



Staci Berger, President & CEO
FY2022 Budget Testimony – March 10, 2022

Good morning Chairperson Pintor Marin, Vice Chair Burzichelli and members of the Committee. My name is Staci Berger, and I am the President and CEO of the Housing and Community Development Network of New Jersey, the statewide association of over 260 non-profit housing and community development corporations, individuals, professional organizations, and prominent New Jersey corporations that support the creation of housing choices and economic opportunities for low- and moderate-income community residents.

The proposed FY2022 budget has some very important housing investments that help address New Jersey's racial and economic disparities, including increased funding for emergency Code Blue resources, rental assistance for new moms and support for LGBTQ folks experiencing housing insecurity. We enthusiastically endorse these proposals in the budget. **However, we oppose diverting \$42 million from the Affordable Housing Trust Fund and moving funds intended to create affordable homes for lower-income New Jerseyans to other programs that benefit middle-income residents.** NJ had closed the page on a decade of treating the Affordable Housing Trust Fund like a slush fund. Don't write a sequel to that horror story now.

Although it appropriates \$30 million from the realty transfer fee for a total of \$68 million in the AHTF, the budget diverts nearly everything else for other purposes. Of the \$42 million being diverted to HMFA, \$20 million would be used for its market-driven Down Payment Assistance program. This would help New Jerseyans earning up to as much as 140% of an area's median income, giving an average \$10,000 grant to purchase a home in the hopes of spurring housing affordability and wealth building. This diversion requires the Legislature to gut the Fair Housing Act's parameters for the Trust Fund, which is limited to creating and repairing affordable homes for residents at or below 80% of AMI. You will have to change the guidelines for the Housing Trust Fund, so that it can serve middle income residents instead of lower income folks and allow it to be used for housing programs that do not actually build new homes, as intended.

Of course, we share Gov. Murphy's goal of increasing homeownership and housing stability for all New Jerseyans, and especially to address the racial wealth gap. These goals can be achieved without diverting funds to a Christie-era program at HMFA. The demand in NJ's communities is to generate more affordable homes for lower income residents; this far outweighs the need to use funds for middle-income families. For example, in Newark, the median income in the City is approximately \$37,000 but a three-person household earning nearly \$110,000 would qualify for HMFA's down payment assistance. According to the recently released Rutgers' CLiME study, *Homes Beyond Reach*, the median income in Newark is slightly lower for renters at, \$30,000. The CLiME assessment calls for 16,000 new affordable rental homes to meet the housing needs of Newark residents. Diverting the AHTF funds will not help address this need at all.

New Jersey can create affordable home ownership and critically needed rental homes for lower-income residents. All of the data before and during the pandemic shows that Black and brown residents have the most pressing housing needs, and have borne the brunt of COVID-19's impact. The Legislature

adopted the Fair Housing Act and created the AHTF as one mechanism to address these needs by increasing the supply of affordable homes. Taking these funds away from the AHTF now, just as it is getting back to business, means that communities trying to meet their fair share housing obligations may lose tens of millions of dollars that can support those efforts. The Down Payment Assistance program will not help meet those obligations, as it will not build a single new home anywhere.

Community developers are addressing the racial wealth gap by increasing the inventory of new homes that are deeply affordable, serving mostly serve Black and brown residents. For example, Garden State Episcopal CDC, based in Jersey City, has built 72 new affordable homes there. All of these homes were sold to homeowners at or below 80% of AMI, which aligns with the AHTF, to buyers with an average income of 47,770. All but three of the buyers – or 96% - are people of color (33 Black, 30 Hispanic, 6 self-identified as mixed race, and 3 white), and 61 of the 72 families are originally from Jersey City.

These homeowners were able to get their mortgage from a lender complying with the Community Reinvestment Act. They received an average \$5,000 down payment assistance through their CRA lender and, in most cases, obtained a less expensive mortgage, with below market rates, no points or PMI, expanded credit allowances and other improved conditions of the loan. It is not clear that the FY2022 budget leverages any of the available private sector products that can help NJ's homeowners expand their housing affordability options.

Camden's Parkside Business and Community in Partnership has built 91 homes, all of which were sold to Black and brown residents (81 Black, 9 Hispanic), 78 of whom are single parents. Affordable home ownership is a key component of fair share plans in suburbs, as well. Morris Habitat for Humanity has built 140 homes for homeowners with an average income of \$33,000. At least 66% of their homeowners are people of color (29 Black families, 55 Hispanic and 8 identified as other and 22 white; 26 did not indicate race or ethnicity).

If the Administration and Legislature want to invest in the HMFA or other home ownership programs, general revenue should be used, not the AHTF. If the goal is to expand the areas of investment for the AHTF beyond the growing applicants in the pipeline, there are other, better options that do not require diverting the fund. The AHTF can be used for crucial housing needs, including ending our state's chronic childhood lead epidemic by making sure homes are inspected and remediated, and investing in the preservation and conservation of NJ's public housing stock. The AHTF can invest in land banks, like Newark's recently launched program, which is creating home ownership using an innovative funding stream including Section 8 vouchers. The AHTF could also be leveraged under the Foreclosure Prevention Act, which the Governor signed yesterday, after a decade of advocacy.

Finally, we have deep concerns about the funding for the FY2022 State Rental Assistance Program.

The budget may cut funding from last year to this program. It is also possible that last year's funding was actually significantly lower than it has been in recent years. We are seeking additional information about last year's SRAP funding and hope that you will look at this line item in detail.

As the pandemic demonstrated, safe and affordable homes are essential for the health and well-being of our residents and our communities. Our Network believes there are crucial investments that can be made using the AHTF to achieve the goal of housing stability, without diverting any of the funds or changing the Trust Fund's parameters. We look forward to working with you, Governor Murphy, Lt. Governor Oliver and to restore these funds to build a thriving New Jersey that everyone can afford to call home. Thank you.