

City of Linwood Operating Manual for the Administration of an Accessory Apartment Program

March 2026

“What is an Accessory Apartment?”
“Who can participate?”
“What are the Accessory Apartment Requirements?”

City of Linwood
400 Poplar Avenue
Linwood, NJ 08221
609-927-4108

Prepared by:



INTRODUCTION

This Operating Manual has been prepared to assist in the administration of an accessory apartment program through the City of Linwood Affordable Housing Program. It will serve as a guide to the program staff.

This manual describes the basic content and operation of the program, examines program purposes and provides the guidelines for implementing the program. It has been prepared with a flexible format allowing for periodic updates of its sections, when required, due to revisions in regulations and/or procedures.

This manual explains the steps in the initial creation of an accessory apartment and in the rental process. It describes the eligibility requirements for participation in the program, record keeping and overall program administration.

Implementation of any procedure, even if it is not included in this Operating Manual, shall be in accordance with the Federal Fair Housing Act and Equal Opportunities laws, the Uniform Housing Affordability Controls (UHAC) N.J.A.C. 5:80-26.1 et seq., and Special Adopted Amendments, P.L.2020, c.51 (C.52:27D-321.3 et seq.), the Fair Chance in Housing Act (N.J.A.C. 46:8-52 et seq.), and the affordable housing regulations of the City of Linwood (hereafter referred to as the “Regulations”).



In accordance with the Federal Fair Housing Act and Equal Opportunities laws it is unlawful to discriminate against any person making application to buy or rent a home with regard to age, race, religion, national origin, sex, handicapped or familial status.

WHAT IS AFFORDABLE HOUSING?

Affordable accessory apartments, unlike market rate housing, have affordability controls limiting the rent for ten (10) years. Housing is “affordable” if the household pays approximately 35% or less of the household’s gross income on housing costs. Affordable housing is priced to be affordable to households earning up to 80% of the area median income for the region in which the affordable housing is located.

WHAT IS AN ACCESSORY APARTMENT?

An Accessory Apartment is “a self-contained residential dwelling unit with a kitchen, sanitary facilities, sleeping quarters and a private entrance, which is created within an existing home, or through the conversion of an existing accessory structure on the same site, or by an addition to an existing home or accessory building, or by the construction of a new accessory structure on the same site.”

WHO QUALIFIES FOR AFFORDABLE HOUSING?

In order to be eligible for affordable housing in New Jersey, a household’s income must be below the income limit for the region in which the affordable housing is located, either for low or moderate levels. A moderate-income household is classified as earning between 50 percent and 80 percent of the area median income. A low-income household is classified as earning less than 50 percent of area median income. Municipalities are also required to provide affordable housing to very low-income households; at least 13 percent of all affordable units must be affordable to households earning 30 percent or less of median income.

The six housing regions are as follows:

Regions	Counties
1	Bergen, Hudson, Passaic, Sussex
2	Essex, Morris, Union, Warren
3	Hunterdon, Middlesex, Somerset
4	Mercer, Monmouth, Ocean
5	Burlington, Camden, Gloucester
6	Atlantic, Cape May, Cumberland, Salem

The Regional Income Limits Chart provides information about income limits for each of the six housing regions. Each region has different calculated median incomes, which are adjusted annually.

An applicant does not have to currently live in the region in which the applicant is interested in applying for an affordable unit. An applicant’s income qualification is determined by the Region Income Limits for where the applicant wants to live.

LOCAL AFFORDABLE HOUSING PROGRAMS AND OPPORTUNITIES

The following affordable housing programs and opportunities are available in *City of Linwood*:

1. **Accessory Apartment Program:** The City of Linwood has established by ordinance, a program to allow the creation of accessory apartments, provided

the units are affordable to very low, low, and moderate- income household as follows:

a. Number of units:

The City will allow the development of a total of (6) six accessory apartments, including one very low-income accessory apartment, two low-income units and three moderate income accessory apartments.

b. **Conditions:** Accessory apartments shall meet the following conditions:

- i. The application submitted to the Construction Office shall include the following:
 - Name and address of owner.
 - Name, address, income verification of the proposed occupant of the accessory unit (if known).
 - Floor plan of sketch
 - Current property survey.
- ii. Accessory apartments shall be allowed in all residential zones.
- iii. The minimum lot size and dimensional requirements shall be in accordance with the zone in which the property is located for accessory apartments constructed in new dwellings.
- iv. Accessory apartments may be created within existing single-family residences or accessory buildings, provided there is no expansion of the existing structure's exterior outline.
- v. There shall be no more than one (1) accessory apartment per single-family dwelling on each lot.
- vi. The structures shall be in full compliance with all applicable health and construction codes.
- vii. Construction of accessory apartments shall be in full compliance with all applicable environmental regulations including Linwood City's Stormwater Management Ordinance.
- viii. Each accessory apartment shall be a minimum of five hundred (500) square feet. It may not occupy more than thirty-five percent (35%) of the total square footage of the house.
- ix. Each accessory apartment shall have a minimum of two (2) rooms and provide living, sleeping, cooking and bathroom facilities. Direct access to the outside or a hall with direct access to the outside shall be provided. The access door shall not alter the character of the exterior façade of the house.

- x. The occupant shall meet the established income limitations of the low or moderate-income guidelines for Linwood.
 - xi. The owner shall submit an affidavit of continuing use every two (2) years to the Linwood City Clerk.
 - xii. Parking shall be consistent with the parking requirements of Linwood.
 - xiii. Any property owner applying for an accessory apartment under this section shall affirmatively demonstrate that the accessory apartment is to be rented to and occupied by households meeting UHAC's affordable housing criteria.
 - xiv. Accessory apartment rents shall be consistent with UHAC rules.
 - xv. Ten-year affordability controls shall be imposed via a deed restriction or other instrument acceptable to the City Attorney and the Court.
 - xvi. In the event that the accessory apartment is located in a structure which is detached from the primary residence, the property owner shall explicitly affirm via deed restriction that the property may not be further subdivided to separate the accessory apartment and any associated land as a new building lot unless such subdivision can be accomplished in full accordance with Linwood City's density requirements, minimum setbacks, dimensional requirements, and all other applicable subdivision constraints.
 - xvii. The owner shall demonstrate that required deed restrictions are properly filed with the Atlantic County Clerk's Office prior to issuance of zoning or building permits.
 - xviii. If, following completion of the 10-year affordability controls period, an accessory apartment constructed in accordance with this section of the Linwood City Zoning Ordinance is no longer subject to Court requirements or restrictions, the apartment shall be considered a permitted conditional use subject to the remaining conditions established within this Ordinance section.
 - ix. Accessory apartments shall be affirmatively marketed with random selection of the occupants.
- c. **Illegal Accessory Apartments:** An illegal accessory apartment shall be eligible for credit if the illegal accessory apartment meets the conditions in Section 1 (b) above. There will be no monetary contribution for existing illegal accessory apartments approved through the program.

d. Program Administration

- i. Linwood has designated Triad Associates as the administrative agency to administer the accessory apartment program. Triad Associates shall administer the program, in accordance with the terms of this Operating Manual, including advertising, income qualifying prospective renters, setting rents and annual rental increases, maintaining a waiting list, distributing the subsidy, overseeing the securing of certificates of occupancy, qualifying properties, handling application forms, overseeing the filing deed restrictions, filing monitoring reports and affirmatively marketing the accessory apartment program
- ii. The City shall provide a subsidy that may be used by the property owner to fund actual construction costs and/or to provide compensation for reduced rental rates. The City shall provide \$20,000 each for three moderate income units, \$25,000 each for the two low income units, and \$35, for the very low-income apartment to subsidize the physical creation of an accessory apartment conforming to the Affordable Housing Ordinance and applicable requirements. There will be no monetary compensation for existing illegal accessory apartments approved through the program.
- iii. Prior to the grant of the subsidy, the property owner shall enter into a written agreement with the City insuring that the subsidy shall be used to create the accessory apartment and the apartment shall meet the requirements of this ordinance and applicable regulations. It is anticipated that the City shall provide sufficient funding for the creation of (6) six units in accordance with the timeline noted in Section 1a.
- iv. The subsidy shall be paid in the following manner:
 - a. 25% of the subsidy shall be paid upon permit and/or zoning approvals and the recording of the Deed Restriction;
 - b. 25% shall be paid to the property owner when, upon the determination of the construction official, the unit is ready for rental
 - c. The remainder of the subsidy shall be paid once a lease is signed with a tenant certified by the Administrative Agent
- v. Applicants intending to create an accessory apartment shall submit to Triad Associates, the Administrative Agent, a sketch of floor plans showing the location, size and relationship of both the accessory apartment and the primary dwelling within the building or in another structure, rough elevations showing the modification of any exterior building facade to which changes are proposed, and a site development sketch showing the location of the existing dwelling and other existing buildings, all property lines; proposed addition, if any, along with the minimum building setback lines, the required parking spaces for both dwelling units .

- vi. The units shall comply with applicable regulations and UHAC with the following exceptions:
 - a. Control periods for rental units (N.J.A.C. 5:80-26.1et seq.); accessory apartments will have 10-year controls on affordability;
 - b. Bedroom distribution (N.J.A.C. 5:80-26.1et seq.); however, the ordinance shall not restrict the number of bedrooms per unit
 - c. Affordability average (N.J.A.C. 5:80-26.1et seq.) however, 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;

OTHER AFFORDABLE HOUSING PROGRAMS AND OPPORTUNITIES

A wide variety of organizations and agencies administer affordable housing. Under the Fair Housing Act's jurisdiction, each New Jersey community has a Municipal Housing Liaison responsible for helping the local affordable housing program. Individuals interested in applying for affordable housing should contact the Municipal Housing Liaison in the community they are interested in living in. Some communities administer their affordable housing and have their own application process. If not, the Municipal Housing Liaison can direct applicants to developers, nonprofit agencies, State agencies, or consultants that may administer affordable housing within the community.

The ***New Jersey Housing and Mortgage Finance Agency*** has established New Jersey's Housing Resource Center, an online, searchable database of affordable housing in the State. The Housing Resource Center provides a listing of available, affordable housing. Available units are listed with contact and application information. Visit the Housing Resource Center at www.njhrc.gov.

The ***Affordable Housing Professionals of New Jersey*** maintains a web page with a comprehensive list of affordable housing opportunities in New Jersey. Please visit <https://ahpnj.org/housing-search> for more information.

FAIR HOUSING AND EQUAL HOUSING OPPORTUNITIES

It is unlawful to discriminate against any person making application to buy or rent a home with regard to race, creed, color, national origin, ancestry, age, marital status, affectional or sexual orientation, familial status, disability, nationality, sex, gender identity or expression or source of lawful income used for mortgage or rental payments.

For more information on discrimination or if anyone feels they are a victim of discrimination, please contact the New Jersey Division on Civil Rights at 1-866-405-3050

or <https://www.njoag.gov/about/divisions-and-offices/division-on-civil-rights-home/>.

CREATION OF AN ACCESSORY APARTMENT

Accessory apartments are allowed in City of Linwood in all residential zones on parcels of minimum size in conformance with the specific zoning district minimum lot size requirement to provide the opportunity for the development of affordable housing units to meet the needs of low and moderate-income residents. Property owners interested in creating an accessory apartment on their property should contact Triad Associates, the Accessory Apartment Administrator. Owners should contact Triad at 856-950-5749 or via email at housing@triadincorporated.com

REQUIREMENTS FOR CREATING AN ACCESSORY APARTMENT

- Homeowners interested in creating an accessory apartment or making an existing accessory unit available for this program must read this manual and understand all of the requirements of owning and renting out an affordable housing unit.
- Prior to the issuance of a building permit, the applicant shall have entered into an Accessory Apartment Agreement with the City and recorded a deed restriction specifying the appropriate affordability controls for the units.
- Property must have sufficient sewer and water capacity to service the proposed accessory apartment. This must be documented and kept on file by the Administrative Agent.
- A deed restriction in the form of Appendix E in the Uniform Housing Affordability Controls (N.J.A.C. 5:80-26.1 et seq.) and included in Appendices of this manual stating the affordability controls will be **recorded** on the primary residence.
- Deed restrictions for accessory apartments in City of Linwood are for a period of no less than 10 years.
- The rent for the accessory apartment will be lower than market rate rents in the area to make it affordable for low- and/or moderate-income households. Households must be income-qualified by the Administrative Agent. Application for the apartment is open to the public, however the homeowner may establish reasonable criteria for the household selected to live in the unit.

COMPENSATION FOR THE CREATION OF AN ACCESSORY APARTMENT

- The City shall provide \$20,000 each for three moderate income units, \$25,000 each for the two low income units, and \$35,000 for the very low-income

apartment to subsidize the physical creation of an accessory apartment conforming to the Affordable Housing Ordinance and applicable requirements. There will be no monetary compensation for existing illegal accessory apartments approved through the program.

PROCESS FOR CREATING AN ACCESSORY APARTMENT

- Application for approval of accessory apartment construction: Applicants intending to create an accessory apartment shall submit to Triad Associates, the Administrative Agent, a sketch of floor plans showing the location, size and relationship of both the accessory apartment and the primary dwelling within the building or in another structure, rough elevations showing the modification of any exterior building facade to which changes are proposed, and a site development sketch showing the location of the existing dwelling and other existing buildings, all property lines, proposed addition, if any, along with the minimum building setback lines, the required parking spaces for both dwelling.
- The City Building inspector shall conduct an initial inspection and forward plans for approval of apartment design
- Accessory Apartment Agreement signed between municipality and owner.
- Deed restriction recorded on residence
- The subsidy shall be paid in the following manner:
 - a. 25% of the subsidy shall be paid upon permit and/or zoning approvals and the recording of the Deed Restriction;
 - b. 25% shall be paid to the property owner when, upon the determination of the construction official, the project is complete
 - c. The remainder of the subsidy shall be paid once a lease is signed with a tenant certified by the Administrative Agent

DETERMINING AFFORDABLE RENTS

To determine the affordable rents the Administrative Agent uses the approved affordable housing calculators.

DEVELOPMENT CONSIDERATIONS AND COMPLIANCE ISSUES

There are several regulations that must be considered from the *development perspective* before the rents of accessory apartments can be calculated. These requirements should be discussed at the first meeting between the Municipal Housing Liaison, Administrative Agent and homeowner.

Number of Bedrooms. The number of bedrooms is a decision that must be made by the homeowner as there is no requirement for a certain number of bedrooms for

accessory apartments. The homeowner must provide this information to the municipality and the Administrative Agent so that a rent may be established for the unit.

Pricing by Household Size. Initial rents are based on targeted “model” household sizes for each size home as determined by the number of bedrooms. Initial rents must adhere to the following rules. These maximum rents are based on Annual Regional Income Limits Chart at the time of occupancy:

- A studio shall be affordable to a one-person household;
- A one-bedroom unit shall be affordable to a one- and one-half person household;
- A two-bedroom unit shall be affordable to a three-person household;
- A three-bedroom unit shall be affordable to a four- and one-half person household; and
- A four-bedroom unit shall be affordable to a six-person household.

Size of Unit	Household Size Used to Determine Max Rent
Studio/Efficiency	1
1 Bedroom	1.5
2 Bedrooms	3
3 Bedrooms	4.5
4 Bedrooms	6

The above rules are only to be used for setting initial rents. They are not guidelines for matching household sizes with unit sizes.

Utilities. The homeowner must determine how utilities for the accessory apartment will be paid, either by the homeowner and reimbursed through rent or by the tenant separately. Either way, the maximum rent may not be exceeded. This should be discussed with the Administrative Agent prior to the rent being set.

DETERMINING INITIAL RENTS

To determine the initial rents the Administrative Agent uses the affordable housing calculators

Maximum Rent. When including percentages in the rental calculator, 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.

ADDITIONAL REGULATIONS FOR ACCESSORY APARTMENTS

In City of Linwood, the Accessory Apartment Program allows for the creation of both very low, low, and moderate-income units. The City will allow the development of a total of (6) six accessory apartments, including one very low-income accessory apartment, two low-income units and three moderate income accessory apartments.

DETERMINING RENT INCREASES

Annual rent increases are permitted in affordable units. Rent increases are permitted at the anniversary of tenancy according to the Annual Regional Income Limits Chart. These increases must be filed with and approved by the Administrative Agent. Property managers or landlords who have charged less than the permissible increase may use the maximum allowable rent with the next tenant with permission of the Administrative Agent. The maximum allowable rent would be calculated by starting with the rent schedule approved as part of initial lease-up of the development, and calculating the annual approved increase from the initial lease-up year to the present. Rents may not be increased more than once a year, may not be increased by more than one approved increment at a time, and may not be increased at the time of new occupancy if this occurs less than one year from the last rental. No additional fees may be added to the approved rent without the express written approval of the Administrative Agent.

FINDING AN ACCESSORY APARTMENT TENANT

AFFIRMATIVE MARKETING

OVERVIEW OF THE REQUIREMENTS

All affordable units are required to be affirmatively marketed using the City of Linwood's Affirmative Marketing Plan. An Affirmative Marketing Plan is a regional marketing strategy designed to attract households of all majority and minority groups, regardless of race, creed, color, national origin, ancestry, marital or familial status, gender, affectional or sexual orientation, disability, age, or number of children to housing units which are being marketed by an Administrative Agent or a developer, sponsor, owner or property manager of affordable housing. The primary objectives of an Affirmative Marketing Plan are to target households who are least likely to apply for affordable housing, and to target households throughout the entire housing region in which the units are located.

All affordable units are required to be affirmatively marketed using the Affirmative Marketing Process. An Affirmative Marketing Process is a regional marketing strategy designed to attract households of all majority and minority groups, regardless of race, creed, color, national origin, ancestry, age, marital status, affectional or sexual orientation, familial status, disability, nationality, sex, gender identity or expression or source of lawful income used for mortgage or rental payments to housing units which are being marketed by an Administrative Agent or a developer, sponsor, owner or property manager of affordable housing. The primary objectives of an Affirmative Marketing Process are to identify households who are least likely to apply for affordable housing and to target households throughout the entire housing region in which the units are located.

Every Affirmative Marketing Process must include the following:

- Post a listing of the available affordable housing units to the New Jersey Housing Resource Center at least 60 days before the random selection process.
- Publication of at least one advertisement in a newspaper of general circulation within the housing region; and
- Advertise the units on at least one housing search website; and
- Undertake at least two additional regional marketing strategies, one digital and one non-digital using the following sources:
 - Neighborhood newspaper, religious publication, organizational newsletter,
 - Mailing to major employer(s), community, and regional organizations such as nonprofit, religious, governmental, fraternal, civic, and other organizations
 - Social media websites and platforms where advertisements will be posted or linked
 - Public Transit stops in the region

Online Advertising

To comply with the rules of the Fair Housing Act the developer, owner, or Administrative Agent of affordable units must affirmatively market units through newspaper and online. To stay current with changes in technology and how the public searches for housing, the owner, developer, property manager, or other administrative entity will be required to post rental units onto the NJHMFA's Housing Resource Center (HRC) under P.L. 2020, c.51, effective November 1, 2020. Any affordable units listed for the first time, existing units expected to become available, and opened waiting lists for current and future units must be listed on the HRC. All postings should include a link to an online fillable pre-application or downloadable application and information on obtaining a paper application.

For each affordable housing rental opportunity within the City, the Affirmative Marketing Process must include the following information:

- The address of the project and development name, if any
- The number of rental units
- The price ranges of the rental units
- The number of bedrooms in the units
- The name and contact information of the Administrative Agent,
- A description of the Random Selection method that will be used to select applicants for affordable housing and the date on which the first Random Selection will be conducted.
- Disclosure of required application fees, if any.

Advertisements must contain the following information for each affordable housing ownership opportunity:

- The location of and directions to the units

- A range of prices for the housing units
- The number of bedrooms in the units
- The maximum income permitted to qualify for the housing units
- The locations of applications for the housing units
- The website where interested households may complete a pre-application
- The name and contact information of the Administrative Agent
- A description of the Random Selection method that will be used to select applicants for affordable housing and the date on which the first Random Selection will be conducted.

It is also recommended that the following information be included in the advertisements:

- Last date applications will be accepted
- A statement concerning the availability of credit, budget, and homeownership counseling services
- If already adopted by ordinance, a statement concerning regional or veteran preference.
- "Visit www.njhrc.gov for more affordable housing opportunities."

Implementation of the Affirmative Marketing Process

The affirmative marketing process for affordable units shall ideally begin at least four months before expected occupancy. In implementing the marketing program, the Administrative Agent shall undertake all the strategies outlined in the Affirmative Marketing Process. Advertising and outreach shall occur during the first week of the marketing program and each month after that until all the units have been rented. The Administrative Agent shall market and advertise each project separately during each project's initial affirmative marketing. Applications for affordable housing shall be available in several locations through the Affirmative Marketing Process. The period when applications will be accepted will be posted with the applications. Applications shall be mailed to prospective applicants upon request.

MATCHING HOUSEHOLDS WITH AVAILABLE UNITS

The Administrative Agent uses a two-step process to match available units with potential tenants and buyers of affordable homes. First, anyone interested in buying or renting an affordable unit must complete a pre-application. The pre-application is brief and designed to collect only the information necessary to assess a household's income and bedroom requirements for available units. Pre-applications may be submitted online or via paper.

Once a pre-applicant has been part of a random selection and has been potentially matched with an available unit, they will be required to complete a full application. The application collects detailed information on each household member, including their income, assets, and other information necessary to determine the household's eligibility according to the UHAC regulations.

The Random Selection Process

UHAC requires communities to include a “random selection” among interested applicants when an affordable housing unit is available. Random selection ensures “that no preference is given to one applicant over another except for purposes of matching household income and size with an appropriately priced and sized affordable unit.” The initial Random Selection for a given project may be conducted no sooner than sixty (60) days following the start of the Affirmative Marketing Process.

The City’s Affirmative Marketing Process details the specific steps of the random selection process.

Identifying Candidates for Available Units

The Administrative Agent will use the following process to test each applicant against the available unit(s) in the order of their random selection.

1. Regional Preference Test. Pre-applicants that live or work in Region 6 will be considered first as per the City’s Affirmative Housing Ordinance establishing a preference for pre-applicants that live or work within the COAH Region.
2. Veteran Preference Test. If applicable to the available unit(s), pre-applicants who served in time of war or other emergency, as defined in section 1 of P.L.1963, c. 171 (C.54:4-8.10) and who apply within 90 days of the initial marketing period shall receive preference for the rental of the agreed-upon percentage of affordable units (up to 50 percent of units in relevant projects, as provided for at N.J.S.A. 52:27D-311j)..
3. Bedroom Test. Next, the number of bedrooms in the available unit(s) will be tested against the random selection list. If the first pre-applicant qualifies for a unit with a different number of bedrooms, they will be skipped, and the next pre-applicant will be evaluated. Once a match is made between the available unit(s) and a pre-applicant, the following criteria will be tested.
4. Income Test. The first pre-applicant on the random selection list that meets the bedroom test will then be tested to ensure their reported income is sufficient to afford the housing expenses of the available unit. See *Maximum Monthly Expenses*.
5. If the database record for the pre-applicant is more than six months old, the AA will contact the pre-applicant to update their gross household income, household size, and bedroom requirement. Any changes will be made to the random selection list and the pre-applicant database.

Confirming the Interest of a Candidate

A pre-applicant that passes the Regional Preference, Veteran Preference (if applicable), Bedroom, and Income Tests is considered a viable candidate for the available unit and will be contacted to determine their interest in the available unit. The Administrative Agent will provide the candidate with essential information about the unit, including current rent (or sales price). Other information may include amenities, parking availability, HOA/association dues, real estate taxes, and potential availability date. If the candidate is interested in the unit they will be referred to the Landlord, Property Manager, or seller of the unit to view the unit/property.

- **Prospective buyers** must provide a mortgage pre-approval letter prior to scheduling a viewing of an available unit. After submitting proof of pre-approval will they be referred to the seller to arrange a showing.
- **Prospective renters** may view the unit; however, they must meet the landlord's tenant selection criteria to qualify. This includes submitting a completed rental application and successfully passing the property's tenant credit screening process.

Qualified prospective buyers and renters are given 48 hours to decide if they want to move forward after visiting an available unit. If the candidate is interested in moving forward the Administrative Agent will make the full application available and provide the applicant is a list of required documents and instructions for an income certification.

FULL APPLICATION & INCOME CERTIFICATION

For the purposes of this subchapter, the administrative agent shall determine household income in accordance with the procedure for calculating annual income at the time of initial occupancy and assistance, stipulated at 24 CFR § 5.609, as it may be updated from time to time, and described in Chapter 5 of HUD Handbook 4350.3: Occupancy Requirements of Subsidized Multifamily Housing Programs, which is available at

https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg/4350.3.

Before any household can rent or buy an affordable unit, the Administrative Agent must certify the household as eligible. Certification of a household involves verifying two critical pieces of data: 1) Household size and composition, including gender, and 2) The total income and assets for all household members over 18 years of age.

(a) The certification process begins with the applicant completing an application and providing the required backup documentation. The Administrative Agent shall require each member of an applicant household who is 18 or older to provide documentation to verify their income, except full-time students under the age of 26 and those under the age of 26 participating in a registered apprenticeship program. The household shall have ten (10) business days from the first notification to submit all required documents. Income/household verification documentation includes, but is not limited to, the following. Income verification documentation may include, but is not limited to, the [following] acceptable forms of verification identified at Appendix 3 of HUD Handbook 4350.3 REV-1, available online at <https://www.hud.gov/sites/documents/4350a3HSGH.PDF>, for each and every member of a household who is 18 years of age or older, except full-time students under the age of 26 and those under the age of 26 in a registered apprenticeship program:

- Copies of driver's license or state IDs for all adults in the household
- Copies of social security cards for all members of the household
- Copies of birth certificates for all members of the household.
- Four consecutive pay stubs, not more than 120 days old, including bonuses, overtime or tips, or a letter from the employer stating the present annual income figure. For self-employed applicants, a current certified Profit and Loss Statement and Balance Sheet are required.
- A letter or appropriate reporting form verifying monthly benefits, such as

- Social Security income including children
- Unemployment
- Welfare or TANF
- Disability or Worker’s Compensation
- Pension income
- Where applicable, the most recent award letter for SSI or SSD.
- A notarized letter, court order, or statement verifying any other sources of income claimed by the applicant, such as alimony or child support.
- Copies of full Federal and State income tax returns (all pages) and W2s for the preceding three (3) tax years for each working adult in the household.
- Six (6) consecutive months of complete statements (all pages) for all savings and checking accounts. This includes bank statements, passbooks, and income reports from banks or other financial institutions that hold or manage trust funds, money market accounts, certificates of deposit, stocks, or bonds.
- Evidence or reports of income from directly held assets, such as real estate or businesses.
- Other documentation that may be necessary to document any other source of income fully, must be provided upon request.

The application must be complete and signed before the Administrative Agent reviews an application. In addition, all applicable source documents are required before reviewing the application.

It may be necessary for the Administrative Agent to collect additional information and documentation from the applicant beyond the items listed above. The Administrative Agent will notify applicant households in writing of certification or denial within 20 days of the determination.

Once approved, a certified household for a rental unit will work with the leasing agent or landlord to sign the lease, pay the first month’s rent and the security deposit, and receive the keys. Then, the certified household moves into the affordable rental unit.

Once approved, a certified household for an ownership unit will have a contract of sale drawn up and executed with the seller. Then, the certified household will move through the purchasing process to closing with the guidance of their lender and chosen title company.

See ***Household Certification*** for more information on how eligibility is determined.

The following is a list of various types of wages, payments, rebates, and credits. Those considered as part of the household’s income are listed under Income. Sources not considered part of the household’s income are listed under Not Income.

Income

- Wages, salaries, tips, commissions
- Alimony
- Regularly scheduled overtime
- Pensions
- Social security
- Unemployment compensation

- Temporary Assistance to Needy Families (TANF)
- Verified regular child support
- Disability
- Net income from business or real estate
- Interest income from assets such as savings, certificates of deposit, money market accounts, mutual funds, stocks, bonds
- Imputed interest (using a current average annual rate of two percent) from non-income-producing assets, such as equity in real estate. Rent from real estate is considered income after deducting any mortgage payments, taxes, and property owner's insurance.
- Rent from real estate is considered income
- Any other forms of regular income reported to the Internal Revenue Service

Not Income

- Income received on behalf of foster children
- Rebates or credits received under low-income energy assistance programs
- Food stamps
- Relocation assistance benefits
- Income of live-in attendants
- Scholarships
- Student loans
- Personal property such as automobiles, clothing, household items
- Lump-sum additions to assets such as inheritances, lottery winnings, gifts, insurance settlements
- Part-time income of persons enrolled as full-time students

In lieu of calculating household income, the administrative agent, at their discretion, may accept a household income determination made within the previous 12 months to assess eligibility for the Temporary Assistance for Needy Families (TANF) block grant, Medicaid, the Supplemental Nutrition Assistance Program (SNAP) benefit, the Earned Income Tax Credit (EITC), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Supplemental Security Income, public housing, Section 8, or low-income housing tax credits (LIHTC). Additionally, the administrative agent shall accept household income determinations made within the previous 180 days by another administrative agent or by the Department or the Agency.

The administrative agent shall accept self-certification from any member of an applicant household claiming to be a victim of domestic violence, dating violence, sexual

assault, or stalking for purposes of the exception to the homeownership restriction at (b)3iii above. In such case, the administrative agent must comply with the confidentiality requirements and restrictions on requesting documentation pursuant to 24 CFR § 5.2007.

Student Income

Only the full-time income from a full-time job held by a full-time student is considered income. A full-time student is a household member enrolled in a degree-seeking

program for 12 or more credit hours per semester. Part-time income is a job of less than a 35-hour per week.

The Asset Limit

The administrative agent shall deny the certificate of eligibility if the applicant household meets income eligibility requirements but possesses net household assets valued at an amount greater than the net asset limit, defined as the estimated median home equity held by New Jersey homeowners as determined annually by the United States Census Bureau's Survey of Income and Program Participation and published by the Census Bureau in "State- Level Wealth, Asset Ownership & Debt of Households Tables" in the "Wealth and Asset Ownership Data Tables" series, available at <https://www.census.gov/topics/income-poverty/wealth/data/tables.html>. Administrative agents shall determine household net assets in accordance with the procedure for calculating "net family assets" stipulated at 24 CFR § 5.603(b), as it may be updated from time to time. The estimated net value of an applicant's primary residence shall be excluded from the calculation of net total assets if any of the following apply:

- i. The applicant's existing monthly housing costs (including principal, interest, taxes, homeowner and private mortgage insurance, and condominium [and] or homeowner association fees, as applicable) exceed 38 percent of the household's eligible monthly income;
- ii. The applicant is receiving assistance for the residence pursuant to 24 CFR § 982.620 or pursuant to the Homeownership Option at 24 CFR § 982;
- iii. The applicant jointly owns the residence with an owner-occupant who is not part of the applicant household and with whom the applicant does not reside;
- iv. The residence is a restricted ownership unit subject to the requirements of this subchapter or a unit that, prior to December 20, 2004, received substantive certification from COAH, was part of a judgment of compliance from a court of competent jurisdiction, or became subject to a grant agreement or other contract with either the State or a political subdivision thereof, including any 95/5 unit;
- v. Any member of the applicant household is a victim of domestic violence, dating violence, sexual assault, or stalking, as defined at 24 CFR § 5.2003; or
- vi. The applicant demonstrates that the residence is not suitable for occupancy, according to any of the criteria listed at 24 CFR § 5.618(a)(2)(i) through (v).

Income from Real Estate

If real estate owned by an applicant for affordable housing is a rental property, the rent is considered income. After deducting any mortgage payments, real estate taxes, property owner insurance, and reasonable property management expenses as reported to the Internal Revenue Service, the remaining amount shall be counted as income.

If an applicant owns real estate with mortgage debt, which is not to be used as rental housing, the Administrative Agent should determine the imputed interest from the property's value. The Administrative Agent should deduct outstanding mortgage debt from the documented market value established by a market value appraisal. Then,

based on current money market rates, interest will be imputed on the determined value of the real estate. The imputed interest will be added to the household's annual income.

Maximum Monthly Expenses

The percentage of funds that a household can contribute toward housing expenses is limited. However, an applicant may qualify for an exception based on the household's current housing cost (see below). Therefore, the Administrative Agent will strive to place an applicant in a unit with a monthly housing cost equal to or less than the applicant's current housing cost.

Maximum Monthly Expenses for Tenants

A certified household cannot lease a restricted rental unit requiring more than 35 percent of the verified household income (40 percent for age-restricted units) to pay rent and utilities. However, at the discretion of the Administrative Agent, this limit may be exceeded if:

- The household currently pays more than 35 percent (40 percent for a household seeking an age-restricted unit) of its gross household income for rent, and the proposed rent will reduce the household's housing costs;
- The household has consistently paid more than 35 percent (40 percent for households eligible for age-restricted units) of eligible monthly income for rent in the past and has proven its ability to pay;
- The household is currently in substandard or overcrowded living conditions;
- The household documents the existence of assets with which the household proposes to supplement the rent payments or
- The household documents proposed third-party assistance from an outside source, such as a family member in a form acceptable to the Administrative Agent and the Owner of the unit; and
- The household receives budget counseling.

THE APPLICANT INTERVIEW

Ideally, the prospective applicant will be available to meet with the Administrative Agent to review the certification and random selection processes in detail and ask any questions they may have about the project or the process. However, scheduling time off from work may prove burdensome to the applicant. Applicants may also have mobility issues or special needs that also pose an obstacle to an interview. Therefore, the Administrative Agent is prepared to complete the certification process via telephone and mail. If an interview is to be conducted, the Administrative Agent will attempt to achieve the following objectives:

- Confirm and update all information provided on the application.
- Explain program requirements, procedures used to verify information, and penalties for providing false information. Ask the head of household, co-head, spouse and household members over age 18 to sign the Authorization for Release of Information forms and other verification requests.

- Review the applicant's identification and financial information and documentation, ask any questions to clarify information on the application, and obtain any additional information needed to verify the household's income.
- Make sure the applicant has reported all sources for earned and benefit income and assets (including assets disposed of for less than fair market value in the past two years). Require the applicant to give a written certification as to whether any household member did or did not dispose of any assets for less than fair market value during the past two years.

DOCUMENTING HOUSEHOLD COMPOSITION AND CIRCUMSTANCES

The following are various records for documenting household information:

- Social Security records or cards. Either individual Social Security card or letter from Social Security Administration
- Adoption papers, or legal documents showing adoption in process
- Income tax return
- Birth Certificate or Passport
- Alien Registration Card

APPROVING OR REJECTING A HOUSEHOLD

Administrative Agents must notify applicant households of their eligibility within twenty (20) days of the Administrative Agent's determination.

Households with a verified total household income that exceeds 80 percent of the regional income limit for the appropriate family size are ineligible for purchase or rental of restricted units. A letter rejecting the household's application shall be mailed to the household.

Similarly, households with a verified total household income that is within the income limits, but too low to afford any of the units administered by the Administrative Agent shall be sent a letter rejecting the household's application, and/or referring them to housing counseling.

Households with a verified total household income of less than 80 percent shall be issued a letter certifying eligibility. This certification is valid for 180 days. If the Administrative Agent is unable to place the household in a restricted unit at the conclusion of 180 days, an extension may be granted once the household's eligibility is verified.

Once the applicant is certified and matched to an available unit, the Administrative Agent must secure from the applicant a signed and notarized acknowledgement of their requirements and responsibilities in renting a restricted unit. UHAC's Disclosure Statement (Appendix K) shall be forwarded to the applicants.

In addition to non-eligibility based on income, the Administrative Agent may deny a certification because of the household's failure or inability to document household composition, income, assets, sufficient funds for down payment, or any other required facts and information. A household may also be denied certification if the Administrative Agent determines that there was a willful or material misstatement of fact made by the applicant.

DISMISSAL OF APPLICATIONS

Applications can be dismissed for the following reasons:

1. The application is not signed or submitted on time.
2. The applicant commits fraud, or the application is not truthful or complete.
3. The applicant cannot or does not provide documentation to verify their income or other required information when due.
4. The household income does not meet the minimum or maximum income requirements for a particular property.
5. The applicant owns assets that exceed the Asset Limit.
6. The applicant fails to respond to any inquiry in a timely manner.
7. The applicant is non-cooperative or abusive with the staff, property manager or landlord.
8. The applicant changes address or other contact information without informing the Administrative Agent in writing.
9. The applicant does not meet the credit standard or other requirement set forth by managers of rental properties.
10. The applicant fails to verify attendance in a credit counseling program when required to do so by the program rules.
11. The applicant does not respond to periodic update inquiry in a timely fashion.
12. The applicant fails to sign the Compliance Certification, Certificate for Applicant, Lease Document, as may be required.
13. The applicant, once approved, fails to sign the lease in a timely manner.
14. Applicants will also be removed from all lists held by the Administrative Agent once they have been approved for an affordable unit. However, these applicants may re-apply for other opportunities in that municipality once they have occupied their unit.

Applicants who are dismissed must re-apply. A minimum time period of six months applies in most situations where the applicant has been withdrawn for fraud, poor credit, uncooperative behavior or other serious matters.

Applicants are not automatically removed from rental lists if they do not respond to a Notice of Availability.

Applications may be held in abeyance for a period not to exceed 60 days if there is an error on the credit report, so that the applicant can correct the error and re-apply. Units will not be held open for that applicant. However, once the credit report is corrected, the applicant will be given a priority for the next opportunity at that property.

APPEALS

Appeals from all decisions of an Administrative Agent shall be made in writing to the appropriate agency/party to be designated.

FINALIZING THE TENANT

Once a household has been certified to occupy an accessory apartment, the income has been documented and the ability to pay the established rent has been verified, the Administrative Agent may refer that household to meet with the owner of the apartment for final approval. The owner may develop a reasonable list of criteria, such as smoking or non-smoking, whether or not pets are allowed, etc., and may only reject tenants who do not meet those criteria. That list must be approved by the Administrative Agent.

The owner may also conduct a credit check and criminal background check on prospective tenants. An acceptable credit limit must be established prior to any credit check and must be on file with the Administrative Agent.

Lease. When a tenant is found, that tenant will be required to sign a lease. This may be a standard lease and must be approved by the Administrative Agent. It should list the location of the unit, the name of the tenant and the initial rent amount. A copy of the executed lease must be provided to the Administrative Agent. In addition, Certification K, , must also be signed by the tenant and a file must be given to the tenant and the original kept on file with the Administrative Agent.

Security Deposit. The owner may require a reasonable security deposit from the tenant, but the amount of the security deposit may not exceed one and one-half months rent.

VACANCIES

Once a homeowner learns that an accessory apartment will be vacated by a tenant, the Administrative Agent should immediately be notified to begin the process of finding a new tenant.

VIOLATIONS, DEFAULTS AND REMEDIES

In the event of a threatened breach of any of the regulations governing the affordable unit by an Owner of an accessory apartment, the Administrative Agent shall have all the remedies provided at law or equity, including the right to seek injunctive relief or specific performance, it being recognized by both parties that it will cause irreparable harm to the municipality, in light of the public policies set forth in the Fair Housing Act and the obligation for the provision of low- and moderate-income housing.

Upon the occurrence of a breach of any of the regulations governing the affordable units by an Owner of an accessory apartment, the municipality shall have all remedies provided at law or equity, including but not limited to foreclosure, acceleration of all

sums due under a mortgage, recoupment of any funds from a sale in the violation of the regulations, injunctive relief to prevent further violation of the regulations, entry on the premises, and specific performance.

MAINTENANCE OF RECORDS AND APPLICANT FILES

Pursuant to N.J.A.C. 5:80-26.14(a)8, N.J.A.C. 5:80-26.15(c) and N.J.A.C. 5:80-26.17 current records must be maintained by the Administrative Agent and outdated records must be given to the municipality for safe-keeping. A file must be created and maintained on each restricted unit for its control period.

Administrative Agents maintain detailed records on all marketing initiatives.

FILES TO BE MAINTAINED ON EVERY APPLICANT

The Administrative Agent will maintain files on every applicant. All files will contain a preliminary application. If an applicant's preliminary application is approved, and the applicant files a formal application, the file will contain at a minimum:

- Application Form.
- Tenant Information Form
- Income Verification
- Letter of Certification of Eligibility or Letter of Determination of Ineligibility.

Individual files will be maintained throughout the process and will be submitted to the municipality upon termination of the program.

FILES TO BE MAINTAINED ON EVERY UNIT

The Administrative Agent will maintain files on every unit for the length of the affordability controls. The unit file will contain at a minimum:

- Base rent
- Identification as low- or moderate-income
- Description of number of bedrooms and physical layout
- Floor plan
- Application materials, verifications and certifications of all present owners, pertinent correspondence
- Copy of lease
- Disclosure Statement (Appendix K)
- Deed restriction with length of controls on the unit

FILES TO BE MAINTAINED ON THE APPLICANT POOL

- Any changes to the applicant pool
- Any action taken with regard to the applicant pool
- Any activity that occurs that affects a particular applicant
- Current applications for all applicants whose status is active in the applicant pool

- The application, the initial rejection notice, the applicant's reply to the notice, a copy of the Administrative Agent's final response to the applicant, and all documentation of the reason the applicant's name was removed from the applicant pool.

Accessory Apartment Program Audit Checklist

<input type="checkbox"/>	UP-TO-DATE OPERATING MANUAL	Comments
<input type="checkbox"/>	Income Limits	
<input type="checkbox"/>	Sample Forms and Letters	
AFFIRMATIVE MARKETING		
<input type="checkbox"/>	Copies of Display Ads	
<input type="checkbox"/>	Copies of PSA Requests	
<input type="checkbox"/>	Copies of Marketing Requests	
RANDOM SELECTION		
<input type="checkbox"/>	Log of Applications Received	
<input type="checkbox"/>	Log of Random Selection Results	
<input type="checkbox"/>	Database of Referrals	
MAINTENANCE OF RECORDS		
Files To Be Maintained on Every Applicant		
<input type="checkbox"/>	Preliminary Application.	
<input type="checkbox"/>	Application Form.	
<input type="checkbox"/>	Tenant Information Form	
<input type="checkbox"/>	Income Verification	
<input type="checkbox"/>	Letter of Certification of Eligibility or	
<input type="checkbox"/>	Letter of Determination of Ineligibility	
Files To Be Maintained on Every Unit		
<input type="checkbox"/>	Base rent	
<input type="checkbox"/>	Identification as low- or moderate-income	
<input type="checkbox"/>	Description of number of bedrooms and physical layout	
<input type="checkbox"/>	Floor plan	
<input type="checkbox"/>	Application materials, verifications and certifications of all present tenants, pertinent correspondence	
<input type="checkbox"/>	Copy of lease	
<input type="checkbox"/>	Disclosure Statement (Appendix K)	
<input type="checkbox"/>	Original deed restriction with length of controls	
MONITORING INFORMATION		
<input type="checkbox"/>	Complete Monitoring Reporting Forms	

ACCESSORY APARTMENT OPERATING MANUAL CHECKLIST
Minimum Standards

At a minimum the Accessory Apartment Operating Manual must clearly describe the procedures and policies for the following:

<input type="checkbox"/>	Affordable Housing Program & Opportunities
<input type="checkbox"/>	Identify where Housing Element & Fair Share Plan can be viewed.
<input type="checkbox"/>	Identify local Affordable Housing Programs & Affordability Assistance Programs
<input type="checkbox"/>	Include overview of local rental process
<input type="checkbox"/>	Process for Creation of an Accessory Apartment
<input type="checkbox"/>	Requirements for creating an accessory apartment
<input type="checkbox"/>	Compensation for creating an accessory apartment
<input type="checkbox"/>	Local process for creating an accessory apartment
<input type="checkbox"/>	Determining Affordable Rents
<input type="checkbox"/>	Development Considerations and Compliance Issues
<input type="checkbox"/>	Determining Initial Rents
<input type="checkbox"/>	Determining Rent Increases
<input type="checkbox"/>	Affirmative Marketing
<input type="checkbox"/>	Approved Affirmative Marketing Plan included
<input type="checkbox"/>	How will new rental units be marketed?
<input type="checkbox"/>	How will re-rentals be marketed?
<input type="checkbox"/>	Will there be a regional preference?
<input type="checkbox"/>	Who will implement marketing new rental units and re-rentals?
<input type="checkbox"/>	Prepare sample marketing materials, including a sample display ad and Public Service Announcements
<input type="checkbox"/>	Random Selection & Applicant Pool
<input type="checkbox"/>	What level of verification will be completed before the lottery process – pre-application or full applications?
<input type="checkbox"/>	Will the pool of applicants be randomized each time a unit is available?
<input type="checkbox"/>	Will there be categories of applicant pools?
<input type="checkbox"/>	Matching Households to Available Units
<input type="checkbox"/>	How will households be matched to available units? Will there be categories of applicant pools?
<input type="checkbox"/>	Household Certification
<input type="checkbox"/>	Standards for reviewing applicant household eligibility and certifying applicant households
<input type="checkbox"/>	Verification documentation required
<input type="checkbox"/>	Eligible Income/Ineligible Income
<input type="checkbox"/>	Maximum Monthly Payment
<input type="checkbox"/>	Housing Counseling
<input type="checkbox"/>	Basis for Dismissing Applications
<input type="checkbox"/>	Appeals
<input type="checkbox"/>	Application Fees
<input type="checkbox"/>	Violations, Defaults and Remedies
<input type="checkbox"/>	Maintenance of Records
<input type="checkbox"/>	List documents to be filed
<input type="checkbox"/>	Monitoring information required

*i+