

Department of Community Affairs FY 2005-2006

Discussion Points

1. Governor Richard J. Codey has proposed in his FY 2006 budget the creation of a Housing Trust Fund in the amount of \$200 million for the purpose of financing 10,000 permanent affordable housing units for the mentally ill and disabled over a ten year period. The capital funding for this initiative will be derived from bonding capacity remaining from the prior securitization of motor vehicle surcharge revenue realized in fiscal year 2005 and will not, according to Governor Codey impact the fiscal year 2006 budget. No details have yet been proposed.

Question: Will the Department or the New Jersey Housing and Mortgage Finance Agency have any responsibility for administering and managing the Housing Trust Fund as proposed by the Governor? If so, please describe the extent and nature of each agency's involvement. What is the estimate of annual motor vehicle surcharge revenue for FY 2006 - 2010 that could be securitized? Are other State funds required, and if so, how much and from what source(s)? In what fiscal year will the debt service cost affect the State budget and how large will that impact be?

We anticipate that the Housing Mortgage Finance Agency and the Department will play a significant role in administering the Housing Trust Fund. However, details are not yet available since the Governor has not announced the Administration's plan or legislative proposal. Questions concerning estimates of motor vehicle surcharge revenue or the impact on the debt service should be directed to the Treasury.

2. The Governor has proposed an estimated \$2.2 million in additional State funding in FY 2006 to improve Residential Health Care Facilities (RHCF), or "boarding homes." An increase of \$50 per patient would be provided in the existing subsidy to RHCF operators, along with an increase of \$10 for the consumers' personal needs allowance. In addition, responsibility for monitoring and inspecting these facilities would be shifted from the Department of Health and Senior Services to existing staff within DCA's Division of Codes and Standards.

Question: When does the department anticipate assuming monitoring and inspection duties for RHCF's? Are additional staff required, and if so, how many? Will owners or operators of RHCF's be required to pay higher fees as a result of this change?

The transfer of licensing responsibilities for Residential Health Care Facilities will take effect on May 13, 2005. Five additional inspectors and enforcement staff are required. Owners/operators of RHCF's will not be required to pay higher fees as a result of this transfer.

3. The "Multifamily Housing Preservation and Receivership Act," P.L.2003, c.295 (C.2A:42-114 et al.), established an elaborate process for appointing receivers and granting them responsibility for the management of neglected rental housing. Section 28 of that law permitted the department to set aside \$4 million per year from Neighborhood Preservation-Fair Housing monies to establish a Preservation Loan Revolving Fund for the purpose of making grants or loans to receivers to implement plans that would be consistent with rules that the Commissioner of Community Affairs was required to adopt under section 31 of that law. Those regulations were to be adopted within six months following enactment, which occurred on January 14, 2004. Of the first \$4 million to be deposited into the fund, \$1 million was to be used to provide grants to nonprofits to enable them to act as receivers and to further housing preservation efforts in a number of ways which were specified in the law.

Question: Has the department established a Preservation Housing Loan Revolving Fund? If so, how much money has been allocated to the fund to date? If funds have been disbursed please provide a listing of all grantees and loan recipients that have received payments from the fund. If the department has not yet established the Preservation Housing Loan Revolving Fund, when does it plan to do so and how much funding will be made available to capitalize the fund?

The Multi-family Preservation and Receivership Program has two main purposes: (1) to provide grant or loan capital to receivers of distressed multifamily buildings in order to address code violations and threats to the health and safety of residents of affordable housing and (2) to provide grant funds to non-profit organizations, enabling them to increase their capacity to act as receivers.

The program allows up to \$4 million per year to be set aside from the Neighborhood Preservation Non-lapsing Revolving Fund for the program. One million of the first \$4 million is to be used for capacity building of non-profit organizations.

The Division of Housing has established a \$4 million revolving loan fund from the Neighborhood Preservation-Fair Housing Fund. No funds have been disbursed to date.

We have been meeting with the non-profit community to design the capacity building program and anticipate implementation later this year. We have commitments from experienced trainers and technical assistance providers, academia and the private sector for pro-bono legal assistance.

4. P.L.2004, c.140 established a rental assistance program for low-income individuals and families, patterned in part after the federal section 8 housing choice voucher program. A minimum of \$10 million is allocated annually from the Neighborhood Preservation Non-lapsing Revolving Fund, which receives realty transfer fee revenue dedicated to affordable housing purposes. At least \$3 million is earmarked for senior citizens and at least \$7 million for other eligible participants. With the approval of P.L.2005, c.66 on April 7, 2005 an additional \$15 million was appropriated for the program from the general state funds, allocated in the same proportion as noted above between senior citizens and others. A requirement was added that participating individuals, other than senior and disabled citizens, apply for and where appropriate participate in employment and training services conducted through the Department Of Labor and Workforce Development. Proposed regulations to implement the program allocate 31 percent of rental assistance grants to those awaiting on the department's waiting list for Federal Section 8 vouchers; 30 percent is reserved for senior citizens; 17 percent is targeted to homeless families with children; and 17 percent will be reserved for project-based assistance for special initiatives. The FY 2006 budget provides the same level of funding for the program as in FY 2005.

Question: (a) Please provide a status report on the implementation of this program. What are the estimated administrative expenses for this program for FY 2005 and FY 2006, respectively? How many additional staff are required to implement this program? What was the size of the department's Section 8 waiting list on April 1, 2005? How many individuals or families does the department estimate will be placed from this list into housing under this program by December 31, 2005? By June 30, 2006? (b) Please explain the difference between "project-based" assistance and direct assistance to households through vouchers. What specific projects has the department identified that will receive this type of rental assistance? If no specific projects have been identified, please provide illustrative examples of projects that might receive assistance. Approximately how much time elapses between approval of project-based assistance and the occupancy of those housing units by eligible individuals or families?

The Department worked closely with Housing advocates (the Anti Poverty Network and the Housing and Community Development Network, Legal Services of New Jersey and the New Jersey Apartment Association) to develop a consensus for the new implementation of the new State Rental Assistance Program (SRAP). After a series of meetings, a proposed rule was published in the State Register on January 18, 2005. The sixty-day comment period ended on March 15, 2005 and the rule for the State Rental Assistance Program (SRAP) will be adopted May 16, 2005 when the responses to the comments are published in the New Jersey Register.

In order to ensure that housing assistance could be provided as soon as possible, the Department has already begun work on implementing this program in anticipation of the rule adoption.

The Department's waiting list for the federal Housing Choice Voucher Program contained 16,875 applicants on April 1, 2005.

The Department is utilizing the existing federal Housing Choice Voucher waiting list to select participants for the 31% open set-aside and the 30% set-aside for the elderly. This will save time and money in administrative expenses, allowing us to put more money in housing vouchers. Applicants are selected randomly from the existing waiting list by computer program.

The lottery will be completed by April 29, and the Department will then send notification letters to the households selected. Applicants will be advised to contact one of 18 DCA regional offices to complete applications to determine eligibility. Approximately 300 applicants will be contacted weekly. We anticipate the first vouchers will be issued in early June, depending on how quickly applicants contact the Department.

Vouchers for homeless families (17% of the total vouchers or approximately 400 vouchers) will be allocated with the assistance of the Department of Human Services and the County Welfare agencies.

The Department incurred start up fees of \$25,000 for FY 2005. This fee represents staff time devoted to the development of the program. The Department anticipates administrative costs of \$1.25 million in FY 2006 to fully implement the program statewide.

The Department is using existing FTEs to start the program. When fully implemented, a total of 24 additional staff members will be required to operate this program: one supervising Field Representative, one Technical Assistant 1, 15 Technical Assistants 3, 5 Field Representatives, and 2 Senior Clerks. Staff is required to meet with each applicant, verify income, determine eligibility for program participation, calculate the amount of subsidy, conduct inspections, negotiate rents and prepare the electronic file to generate monthly payments to the property owners. One employee (FTE) is required in each of the 18 field offices and field representatives are required for inspections. The staffing requirement is based upon the full \$25 million program. Though the staff will be located in the federal section 8 offices, the Department is prohibited, by regulation, from using any federal funds to administer SRAP.

The Department estimates that 1,000 households will be placed and in housing search by December 31, 2005. By June 30, 2006 the Department anticipates that an additional 2000 households will be placed or in housing search. These are only estimates. We cannot provide a firm estimate on the number families assisted by this program until we get a sample on the spending rate. For example, at the request of the advocates, the family contribution for disabled households is 25% of monthly income. In the federal program the contribution is a minimum of 30% of adjusted monthly income and may go up to 40% of monthly income. The Division will monitor the rate of spending monthly.

Seventeen (17%) of the SRAP funding is allocated for project-based assistance, in response to requests from non-profit organizations. These vouchers provide funds to non-profit and for-profit developers to build new and substantially rehabilitated safe, quality affordable housing. It is a way to leverage subsidy funds so that more affordable housing can be built.

The term of project-based assistance will be 15 years, contingent upon continued compliance with inspections and the terms and conditions of the contract. The subsidy is non transferable and remains with the unit; if a tenant moves from the project based unit, the subsidy to that household ceases, but a new income qualified household can move in to that unit. In direct tenant-based assistance, the subsidy is awarded to the household and moves with the household, provided the household has continued eligibility for the program.

We have not identified specific projects at this time, but we will solicit applications through a Request for Proposal process in September 2005. The time between project approval and occupancy will vary depending on the type of project, i.e. new construction, or substantial rehabilitation.

5. The FY 2005 Appropriations Act appropriated \$8 million for the purpose of funding the County Prosecutors Initiative Pilot Program. To date these funds remain unexpended. The FY 2006 budget recommends funding this program again at \$8 million. Neither the FY 2005 Appropriations Act nor the FY 2006 proposed budget includes language indicating how this funding will be utilized.

Question: What guidelines, if any, has the department established for distributing the \$8.0 million for the County Prosecutors Initiative Pilot Program? Does the department anticipate the need for authorizing legislation in order to award this funding to counties?

The FY 2005 budget appropriated \$8 million in State aid for the program. The original bill (introduced in May 2004), created a formula for calculating a "state share" of county prosecutor costs for Essex County. The bill was amended in November 2004 to include Hudson, Camden, and Mercer counties. The original distribution formula was amended in November 2004 and again in February 2005, to reflect a payment of approximately 20% of the cost, approximately \$15,460,000. Since \$8,000,000 is allocated in the 2005 budget, the counties are funded at 10 percent of their base year costs, or \$7,730,000, just under the budget appropriation. The Office of Legislative Services has determined that legislation is not needed to disburse the appropriated funds.

6. The "Lead Hazard Control Assistance Act" (C.52:27D-437.1 et seq.) established by P.L.2003, c.311 created a loan and grant program in the department for the remediation and removal of lead based paint hazards for residences. This act established a Lead Hazard Control Assistance Fund (LHCAF) for making loans and grants to qualifying individuals and households. The Governor is proposing \$10 million for the LHCAF in FY 2006. The same amount was appropriated to the LHCAF in FY 2005. \$6.0 million will probably lapse by the end of the fiscal year.

Question: What steps has the department taken to implement the "Lead Hazard Control Assistance Act"? Please indicate the criteria the department will utilize in determining how to award grants or loans for the remediation and removal of lead-based paint hazards for residences. Please detail the actual and intended use of the FY 2005 funding. Please also provide a plan for spending the \$10 million recommended for the LHCAF in FY 2006.

I. What steps has the Department taken to implement the Lead Hazard Control Assistance Act?

On January 20, 2004, the Governor signed the Lead Hazard Control Assistance Act (P.L. 2003, c. 311) into law. The Act creates two distinct programs designed to ensure a lead safe housing environment.

The Act requires that all multiple dwellings be maintained in a lead-safe condition and for this requirement to be enforced as part of the hotel and multiple dwelling regulations. Inspections for lead hazardous conditions begin July 1, 2005. (Under these rules, all multiple dwellings with three or more units are subject to five-year cyclical inspections.) Under the new rules adopted to implement this law, the owners of multiple dwellings built before 1978 are required to take measures to make their buildings free of lead hazards and to maintain them that way. The rules include a requirement for building maintenance staff to be trained in lead-safe work practices and for the building owner to keep records of testing, maintenance activities and training. The new rules also include the payment of a \$20 per dwelling unit surcharge. As prescribed by the Act, the monies collected through this surcharge will be deposited into the Lead Hazard Control Assistance Fund.

The Act also created a loan and grant program in the Department for the remediation and removal of lead based paint hazards for residences. This Act established a Lead Hazard Control Assistance Fund (LHCAF) for making loans and grants to qualifying individuals and households.

The Act also requires that a Lead Safe Registry be developed to maintain and track all lead safe units throughout the state. The Lead Safe Registry has been

developed and data is being entered; and the database will be updated as units are made lead safe. Education and community outreach efforts are underway. Print ads to be posted in child health clinics, local buses, and grocery store bags are being developed in partnership with New Jersey Network/NJN. This effort is in direct concert with the 4 regional lead coalitions and the NJ Department of Health and Senior Services to ensure consistent messaging.

DCA will maintain the Lead Hazard Control Fund. Staff at DCA will process loans and grants for homeowners who wish to make their homes lead safe. Staff charged with processing loans is currently being hired and trained. Applications for the Lead Hazard Control grants and loans will be available June 1, 2005.

II. Please indicate the criteria the department will utilize in determining how to award grants or loans for the remediation and removal of lead-based paint hazards for residences.

Applicants deemed eligible for grants or loans for remediation and removal of lead-based paint hazards for residences must:

- be the owner of the subject property (of housing constructed prior to 1978) with current taxes, water and sewer;
- provide evidence of lead-based paint hazards;
- register their multiple dwellings with the Bureau of Housing Inspection;
- maintain hazard insurance on the property (and flood insurance where necessary); and,
- repay a prior loan before re-applying for additional assistance.

Further:

- no single applicant may borrow in excess of 20% of the allocation;
- buildings undergoing a change of use, addition or reconstruction are not eligible;
- ownership entities other than individuals (with very low income) shall not be eligible for loans with forgiveness;
- owners of rental units must give equal treatment in the rental of housing
- regarding abatement projects, occupants must be willing to temporarily relocate; and,
- projects must achieve the LHCA fund standard upon completion of work.

Applicants must establish their ability to repay the loan (using equity in the property or equity in their personal residence or other real property or through other such guarantees). Loans may be made up to 125% of value of the property; however, loan-to-value shall not exceed 75% of value when alternative real estate is offered as additional security. Value shall be determined by appraisal.

Repayable loan terms:

- For 1-4 family dwellings: 20 years
- For buildings containing 5 or more residential units, the debt coverage ratio shall be 1.25 with a flexible loan term tied to net operating income.

Properties with 5 more units shall also be required to maintain a repayment reserve account.

Loans with provisions for forgiveness: are limited to very-low income owner-occupants of 1-4 family dwellings. The interest rate shall be 3% and the term shall be 5 years for every \$10,000 increment of the loan amount up to a maximum term of 20 years.

Funding priorities:

- First priority for funding shall be given to housing constructed prior to 1950 and occupied by families with children under the age of 6
- Second priority for funding shall be given to housing constructed prior to 1978 and after 1950 and occupied by families with children under the age of 6
- Third priority for funding shall be given to housing not identified in priority one or two.

III. Please detail the actual and intended use of the FY 2005 funding. Please also provide a plan for spending the \$10 million recommended for the LHCAF in FY 2006.

State FY 2005 funding for the LHCA Fund is \$3.375 million. Funds are being utilized as follows:

\$725,000	Contract with NJN
\$200,000	IT software/services for web-based application/Lead Safe Housing Registry
\$500,000	Administration including 13 positions
\$450,000	Emergency relocation
\$500,000	Lead hazard control grants – application intake to begin June 1
\$1,000,000	Lead hazard control loans – application intake to begin June 1

The spending plan for FY 2006 includes:

\$1,000,000	Education/outreach, training and marketing
\$200,000	Lead Safe Housing Registry
\$500,000	Administration
\$500,000	Emergency relocation
\$500,000	Lead hazard control grants
\$6,625,000	Lead hazard control loans

Minimum assistance: \$5,000/dwelling unit
Maximum assistance: \$150,000/dwelling unit

Forms of assistance:

- Repayable deferred payment loans at 3% interest
- Deferred payment loans at 3% interest with provisions for forgiveness

7. The FY 2006 recommendation for Special Municipal Aid is \$24.3 million, down \$5.0 million from the FY 2005 adjusted appropriation of \$29.3 million. Camden, Paterson, Irvington, Union City, and Harrison Town received aid in FY 2005. In 2005, Irvington was able to leave the Special Municipal Aid program and is no longer subject to State supervision under that program; in 2002 East Orange left the Special Municipal Aid program followed by Jersey City in 2003.

Question: What decisions have been made by the department concerning the award of FY 2006 Special Municipal Aid to those municipalities still considered by the department to be in need of aid? What steps are being taken by these remaining municipalities to improve their fiscal and financial situation? To what extent and in what capacities are department staff involved in the day-to-day management of the municipalities in the program?

Special Municipal Aid awards have been made to Union City and Paterson. Union City was awarded \$3.1 million, down from \$3.5 million last year. Paterson was awarded \$3.3 million, down from \$3.4 last year. Awards have not yet been made to Camden, Harrison and Bridgeton, now in the Special Municipal Aid Program.

The long-term answer to eliminating the need for continuing Special Municipal Aid rests with redevelopment. Harrison is awaiting a final agreement on waterfront development including a hotel and soccer stadium. Paterson and Union City are involved in many redevelopment projects.

The Division continues to provide direct fiscal and management support, as well as work with local officials to support ongoing technical and management needs. Additionally, the Division must approve any personnel actions taken by the Distressed Cities, including hiring and promotions. DLGS public safety and finance staff regularly provide technical assistance and conduct regular oversight on operational and financial management practices.

The Department has undertaken an assessment plan of the City of Bridgeton to determine how we can provide appropriate help. Areas being addressed include reviewing the City's financial health and bringing the City's Master Plan into the 21st century. It deals with the present and future issues, needs and desires of Bridgeton and will provide a workable map in order to properly strategize growth and development.

8. Information contained on page D-31 of the Governor's FY 2006 budget indicates that during 2004, the department designated nine of New Jersey's traditional downtowns to the Main Street New Jersey Program (MSNJ) and awarded nine Neighborhood Preservation Program (NPP) grants to municipalities throughout the State. The Main Street program currently has 26 municipalities participating, while the number of Neighborhood Preservation grantees now totals 40. These programs are intended to boost local revitalization efforts and to help leverage available resources for the purpose of achieving the greatest possible return on investment for the affected community.

Question: Provide a list of each municipality participating in the Main Street Program and the Neighborhood Preservation Program and the total amount of funding that the department has provided to each municipality by program category. In addition, separately indicate any other department funding sources that have been used to supplement awards made under either of these two programs, including but not limited to SHARE grants, Smart Future Planning Grants, or funding made available from the Downtown Business Improvement Loan Fund.

(1) Main Street New Jersey provides traditional business districts with Technical Assistance that hone local skills and knowledge to better manage their own commercial environment. It improves the local economy, as well as the appearance and image of traditional downtown, through the organization of business people, local citizens and various stakeholders and resources.

Main Street New Jersey does not provide direct grant funding, but provides substantial technical assistance through training, workshops, design assistance, marketing and small business assistance and help to organize the community stakeholders. Main Street towns are listed below:

Bridgeton	Englewood
South Orange	Hammonton
Westfield	Wildwood
Merchantville	Lawrenceville
Trenton	Woodbury
Ocean City	Salem
Atlantic City	Highland Park
Mount Holly	Boonton
New Egypt	Camden: Broadway
Vineland	Fairview Village
Burlington	Glassboro
Jersey City	Millville
South Amboy	West Orange

(2) Neighborhood Preservation Program (NPP): provides direct financial assistance (\$100,000/year) and technical assistance to municipalities over a five year period to conduct activities associated with the preservation of designated neighborhoods based on strategic revitalization's plans within those municipalities. NPP towns are listed below:

Millville
Ocean City
Penns Grove
Red Bank
Brick Twp.
Collingswood
Harrison Twp.
Lower Twp.
Camden
New Brunswick
Phillipsburg
Berlin Twp.
Maplewood
Pleasantville
South Amboy
Edison
Upper Deerfield
Palmyra
Franklin Twp.
West Orange

Glassboro
Orange
Perth Amboy
Atlantic City
Bridgeton
Englewood
Highland Park
Merchantville
Mt. Holly
Paulsboro
West Orange
Elizabeth City
Neptune Twp.
Salem City
Trenton
Vineland
Woodbury
Asbury Park
Carteret
Plumsted Twp.

9. The Neighborhood Revitalization Tax Credit program provides business entities a fifty percent tax credit for funds provided to nonprofit entities undertaking revitalization activities within eligible municipalities (primarily those with Abbot school districts). Each project may qualify for a tax credit investment of up to \$1 million. A total of \$10 million in tax credits per year may be awarded by the department in conjunction with the Department of the Treasury.

Question: Please provide a status report on the Neighborhood Revitalization Tax Credit program. Please identify each business awarded a tax credit, the amount awarded, the nonprofit entity or entities that secured the business funds, the amount received by the nonprofit, and the location and description of the revitalization project. In addition to direct investment by businesses awarded tax credits, what additional private and public investments have these projects attracted? How much of the business investment in nonprofit entities funds services and how much funds capital improvement in the targeted neighborhoods?

PNC Bank contributed \$250,000 in December 2004 and \$250,000 in March 2005, with a commitment to contribute a total of \$1.5 million over three years. To date, PNC received a tax credit certificate of \$125,000 for 2004 and will receive a tax credit certificate of \$125,000 for its 2005 contribution.

In December 2004, DCA approved the Neighborhood Revitalization Tax Credit neighborhood plan submitted by the non-profit organization HANDS, Inc. for the Valley Neighborhood in Orange. DCA also approved \$250,000 in NRTC funding to HANDS to assist in the conversion of the Harvard Printing Press facility into 160 condominiums and up to 40,000 sq. ft of retail/commercial space, and to redevelop the Brass Company site into four commercial units and two residential units. The entire investment funds' capital improvements are within the targeted Valley neighborhood.

Other investments in the Valley Neighborhood revitalization project include: \$50,000 from the Department of Community Affairs Community Economic Development Initiative (CEDI) program; \$50,000 from the New Jersey Economic Development Authority; \$50,000 loan for the Harvard Printing Press site redevelopment from the New Jersey Redevelopment Authority; a \$25,000 planning loan and \$1,130,000 loan for the site acquisition of the Valley Renaissance Center from the New Jersey Redevelopment Authority; and a \$46,500 grant from the Local Initiative Service Corporation (LISC). The City of Orange has targeted the Valley Neighborhood for redevelopment. To support this, Orange received a \$60,000 DCA/Smart Future Planning Grant for initiatives to meet Smart Growth objectives to create more livable and sustainable communities.

Also, in addition to its Tax Credit contribution, PNC Bank has awarded \$471,000 in loan funds to HANDS, Inc. for the Brass Company redevelopment. HANDS also received \$100,000 from the Neighborhood Reinvestment Corporation's revolving loan fund to purchase the Harvard Printing Press property.

The Department has established an NRTC Task force, with representatives of the banking, insurance, government and non-profit sectors to market this program to the non-profit and corporate community. We are reviewing applications from several non-profits and we have met with several interested corporations.

10. The Division of Fire Safety conducts and oversees inspections of facilities for compliance with the Uniform Fire Code. The division assesses annual registration fees on life safety hazards, which in part support the division's budget and in part are rebated to local agencies enforcing the Uniform Fire Code. Budget evaluation data (page D-35) display significant growth in registration of life safety hazards from about 68,000 in 2004 to 95,000 in 2006. These data also show an increase in State inspection activity for the same period but little change in the total number of certified fire officials and inspectors undertaking local and State code enforcement duties. Anticipated revenues from registration fees and other code enforcement-related activities are projected to grow from \$23.2 million in FY 2004 to \$25.8 million in FY 2006. Division of Fire Safety staff is projected to grow from 90 in FY 2004 to 137 in FY 2006.

Questions: Please explain the reason for the projected growth in registered life safety hazards. Does this growth represent a commensurate increase in inspection and enforcement workload? If so, are there adequate numbers of State and local inspection officials to handle this workload? Please explain why, if the life safety hazards are projected to grow by about 40 percent for the period FY 2004 - 2006, anticipated revenue growth is only 11 percent for the same period? What factors or circumstances justify the need for the growth in the Division of Fire Safety staff that the budget projects?

The number of registered life safety hazards in the Budget Evaluation data was incorrect; "inactive" (closed businesses) life safety hazard uses were inadvertently included. The actual number of life safety hazard uses projected for 2006 is 75,282.

Staff increases primarily relate to the need for DCA to perform inspections in towns without local enforcing agencies and staff for the Bureau of Emergency Response.