
EMPLOYMENT STATUS OF PERSONS 16 AND OVER BY GENDER
CITY OF CAPE MAY, NEW JERSEY

AGE GROUP	MALE	FEMALE	TOTAL
Armed Forces	442	49	491
Civilian Labor Force	729	765	1,494
Employed	702	661	1,363
Unemployed	27	104	131
Unemployment Rate: %	1.6	5.8	3.8
Not in Labor Force	498	970	1,468
Total	1,669	1,784	3,453
(Participation Rate:%)	42	37	39

Source: [US](#) Census Bureau: 2000

TABLE NO. 17
EMPLOYED PERSONS 16 AND OVER BY OCCUPATION
CITY OF CAPE MAY, NEW JERSEY

INDUSTRY	NUMBER	PERCENT
Management, professional and relates occupations	459	33.68
Service occupations	286	20.98
Sales and office occupations	454	33.31
Farming, fishing, and forestry occupations	12	0.88
Construction, extraction and maintenance occupations	81	5.94
Production, transportation, and material moving occupations	71	5.2
Total	1,363	100

Source: [US](#) Census Bureau: 2000

E. FAIR SHARE ANALYSIS AND DETERMINATION:

As indicated in the 2003 Master plan, Cape May's Housing Plan received COAH certification on July 9, 1997. The housing obligation determined for the municipality was 33 units. The precertified need was 91 units, of which 33 units were rehabilitated and 58 were inclusionary. Due to the lack of available land in Cape May for new construction, a vacant land credit of 58 units was granted by COAH, leaving Cape May with an affordable housing obligation of 33 units. Cape May, through the rehabilitation of existing units since 1990, has met its prior round and rehabilitation affordable housing obligation and, in fact, has 25 units in excess of its obligation. These figures are based upon COAH's Round II allocation, which technically expired in 1999. The COAH certification of Cape May's Housing Element expired on July 9, 2003. Cape May must address the Third Round growth share (1999-2018) obligation and proposes the following:

Existing & Planned Infrastructure:

Cape May City is serviced by City wide public sewer and public water systems operated by Cape May City Sewer and Water Department. Public infrastructure services all existing development and has excess capacity to service all anticipated growth within the City. Cape May City has been proactive in dealing with potable water availability issues and also operates the first desalination water plant within New Jersey.

Anticipated Land Use Patterns and Zoning Type Demand:

There are no anticipated changes in zoning that would affect current land use patterns. It is estimated that the development patterns will continue similar to current rates and then slow as developable properties become scarce.

Municipal Economic Development Policies:

There are currently no existing or anticipated formal municipal policies that are directly impacting or constraining development within the City.

Development Constraints:

Cape May City is a seashore community bordered by the Atlantic Ocean, Cape Island Creek and Cape May Canal. State and Federal regulations pertaining to wetlands and waterfront development severely restrict potential development in many portions of the City. Much of the vacant land remaining is undeveloped for these reasons. As these restrictions have only become more restrictive, it is anticipated that most of the future development within the City will be infill

or redevelopment of existing developed properties. The City has little or no control over environmental regulations that constrain growth within the municipality.

Status of State Planning Commission Plan Endorsement:

At the time of adoption of this plan, Cape May City is actively pursuing the re-establishment of the expired Cape May City Center Designation. A formal petition by the municipality is anticipated in the near future.

Municipal Household Projections:

The plan relies on the household projections for the municipality as provided in Appendix F of COAH's rules (NJAC 5:97). COAH's projections rely on the following assumptions:

Housing growth of a municipality should slow down as the municipality's physical growth capacity is being reached. In other words, a municipality is unlikely to sustain its historical growth rates as measured between the 1993 and 2002 period in the following 16 years if it has already approached a high build-out level.

To capture this relationship between the anticipated housing growth rate between 2002 and 2018 and the 2002 build-out level, a regression model was developed to empirically estimate the implied historical growth rates that measure how build-out levels affect future growth rates. In this model, the dependent variable is the housing growth rate (a linear annual growth rate) between 1993 and 2006 for each of the 566 municipalities. The independent variable is the 1993 build-out level and was estimated by dividing the number of housing units in 1993 with the sum of the 2006 housing units and the number of potential housing units that could be built after 2002. This equation applies to municipalities that had a positive growth between 1993 and 2006. However, for a few declining communities, this equation may end up a build-out ratio over 100 percent when the amount of housing units lost between 1993 and 2006 is larger than the post-2002 growth capacity. In this case, the build-out level is estimated by changing the denominator in this equation to the sum of the 1993 housing units and the number of potential housing units that could be built after 2002.

Table No. 18 represents a summary of COAH's Third Round allocated housing growth for Cape May City based on the methodology above:

**TABLE NO. 18
HOUSING ALLOCATION MODEL
ALLOCATED GROWTH - HOUSING
CITY OF CAPE MAY, NEW JERSEY**

UNITS IN 2002	UNITS IN 2004	2018 UNITS BASED ON HISTORIC GROWTH	2018 UNITS BASED ON "S" CURVE	UNITS ALLOCATED 2018	NET CHANGES 2004-2018	ANNUAL RATE OF CHANGE 2004-2018 (%)
4,092	4,129	4,274	4,145	4,145	16	0.0%

Source: Exhibit A, Appendix F, Chapter 5:97

The plan relies on the employment projections for the municipality as provided in Appendix F of COAH's rules (NJAC 5:97). COAH's projections rely on the following assumptions:

Employment growth of a municipality should slow down as the municipality's nonresidential growth capacity (in terms of floor space) is being reached. In other words, a municipality is unlikely to sustain its historical growth rates as measured between the 1993 and 2002 period in the following 16 years if it is approaching 100 percent build-out.

To capture this relationship between the anticipated employment growth rate between 2002 and 2018 and the 2006 build-out level, a regression model was developed to empirically estimate the implied historical growth rates that measure how build-out levels affect future growth rates. In this model, the dependent variable is the employment growth rate (a linear annual growth rate) between 1993 and 2006 for each of the 566 municipalities. The independent variable is the 1993 build-out level and was estimated by dividing the number of employment in 1993 with the sum of the 2006 employment and the anticipated increase in employment after 2002 based on all nonresidential land being developed. This equation applies to municipalities that had a positive growth between 1993 and 2006. However, for a few declining communities, this equation may end up as a build-out ratio over 100 percent if more employment was lost between 1993 and 2006 than the potential employment growth after 2002. In this case, the build-out level is estimated by changing the denominator in this equation to the sum of the 1993 employment and post-2002 potential employment that could be accommodated by a full development of all nonresidential land.

Table No. 19 is a summary of COAH's Third Round allocated employment growth for Cape May City:

**TABLE NO. 19
EMPLOYMENT ALLOCATION MODEL
ALLOCATED GROWTH - EMPLOYMENT
CITY OF CAPE MAY, NEW JERSEY**

Employment in 2002	Employment in 2004	2018 Employment Based On Historic Growth	2018 Employment Based On "S" Curve	Employment Allocated 2018	Net Changes 2004 - 2018	Annual Rate of Change 2004 to 2018
5,337	5,848	5,899	7,098	5,899	51	0.06%

Source: Exhibit B, Appendix F, Chapter 5:97

Mechanisms for Addressing Growth Share:

Mechanisms that a municipality may implement for addressing the fair share housing obligation are included in Chapter 5:97-6.1. Cape May proposes to address its growth share obligation as follows:

Inclusionary Zoning:

Inclusionary zoning is a municipality's zoning that provides sufficient incentives to produce affordable housing. Incentives include but are not limited to increased densities and reduced costs to the developer. Zoning must provide a realistic opportunity for the creation of affordable housing. Inclusionary zoning may apply to all or some zones or sites within the municipality.

The City of Cape May has previously adopted an affordable housing ordinance (Ordinance 142A-2008 Adopted March 18, 2008) prior to the adoption of COAH's Revised Third Round rules and was not submitted to or approved by COAH. This ordinance provided for an inclusionary compensatory benefit that includes a density bonus above that normally permitted as indicated in Section 59-45 below:

A.

In order to provide a compensatory benefit for development that requires the construction of affordable housing units or a payment in lieu thereof pursuant to this article, the developer shall be permitted to construct one additional market-rate unit over what the Zoning Ordinance would otherwise permit for each affordable housing unit required and constructed by the developer; and one-half of a market-rate unit over what the Zoning Ordinance would otherwise permit for each whole affordable housing unit required in the case where the developer makes a payment in lieu of constructing the unit.

B.

For purposes of this section, the following shall apply:

(1)

The Zoning Ordinance for the zone in which the affordable housing units are to be constructed shall be relaxed so as to permit such additional units with as little deviation from the bulk regulations as possible.

(2)

For projects that span more than one zoning district, the affordable housing units may be concentrated in the district that allows the higher level of density.

(3)

Floor area ratio, building height and setback requirements must be satisfied, subject to the granting of variance relief.

(4)

The Planning Board shall have jurisdiction over all plans submitted which utilize the compensatory benefit provisions of this section, subject to the Board of Adjustment's jurisdiction with respect to variances requested under N.J.S.A. 40:55D-70(d), in which case the Board of Adjustment shall also have jurisdiction to approve the compensatory benefit plan.

The City desires to utilize this mechanism to address its affordable housing obligation. The requirements in the Code, as provided for by Ordinance 142A-2008 (see appendix), must be updated in accordance with the requirements of N.J.A.C. 5:97-6.4.

The City proposes to utilize a City wide inclusionary zoning benefit to address it's growth share. The following Table No. 20 illustrates the projected affordable housing units that could be generated by the proposed mechanism:

**TABLE NO. 20
INCLUSIONARY ZONING
PROJECTED AFFORDABLE UNITS
CITY OF CAPE MAY, NEW JERSEY**

ZONING DISTRICT	BASE DENSITY (unit/acre)	AVERAGE BASE DENSITY (unit/acre)	BUILDABLE VACANT LAND ESTIMATE* (acres)	MAX. BASE DENSITY UNITS	UNITS IN PARCELS ABOVE THRESHOLD (<5 Units or 16 Jobs)	COAH UNITS WITH INCLUSIONARY INCENTIVE (<5 Units or 16 Jobs)
R1, R1A	4.65 (SF)	4.65	6.1	28	5	1
R2	5.81 (SF)	5.81	4.13	24	5	1
R3	6.97 (SF) 8.71 (SEMI) 11.62 (TWO) 17.42 (ATT./MULTI)	11.18	1.43	24	5	1
R3A	6.97 (SF)	6.97	.23	1	0	0
R4	6.97 (SF) 8.71 (SEMI)	7.84	1.06	8	0	0
R5	29.04 (SF) 29.04 (SEMI) 29.04 (TWO)	29.04	0	0	0	0
RS	6.97 (SF) 8.71 (SEMI) 11.62 (TWO) 17.42 (ATT./MULTI)	11.18	0.97	10	0	0
RC	4.36 (SF)	4.36	0	0	0	0
C1	29.04 (AO)	29.04	0	0	0	0
C2	29.04 (AO) EST.	29.04	0.72	20	20	4
C3	3.87 (SF) 5.81 (SEMI) 7.26 (TWO) 17.42 (MULTI)	8.59	0	0	0	0
NC	17.42 (MULTI)	17.42	0	0	0	0
C5	0	0	0.85	0	0	0
C6	6.97 (SF) 8.71 (SEMI)	7.84	0	0	0	0
HO	0	0	0	0	0	0
Total						7

Source: Cape May City Zoning, Chapter 525 & *Cape May City Tax Assessor Records, Nov. 2008, Excludes parcels with environmental constraints and undersized lots.

Key: (SF) = Single family; (SEMI) = Semidetached Dwelling; (TWO) = Two family Dwelling; (ATT.) = Attached Dwelling; (MULTI) = Multifamily Dwelling; (AO) = Apartment Over Commercial

The proposed mechanism includes a compensatory benefit for development that requires the construction of affordable housing units or a payment in lieu thereof. All residential development consisting of less than five (5) residential units shall be exempt from providing affordable units or making a payment in lieu of. Non-residential development that results in the

creation of fewer than 16 jobs is also exempt from providing affordable units or making a payment in lieu of. Utilizing these thresholds, a vacant land analysis was performed for the City to determine the projected affordable units generated by this mechanism. Parcels that could yield development that would be over the thresholds were considered and units totaled. This analysis is summarized in Table No. 20 above and the proposed affordable units are seven (7).

Affordable Housing Trust Fund

To better enable Cape May to meet the low and moderate income housing need in the municipality, an affordable housing trust fund is proposed in accordance with N.J.A.C. 5:97-8. A development fee ordinance will be created that establishes a fee of one and one half (1 ½) percent of equalized assessed value for residential development and non-residential fee of two and one half (2 ½) percent of equalized assessed value. Payments in lieu of constructing affordable units on site where eligible shall also be collected. Use of the funds shall be included in a spending plan and may consist of (but not limited to) the following:

- Rehabilitation Program
- New Construction of Affordable Units and development costs
- Roads and Infrastructure directly serving affordable units
- Purchase of existing market rate or affordable housing for the purpose of maintaining or implementing affordability controls.
- Accessory apartment, market to affordable or partnership programs.
- Green building strategies designed to be cost saving for low and moderate income households.
- Maintenance and repair of affordable housing units.
- Affordability Assistance
- Administrative expenses

Market to Affordable Program

A market to affordable program includes units that are purchased or subsidized through an agreement with the property owner and sold or rented to low- and moderate-income households. The municipality shall provide a minimum of \$25,000 per unit to subsidize each moderate income unit and \$30,000 per unit to subsidize each low income unit with additional subsidy depending on market prices and rent within the municipality. Funding shall be provided through the development fee ordinance.

At the time they are offered for sale or rent, units may be new, pre-owned or vacant and must be in sound condition. The maximum rent for a moderate-income unit shall be affordable to households earning no more than 60 percent of median income and the maximum rent for a low-income unit shall be affordable to households earning no more than 44 percent of median income. The maximum sales price for a moderate-income unit shall be affordable to households earning no more than 70 percent of median income and the maximum sales price for a low-

income unit shall be affordable to households earning no more than 40 percent of median income.

No more than ten (10) for-sale and ten (10) rental units may be used to address the City's obligation at this time.

Accessory Apartment Program

An accessory apartment program shall be established in accordance with N.J.A.C. 5:97-6.8 by ordinance to permit accessory apartments, provided the units are affordable to low- and moderate-income households.

The municipality shall provide a minimum of \$20,000 per unit to subsidize the creation of each moderate-income accessory apartment or \$25,000 to subsidize the creation of each low-income accessory apartment. Subsidy may be used to fund actual construction costs and/or to provide compensation for reduced rental rates.

No more than 10, or an amount equal to 10 percent of the fair share obligation accessory apartments, whichever is greater, may be used to address the City's fair share obligation.

APPENDIX I

STATE OF NJ
DEPARTMENT OF COMMUNITY AFFAIRS
COUNCIL ON AFFORDABLE HOUSING
PETITION APPLICATION