

BOROUGH OF *Chester*

Resolution #R2026-77

**RESOLUTION OF THE BOROUGH OF CHESTER, COUNTY OF MORRIS, STATE OF NEW JERSEY ADOPTING THE 2026 AFFORDABLE HOUSING TRUST FUND SPENDING PLAN**

**WHEREAS**, the Borough of Chester having filed a resolution of participation in the Affordable Housing Dispute Resolution Program (the "Program") and a declaratory judgment action pursuant to N.J.S.A. 52:27D-301 et. seq (the "Fair Housing Act") on January 28, 2025; and

**WHEREAS**, the Court entered an order on May 15, 2025 setting the Borough's Fourth Round fair share obligations as a Present Need of ten (10) units and a Prospective Need of seventy two (72) units, which no party appealed, and ordering the Borough to file a Housing Element and Fair Share Plan ("HEFSP") by June 30, 2025; and

**WHEREAS**, the Borough having filed its HEFSP on June 30, 2025 ("Adopted HEFSP"); and

**WHEREAS**, the Fair Share Housing Center filed a challenge to the Borough's Adopted HEFSP on August 29, 2025, which included challenges that have been mediated and resolved through mediation in the Affordable Housing Dispute Resolution Program; and

**WHEREAS**, Chester Borough and FSHC have entered into an agreement entitled "'Mediation Agreement before the Affordable Housing Dispute Resolution Program In the Matter of the Application of the Borough of Chester, County of Morris Docket No. MRS-L-252-25," signed on December 2, 2025 ("Mediation Agreement"); and

**WHEREAS**, the Planning Board amended the Adopted HEFSP on March 12, 2026 pursuant to the Borough's Mediation Agreement with Fair Share Housing Center (FSHC), entitled, which settled all challenges raised by FSHC in its letter to the Affordable Housing Dispute Resolution Program that was filed on August 29, 2025; and

**WHEREAS**, pursuant to the Amended FHA, a municipality may not spend or commit to spend any affordable housing development fees collected and deposited into the municipal affordable housing trust fund, without first obtaining the approval of the expenditure as part of its compliance certification; and

**WHEREAS**, the Borough of Chester now seeks to adopt a Spending Plan outlining how the municipality intends to allocate development fees and other funds, and how the municipality proposes to expend funds to support the Borough's implementation of the 2025 HEFSP, as amended on March 12, 2026, including the expenditure of development fees for funds earmarked for affordability assistance and very low-income affordability assistance; and

**WHEREAS**, Chester Borough has prepared a Spending Plan in accordance with the provisions of the Fair Housing Act, entitled "Chester Borough Morris County, NJ Spending Plan, In the Matter of the Application of the Borough of Chester, County of Morris Docket No. MRS-L-252-25, dated March 2026;



Chester Borough  
Morris County, NJ

## Spending Plan

In the Matter of the Application of the Borough of Chester,  
County of Morris Docket No. MRS-L-252-25

March 2026  
(update)

*Prepared by the  
Borough of Chester*

in consultation with Banisch Associates, Inc.  
111 Main Street, Flemington, NJ 08822

The original of this report was signed and sealed  
in accordance with N.J.A.C. 13:41-1.3

*DjBanisch*

March 12, 2026

David J. Banisch, PP/AICP Lic. #5565

## INTRODUCTION

Chester Borough has prepared a Housing Element and Fair Share Plan 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 et seq., as amended, and the Fair Housing Act Rules of the New Jersey Department of Community Affairs, N.J.A.C. 5:99-1 et seq. A development fee ordinance creating a dedicated revenue source for affordable housing was adopted by the municipality and was updated on March 16, 2026. The ordinance establishes the Borough of Chester Affordable Housing Trust Fund for which this spending plan is prepared.

This Spending Plan addresses (1) all current funds on deposit in the affordable housing trust fund as of December 31, 2025, and (2) projected revenues to be collected through the end of the Fourth Round or July 2035. It is intended to be consistent with, and to implement, the Housing Element and Fair Share Plan adopted on June 27, 2025, amended March 12, 2026, and submitted to the Department for compliance.

### 1. REVENUES FOR CURRENT ROUND

As of December 31, 2025, Chester Borough has a balance of \$661,156. All development fees, payments in lieu of constructing affordable units on site, funds from the sale of units with extinguished controls, affordability assistance repayments, enforcement fines, application fees, and interest generated by the fees are deposited in a separate interest-bearing affordable housing trust fund and are dedicated to the purposes of affordable housing.

These funds shall be spent in accordance with the Fair Housing Act, the Fair Housing Act Rules at N.J.A.C. 5:99-1 et seq., the Uniform Housing Affordability Controls (UHAC), N.J.A.C. 5:80-26.1 et seq., and this approved Spending Plan.

To calculate a projection of revenue anticipated during the current round, the following is considered:

#### (a) Development fees

1. Residential and nonresidential projects that have had development fees imposed upon them at the time of preliminary or final development approvals and are expected to receive building permits and certificates of occupancy during the current round.
2. All projects currently before the planning and zoning boards for development approvals that may apply for building permits and certificates of occupancy during the current round.
3. Future development that is likely to occur based on historic development trends, zoning, redevelopment plans, and anticipated growth during the current round.

#### (b) Payments in lieu of on-site construction (PIL)

Actual and committed payments in lieu of construction from developers as follows:

No payments in lieu have been collected or are anticipated.

**(c) Other funding sources**

The Borough does not receive revenue from other funding sources.

**(d) Projected interest**

Interest on projected revenues in the municipal affordable housing trust fund at the current average interest rate, assuming reasonably anticipated collection and expenditure patterns during the current round.

SOURCE OF FUNDS	PROJECTED REVENUES-HOUSING TRUST FUND - 2026 THROUGH 2035											
	2026	2027	2028	2029	2030	2031	2032	2033	2034	7/2035	Total	
(a) Development fees:												
Approved or Pending Development												
Projected Development	\$11,606	\$11,606	\$11,606	\$11,606	\$11,606	\$11,606	\$11,606	\$11,606	\$11,606	5,803	\$110,257	
(b) Payments in Lieu of Construction												
(c) Other Funds (rental)												
(d) Interest	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$4,500	\$85,500	
<b>Total</b>	\$20,606	\$20,606	\$20,606	\$20,606	\$20,606	\$20,606	\$20,606	\$20,606	\$20,606	\$10,303	\$195,757	

Chester projects a total of \$195,757 in revenue to be collected between January 2026 and July 2035. This projected amount, when added to the \$661,156 trust fund balance as of July 31, 2025, results in an anticipated total revenue of \$856,913 available to fund and administer its Housing Element and Fair Share Plan. All interest earned on the account shall be used only for the purposes of affordable housing.

**2. ADMINISTRATIVE MECHANISM TO COLLECT AND DISTRIBUTE FUNDS**

The following procedural sequence for the collection and distribution of development fee and other affordable housing trust fund revenues shall be followed:

**(a) Collection of revenues**

Chester’s development fee ordinance for both residential and non-residential developments in accordance with COAH’s rules and P.L.2008, c.46, sections 8 (C. 52:27D-329.2) and 32-38 (C. 40:55D-8.1 through 8.7).

1. The Planning Board Secretary and/or other appropriate municipal official shall notify the designated Borough official whenever a development approval is granted for a project that may be subject to a residential or non-residential development fee under the Borough’s development fee ordinance.

2. Upon application for a building permit (or at such other point as required by the development fee ordinance), the designated Borough official shall determine whether the development is subject to a fee and shall coordinate with the Tax Assessor and other appropriate officials regarding fee calculation in accordance with the development fee ordinance and applicable law.
3. The final development fee amount shall be collected in accordance with the Borough's development fee ordinance and applicable law, including collection at certificate of occupancy or other ordinance-specified milestone.
4. If the Borough lawfully receives payments in lieu of constructing affordable units, such revenues shall be deposited into the affordable housing trust fund and accounted for in accordance with the Rules and this Spending Plan and shall be reported as trust fund revenues consistent with N.J.A.C. 5:99-2.2 and N.J.A.C. 5:99-2.8.

**(b) Deposit of revenues**

The Chief Financial Officer shall ensure that all development fees, payments in lieu (if applicable), interest, and other affordable housing trust fund revenues are deposited into the Borough's separate interest-bearing affordable housing trust fund account and are identifiable in municipal financial records as affordable housing trust fund monies, as required by N.J.A.C. 5:99-2.2(d).

Interest earned on affordable housing trust fund money shall remain in the affordable housing trust fund and shall be used only for eligible affordable housing purposes in accordance with N.J.A.C. 5:99-2.2 and this Spending Plan.

**(c) Distribution of revenues**

The governing body shall authorize expenditure of affordable housing trust fund revenues by resolution, consistent with this Spending Plan and applicable approvals. Upon adoption of such resolution, the Chief Financial Officer may release trust fund money for the approved purpose.

No affordable housing trust fund money shall be spent except for eligible affordable housing activities and pursuant to an approved spending plan or other approval authorized by the Rules, consistent with N.J.A.C. 5:99-2.2(g) and N.J.A.C. 5:99-2.8.

**3. DESCRIPTION OF ANTICIPATED USE OF AFFORDABLE HOUSING FUNDS**

Affordable housing trust fund revenues shall be used only for eligible activities approved in this Spending Plan, or as later approved as an emergent opportunity to create affordable housing, consistent with the Fair Housing Act and the Fair Housing Act Rules.

**(a) Rehabilitation and new construction programs and projects**

Chester will dedicate revenues to rehabilitation and new construction programs and projects, as further described in the Housing Element and Fair Share Plan, as follows:

1. Rehabilitation program – 20 units: Chester participates in the Morris County rehabilitation program and proposes to expend \$10,000 per unit of Trust Fund resources on a rehabilitation program.
2. 235 Route 205 – 2-5 units disabled veterans’ apartments (Nouvelle/Project Hope). - Chester Borough will expend trust fund monies to facilitate construction of either two 2-bedroom very low-income apartments, four 1-bedroom very low-income, or another combination of 1- and 2- bedroom U.S. Disabled Veteran rental apartments at 235 Route 206 (Block 101, Lot 11). This site was formerly the site of the Little Italian Kitchen restaurant, that was acquired by Chester Borough for affordable housing development.
3. Group Home - The Borough will identify a group home, which is yet to be determined. However, the Borough is actively negotiating creation of a group home at Nazareth Village with Nouvelle, LLC and the Archdiocese of Paterson.

Eligible costs may include, but are not limited to, hard and soft costs for new construction or substantial rehabilitation, infrastructure and structured parking costs reasonably attributable to the affordable units, acquisition of land or existing units, and the extension of expiring controls, consistent with the Fair Housing Act Rules and this Spending Plan.

#### **(b) Affordability assistance**

The Borough of Chester will dedicate at least \$50,000 from the affordable housing trust fund to render units more affordable. Chester Borough will expend \$50,000 on affordability assistance to be made available to prospective rental tenants in affordable rental housing for moving expenses and the 1st month's security deposit.

Affordability assistance may also be provided in the form of a subsidy for the creation of very low-income units, such as supportive housing group homes. The Borough reserves the right to move any funds from one program to another, as long as the total affordability assistance budget is not reduced and the minimum required amount of assistance to very low-income units is not reduced. This is necessary to allow Chester to adapt to current needs and realities throughout the compliance period. Any changes will be reported to the public and available online on the Borough’s website.

The municipality shall ensure that it meets or exceeds any minimum affordability assistance requirements, including any specific requirements related to very-low-income households, and shall track compliance through its AHMS reporting and internal records.

#### **(c) Administrative expenses**

The Borough will spend \$117,364 of trust funds on administrative expenses. Administrative expenses may include salaries and benefits for municipal employees or consultant fees necessary to develop, implement, and monitor the Housing Element and Fair Share Plan, to administer affordability controls, and to comply with affirmative marketing, reporting, and monitoring requirements.

Eligible administrative uses may include, but are not limited to:

- Income-qualifying applicant households;
- Monitoring the turnover of sale and rental units;
- Preserving existing affordable housing and enforcing affordability controls;
- Preparing and updating the Housing Element and Fair Share Plan and related ordinances;
- Preparing AHMS monitoring and other reports required by the Department and terms of compliance; and
- Reasonable costs of municipal housing liaison and administrative agent services.

No more than 20 percent of all affordable housing trust funds, exclusive of any amounts exempted by statute or rule, may be expended on administration, or such other percentage as may be established by the Fair Housing Act Rules. Trust fund revenues shall not be used to reimburse the Municipality for activities occurring prior to authorization to collect development fees, nor shall they be expended on attorney fees or court costs to obtain a judgment of compliance or order of repose (including associated administration costs), on costs in connection with a challenge to a determination of the Municipality’s fair share obligation, or on costs in connection with a challenge to the Municipality’s obligation, housing element, or fair share plan, consistent with N.J.A.C. 5:99-2.2(f).

Actual dev fees, other funds, and interest thru 12/31/2025		\$1,234,126
Projected dev fees, other fees, and interest 2026 thru 2035	+	\$195,757
Payments-in-lieu of construction	+	\$0
<b>Total</b>	=	\$1,429,883
Calculate 20 percent	x .20 =	\$285,976
Less admin expenditures thru 12/31/2025	-	\$168,912
<b>PROJECTED MAXIMUM available for administrative expenses 1/1/2026 thru 12/31/2035</b>	=	\$117,064

#### 4. EXPENDITURE SCHEDULE

The Borough intends to use affordable housing trust fund revenues for the creation and preservation of affordable housing and for affordability assistance and administrative expenses, in accordance with this Spending Plan.

PROJECTS/ PROGRAMS	# of Units Projected	PROJECTED EXPENDITURE SCHEDULE 2026 -2035										
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Rehabilitation	10	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$100,000
Group home & 235 Route 206 Subsidy		\$62,089	\$62,089	\$62,089	\$62,089	\$62,089	\$62,089	\$62,089	\$62,089	\$62,089	\$31,048	\$589,849
<b>Total</b>												
Affordability Assistance		\$5,263	\$5,263	\$5,263	\$5,263	\$5,263	\$5,263	\$5,263	\$5,263	\$5,263	\$2,633	\$50,000
Administration		\$12,322	\$12,322	\$12,322	\$12,322	\$12,322	\$12,322	\$12,322	\$12,322	\$12,322	\$6,166	\$117,064

PROJECTS/ PROGRAMS	# of Units Projected	PROJECTED EXPENDITURE SCHEDULE 2026 -2035											
		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total	
<b>Total</b>		\$89,674	\$89,674	\$89,674	\$89,674	\$89,674	\$89,674	\$89,674	\$89,674	\$89,674	\$89,674	\$49,847	\$856,913

**5. EXCESS OR SHORTFALL OF FUNDS**

Development fees collected by the Municipality shall be expended or committed for expenditure within four years of the date of collection, consistent with N.J.A.C. 5:99-5.5. In the event that anticipated revenues are not sufficient to implement this Spending Plan, The Borough will address any shortfall, such as a resolution of intent to bond, reallocation of resources among programs, or modification of the plan consistent with the Fair Housing Act, the Fair Housing Act Rules, and the Housing Element and Fair Share Plan.

In the event that more funds than anticipated are collected, or projected funds exceed the amount necessary to implement the Housing Element and Fair Share Plan for the current round, the Borough will either (1) dedicate such excess funds to additional eligible affordable housing activities consistent with this Spending Plan and any amendments, or (2) seek approval from the Department to use excess funds for emergent opportunities to create affordable housing.

**6. BARRIER FREE ESCROW**

Collection and distribution of barrier-free funds shall be consistent with the Borough of Chester’s Ordinance and will be tracked separately within the affordable housing trust fund and will report on such funds in its AHMS monitoring.

**SUMMARY**

Chester intends to spend affordable housing trust fund revenues in a manner that is consistent with the Fair Housing Act, the Fair Housing Act Rules, UHAC, and the Housing Element and Fair Share Plan adopted on June 12, 2025.

The Borough has a balance of \$661,156 as of December 31, 2025 and anticipates an additional \$195,757 by July 2035 in revenues for a total of \$856,913. The municipality will dedicate approximately \$100,000 to the Morris County rehabilitation program, \$589,849 towards the creation of a group home or to subsidize housing at 235 Route 206, \$150,000 to affordability assistance and \$117,064 for administrative costs. Any excess funds or remaining balance will be dedicated to additional eligible affordable housing activities, or to emergent opportunities to create affordable housing, consistent with the Fair Housing Act, the Fair Housing Act Rules, and this Spending Plan.

<b>SPENDING PLAN SUMMARY</b>	
Balance as of December 31, 2024	\$661,156
<b>Projected REVENUE 2026-2035</b>	
Development fees	+ \$110,257
Payments in lieu of construction	+ \$0
Other funds	+ \$0
Interest	+ \$85,500
<b>TOTAL REVENUE</b>	<b>= \$856,913</b>
<b>PROJECTED EXPENDITURES 2026-2035</b>	
Funds used for Rehabilitation	- \$100,000
Funds used for group home creation and 235 Route 206 Soldier One subsidy	- \$589,849
Affordability Assistance	- \$50,000
Administration	- \$117,064
Excess Funds or Remaining Balance Reserved for Additional Affordable Housing Activity	= \$0
<b>TOTAL PROJECTED EXPENDITURES</b>	<b>= \$856,913</b>
<b>REMAINING BALANCE</b>	<b>= \$0.00</b>