



August 30, 2019

Lt. Governor Sheila Y. Oliver
Department of Community Affairs
101 South Broad St., P.O. Box 800
Trenton, 08625-0800

Dear Lieutenant Governor Oliver:

The Housing and Community Development Network of New Jersey (the Network) is the statewide association of 250 Community Development Corporations (CDCs) and neighborhood support organizations, public agencies, private sector partners and housing advocates committed to creating housing choices and building strong, vibrant neighborhoods for low- to moderate-income residents. For the last thirty years, we have worked to ensure that every resident can afford to call New Jersey home by being the state's premiere source for advocacy, public policy tools, training, technical assistance, information and research that informs and promotes the state's housing supply and community revitalization efforts.

We are proud that our three year advocacy campaign to end the diversion of the Affordable Housing Trust Fund (AHTF) was successful and thank Governor Murphy, Senate President Sweeney, Assembly Speaker Coughlin and members of the Legislature for their commitment in the FY2020 budget to end the past decade of disinvestment in New Jersey's housing market. Years of diversion of these constitutionally dedicated realty fees to fund other budgetary items has caused tremendous damage to our state's housing market, our economy and our neighbors. It is no surprise that a 2018 Eagleton survey found nearly 80 percent of state residents worry about their housing costs.

We believe that full funding for the AHTF represents a crucial opportunity to solve our housing crisis and build a thriving New Jersey, by adopting the following funding policy guidelines and programmatic recommendations:

- **Establish an Open Process for Funding, Prioritizing CDCs:** We strongly urge the Department of Community Affairs to develop a transparent, competitive process that invests these funds where they can be best used by experienced, dedicated non-profits to create affordable homes.
- **Provide Operating Support for CDCs:** A portion of the funds collected through the AHTF should be used to provide non-profit operational support, which has been entirely unfunded in the last decade. As noted in our Stronger Together report, New Jersey CDCs

P 609.393.3752 145 West Hanover Street Trenton, NJ 08618

Like us: www.facebook.com/hcdnnj www.hcdnnj.org Follow us: @hcdnnj

have contributed \$12 billion to the State economy, directly investing \$6.5 billion into our communities and resulting in more than 82,000 jobs created over a 25-year span. In most cases, CDCs develop properties and use neighborhood revitalization strategies that the private market cannot or will not. CDCs need and deserve up-front operational investment and long-term support in order to continue to operate in places that the private sector cannot or will not. Funding to address the operational needs of non-profit CDCs should be an integral part of the restoration of the AHTF.

- **Support Appropriate Leveraged Investment:** The AHTF can be used to maximize federal, private, and state supported investments like HOME, CDBG, Federal Home Loan Bank, and other financing tools. However, the AHTF should be deployed to support neighborhood-based, mission-driven development that helps communities left behind by the private market. The Network opposes the use of AHTF resources to support competitive, robust programs like the Low Income Housing Tax Credit or other credits like those under consideration by the NJ Economic Development Authority.
- **Offer Pre-Development Funding:** Pre-development and acquisition financing is challenging for small, mission-based nonprofits because development expenses can take up the majority of a CDC's operating budget. The AHTF would offset these costs and give our members ability to produce more volume, and increase the overall availability of affordable homes.
- **Single Family:** investment in single-family home construction would offset our members' increasing construction costs, providing a necessary subsidy as families earning less than 80 percent AMI enter homeownership. For most CDCs, the numbers simply do not work for single-family affordable home construction unless there is a subsidy that leverages other developer resources.
- **Encourage Owner-Occupied Rentals:** Funds should be used to spur development and rehabilitation of 2-4 homes, especially in scattered site development and revitalization areas. The AHTF should prioritize this kind of development as a tool to address spot blight and as a mechanism to create more owner-occupied rental homes, which are sorely needed. New Jersey is the sixth most expensive state in the nation for renters. Supporting the creation of owner-occupied rental homes is a critical investment New Jersey can make to build wealth for families, address neighborhood blight and expand the rental housing market.
- **Invest in Small Rental Properties:** The AHTF should support the creation of small apartment buildings, five to 25 homes, and to strengthen this key component of the state's

housing market. HMFA's now defunct 5-25 program was an important tool for CDCs and this kind of development should be supported through the AHTF.

- **Support Foreclosure and Housing Preservation:** Non-profits have been on the front lines of New Jersey's devastating foreclosure crisis. Dedicating funds to purchase and rehab foreclosed properties into deed restricted, affordable homes has long been a Network policy objective, and we strongly support the use of the AHTF to meet this pressing need. In addition, some CDCs have aging portfolios for which AHTF resources could be used to preserve housing stock and help homeowners, as well as renters, remain in their homes.

CDCs should have access to AHTF resources to assist low-income homeowners with necessary home improvements (energy efficiency, HVAC upgrades, code upgrades, and exterior maintenance), particularly as many towns have implemented ordinances that mandate some degree of property maintenance. Aesthetic and more substantive improvements protect property values and have other positive effects on neighborhoods. Homes, and blocks of homes, that fall into disrepair may end up in the hands of speculators, especially in vulnerable neighborhoods.

- **Maximize Investment in Neighborhood Revitalization Tax Credit (NRTC)**
Neighborhoods: AHTF allocations should be prioritized for non-profit developments taking place in approved NRTC plans, including those projects that are submitted to the Qualified Project Pool (QPP), regardless of their success in the QPP. Leveraging the AHTF investment with NRTC will maximize the use of both funding sources.
- **Prompt Use of Commercial Space:** In many commercial districts, zoning requires commercial use on ground floor with residential space above. However, the market does not support the CDC-led construction or rehab of this type of space as it would require rental rates upwards for \$30 per square foot, even in weak markets. There are very few, if any financing options for CDCs these types of small- and mid-scale developments. Using AHTF funds for this kind of development will help spur economic investment in commercial corridors and encourage the kind of mixed-use development communities need and residents want to see.
- **Leverage Supportive Housing:** A portion of the AHTF should be leveraged with other existing programs for service-enriched housing developments to address the overwhelming need to provide affordable homes for people with special needs.
- **Meet the Spirit of Mount Laurel:** Non-profits in communities that have made a good-faith effort to implement an approved plan to meet their fair housing obligations should be eligible for AHTF funding. Communities that have ignored their responsibility or

have not acted in good faith should not be eligible for this funding.

- **Capital Asset Bond Pool:** the AHTF can be used to create a resource to make loans, provide funding grants, and technical assistance for preservation and capital improvements on existing projects.
- **Consider Future Investments:** If the AHTF continues to be fully capitalized and continues to grow, additional funds could be used for limited investments in public housing authorities that operate within neighborhood plans. Additional funds could also be invested in housing counseling services, which are critically needed and remain underfunded from public and private sources. Housing counseling is an essential element for renters and homeowners to acquire and maintain safe, affordable homes.

As indicated in Stronger Together, CDCs are one of the great American success stories, providing extraordinary contributions to our residents. They are also resilient to the ebb and flow of our economy, thanks to strong leadership, established operating systems, and support from the state's philanthropic, government, and corporate communities. CDCs are well-positioned to maximize the fully funded AHTF to ensure that all neighborhoods are thriving places everyone can afford. We look forward to working with the DCA and other stakeholders to build a thriving New Jersey together.

Sincerely,