



Testimony to the Assembly Housing and Community Development Committee
Staci Berger, President & CEO
January 27, 2016

Good afternoon. Thank you Chairman Green, Chairwoman Jasey and members of the Committee for the opportunity to testify before you today about New Jersey's stubborn housing affordability crisis and its impact on, and relationship, to New Jersey residents living in poverty. As the statewide association of community developers working to ensure that everyone has a great place they can afford to call home, we are deeply concerned about the need for housing to be affordable for all of the residents of our state.

Unfortunately, we still have a long way to go to create a balanced housing market that gives everyone a fair opportunity to live in the community of their choice, near transit and employment, and with amenities they enjoy and services they need. According to *Out of Reach 2015*, the annual, national report that provides the Housing Wage and other housing affordability data for every state, metropolitan area, combined non metropolitan area, and county in the country, New Jersey is the fifth most expensive location in the nation to rent a two bedroom apartment. Only Hawaii, California, and New York are less affordable, according to the report, produced by the National Low Income Housing Coalition and released by the Housing and Community Development Network of NJ.

For as long as I can remember, New Jersey has been at the top of this list of least affordable places to live. Competition for quality affordable homes is fierce because the housing market is out of balance. State leaders need to invest in ways to create more homes, including preserving money from the Affordable Housing Trust Fund. Our nurses, police officers, teachers, administrative assistants, and all who are the backbone of our state's economy need homes they can afford.

In order to afford a modest two-bedroom rental home in the Garden State, a family must earn an hourly wage of \$25.17, far more than the state's average hourly wage of \$16.92. As the Fair Market Rent (FMR) in the state for a two bedroom rental is \$1,309, a family must earn \$52,347 annually in order to make it affordable. Using that formula, a minimum wage worker would have to work **120 hours** per week year-round to be able to afford a two-bedroom home at FMR. Even at the mean wage of \$16.92, a person would need to work for 59 hours a week to be able to afford that home. To gauge affordability, the NLIHC and the Network both use the widely accepted measure that no more than 30 percent of a person's income should be spent on housing.

As you probably know, we are also at the top of another list we don't want to be on, as our foreclosure crisis continues to lead the nation. It is a huge burden for our families and communities, but especially those who live paycheck to paycheck. At the end of 2015, the foreclosure rate was up 27% from the same time the previous year. One in every 471 homes in the state is in foreclosure, over twice as many as the national average, according to RealtyTrac. The most recent data we have available found the foreclosure rate in the Vineland-Millville-Bridgeton area was the worst in the nation; the Atlantic City-Hammonton area was the second worst. I suspect those may have changed since we last obtained them, given the situation in Atlantic City.

A 2013 review of the data looked at the percentage of homeowners with underwater mortgages and found that three of the four cities hardest hit by foreclosures in America are here in New Jersey. They are Newark, Elizabeth and Paterson with 54%, 53% and 49% of homeowners, respectively, with underwater mortgages. Jersey City was close behind, as 34% of that city's homeowners have underwater mortgages.

The same foreclosure analysis found a disproportionate impact on lower income families and people of color. The report found that in these zip codes, the median household income is \$41,519, which is well below the statewide median household income of \$71,637. These communities are overwhelmingly made up of African American or Latino residents, with a median average of 86 percent. Since home ownership represents the single biggest investment most people make, the foreclosure crisis hits lower income residents on the edge of economic survival the hardest.

Even more distressing, the data showed a 42 percent median decline of house prices from their peak. Lower income, communities of color are bearing the brunt of the physical displacement and economic disruption that is caused by foreclosures.

The housing affordability and foreclosure crisis is the albatross around the neck of our economic recovery. At the time of our analysis, not one of the counties in our state had seen home prices regain their value from 2006. In Salem County, home prices were still more than 20% below their pre-recession value. While some individual communities are doing better now, thankfully, the state continues to lag far behind our neighbors in addressing the foreclosure crisis, and our families in and on the edge of poverty feel the effects first.

However, there is a growing sense in the state that both the policy environment and the budget situation are beginning to improve, bringing opportunities to develop the homes NJ needs. Our housing market is like a food market that only regularly offers filet mignon and caviar...we need Hamburger Helper and tuna fish, too. We applaud last year's decision by the NJ Supreme Court to retain control of fair share housing plans in communities, while requiring meaningful participation from non-profit builders and advocates. I know many members of this Committee and the Legislature in general tried to avoid a Court decision, but the Governor vetoed the reasonable legislation you sent him to address these needs. We believe this new process can create the homes that our market needs, so that we can finally address the critical housing shortage for people of limited economic means that is decades old.

This shortage is exacerbated by the stubborn patterns of racial and economic segregation that we continue to see in suburban communities, some of whom are openly advocating for a return to the policies of the past. Progress on that front has been long coming, but HUD finally published in July the proposed rule implementing the Fair Housing Act of 1968's obligation to affirmatively further fair housing. We are working with partners around the state to see those plans come to fruition.

In addition to providing choices around the state, we need to ensure that our current stock of homes is safe for the people who live there. We need to provide rehab funding for those places that need to address health and safety issues, especially homes where children are at risk of lead poisoning. This completely preventable disease continues to ravage the lives of children here, in our state, in 2016. Can't we do better? Last year alone, 3100 children were poisoned by lead. We need resources now, we cannot wait. The \$10 million in the Lead Poisoning Prevention Fund needs to be directed to its original purpose in this budget and spent as intended, including providing relocation and rehab funds so children

do not return back to the same, untreated places in which they were poisoned and their future prospects dimmed by the effects of this toxin.

We believe this issue, and a great many others that put housing out of reach for so many lower income residents, are fixable if we invest in the tools that can get the job done. We know that you have tried, on numerous occasions, to craft policies and resources to provide those tools. We appreciate your leadership and urge you to keep trying. We have a broad agenda for changes you can adopt, and while I will not go into them all in detail now, I do want to highlight a few key areas that can make a big impact.

First and foremost, the Affordable Housing Trust Fund should be used for its intended purpose, housing production, rather than to fund the State Rental Assistance Program (SRAP) which should be fully funded separately. We desperately need more vouchers, but taking money from the trust fund to provide vouchers is like stealing from Peter to pay Paul. It does not address the market conditions, and does not get to the heart of the problem – that there simply are not enough homes that lower income families can afford. It is why we see folks doubling and tripling up in unsafe conditions.

Funding for rehabilitation of homes with lead poisoning and addressing other problem properties can help put more homes in the mix and help balance our market. In addition, increasing the funding for the Neighborhood Revitalization Tax Credit program, from the current cap of \$10 million to \$30 million, could provide as much as a seven fold increase in investment in NJ's most distressed urban areas engaged in community-driven neighborhood revitalization. As many of you know, the NRTC is a wildly successful, public-private partnership that allows community organizations and private sector investors to work together to create homes and economic development. We know this works. You can help make it even more successful, and bring good jobs and affordable homes to people who need them.

Lower income families need help when they face a crisis, especially when a foreclosure threatens. We hope you will move A2036 sponsored by Asm. Green and Asw. Sumter to create a Foreclosure Prevention and Neighborhood Stabilization Revolving Trust Fund, by placing a temporary surcharge on mortgage foreclosure complaints. The fund will be financed through a temporary \$1,200 surcharge placed on each foreclosure complaint filed in the State. DCA shall provide up to \$500,000 from the fund to train qualified vendors to provide training to local governments and non-profit entities undertaking neighborhood stabilization efforts. We also urge you to codify the Foreclosure Mediation Program and fund it, by moving A1029, also sponsored by Asm. Green and Holly, Asw. Jasey and Muoio. This bill also dedicates monies from foreclosure filing fees and fines to run the program, and mandates the use of certified foreclosure counselors so people do not get scammed.

Finally, as we work to create communities that are affordable and vibrant for everyone, we must maintain a strong safety-net that protects those most at risk. We respectfully ask that you move A815, sponsored by Asm. Andrzejczak that would help standardize Code Blue emergency weather procedures across the state so that every county has a process to shelter homeless residents during severe weather events. No one should freeze to death on our watch. We can and must do better for our neighbors in need.

I am attaching the full list of our policy recommendations, and am happy to answer any questions you might have, now or later. I want to thank you again for the opportunity to be with you here today and for your continued leadership and commitment to make New Jersey a place everyone can afford to call home.



2016 State Legislative Policy Priorities

The lack of homes New Jerseyans can afford harms our residents and stifles our economy. This situation was made worst by Superstorm Sandy. Vacant properties hurt the revitalization efforts of communities and the foreclosure crisis continues to hold back our state's economic recovery. We continue to advocate for policies and programs that address New Jersey's housing crisis, promote community development and move our state forward, including:

Tools to help produce more homes affordable lower income families:

- **Increase relocation assistance based on increase of CPI (A2022)** sponsored by Asw. Jasey. Relocation Assistance has not increased since 1972! This bill provides for a 4.5-fold increase in all of the statutory assistance amounts over two years and for the indexing of the amounts to changes in the CPI-U beginning 36 months after the effective date of the bill.
- **"New Jersey Housing Assistance for Veterans Act," (A306)** sponsored by Asm. Singleton, Establishes pilot program to assist low income or disabled veterans with housing modification and rehabilitation; appropriates \$5 million.
- **Creating new financing mechanisms (S894)** sponsored by Sen. Lesniak. \$600 million in tax credit available to developers to construct affordable, mixed-income housing developments in distressed neighborhoods.
- **Establishes additional \$75 county recording fees to increase funding to the "New Jersey Affordable Housing Trust Fund."** (A912) Sponsored by Asw. Vainieri Huttle and Oliver.
- **Preserving the State Budget and Production Funding:** The State Rental Assistance Program (SRAP) was level funded in this year's budget, despite a tremendous need for more rental vouchers. The state budget should fund the rehabilitation and construction of homes that are affordable to low and moderate income residents, not use the AHTF to fill budget gaps. The Network will continue advocate for the budget to increase funding for SRAP, preserve housing production dollars and expand the Neighborhood Revitalization Tax Credit Program (NRTC).

Reducing the Impact of Foreclosures and Addressing Problem Properties: NJ continues to be one of the states with the worst foreclosure problems. We support the following initiatives:

- **Creates Mortgage Assistance Pilot Program (A303)** sponsored by Asm. Singleton. A pilot program to allow homeowners with negative home equity who is in default of a mortgage owned by the agency to lower the remaining principal owed on the mortgage to an amount more reflective of current market realities in exchange for conveying an equity share in the property to the agency.
- **Funding for Foreclosure Prevention:** (A2036) sponsored by Asm. Green/Asw. Sumter to create a Foreclosure Prevention and Neighborhood Stabilization Revolving Trust Fund; places temporary surcharge on mortgage foreclosure complaints. The fund will be financed through a temporary \$1,200 surcharge placed on each foreclosure complaint filed in the State. DCA shall provide up to \$500,000 from the fund to train qualified vendors to provide training to local governments and non-profit entities undertaking neighborhood stabilization efforts. The Department may utilize \$500,000 in the first year of the fund, and \$300,000 each year thereafter, for the purpose of collecting and disseminating foreclosure data. Following these disbursements from the fund, the next \$10 million collected during the fiscal year shall be allocated to qualified non-profit

entities for the purpose of maintaining or expanding their foreclosure prevention programs. Entities receiving these funds shall issue quarterly reports detailing the success of their foreclosure prevention programs.

- **Codifies the Foreclosure Mediation Program and funds it.** (A1029) sponsored by Asm. Green and Holly, Asw. Jasey and Muoio. This bill also dedicates monies from foreclosure filing fees and fines to run the program. Mandates use of certified foreclosure counselors.
- **Hold Creditors responsible for Non-residential buildings and building interiors.** The Legislature should require creditors to maintain vacant and abandoned non-residential properties under foreclosure; and to maintain the interior of vacant and abandoned residential property under foreclosure.
- **Expand municipal authority to license rental property** (S732) Sponsored by Senator Cruz-Perez. This bill would restore the ability of towns to inspect rental properties after a State court decision limited their right. It also eliminates duplicate inspections in the same year except when prompted by evidence of code violations.

Protecting the Homeless:

- **Code Blue** (A815) sponsored by Asm. Andrzejczak. Requires county emergency management coordinators to establish Code Blue Program to shelter homeless during severe weather events.
- **Removes restrictions on convicted drug offenders receiving general assistance benefits under Work First New Jersey program.** (A889/S2601) Sponsored by Asw. Muoio and Senator Cunningham.

Lead Poisoning Preventions:

- **Funds \$10 million appropriation for the Lead Hazard Control Assistance Fund:** (A1378) Sponsored by Asw. Spencer.
- **Requires various measures to address effects of low levels of lead exposure.** (A159) sponsored by Asw. Tucker and Jasey. This bill will enable school personal to know if a child has a history of this elevated blood lead level and will require schools to educate staff and parents about the dangers of lead exposure.

Ensuring an Equitable, Sustainable Sandy Recovery: The Network will continue to partner with our allies to advocate that federal Sandy recovery funds address the critical housing needs of people who were impacted by the storm.

Advancing Housing Policies to Move NJ Forward: We will work to ensure the recent Supreme Court's *Mount Laurel* decision results in new rules that promote housing opportunities throughout the state.

*For the complete text of any of these bills, go to www.njleg.state.nj.us and search by bill number. For more information about these issues, contact Arnold Cohen or Staci Berger, 609/393-3752. *Updated 1.20.16*

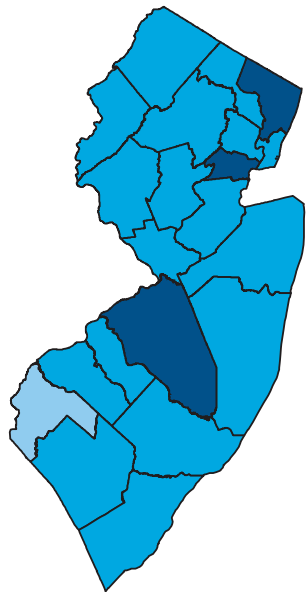
2015 STATE HOUSING PROFILES

New Jersey

Senators: Cory A. Booker and Robert Menendez
 Many renters in New Jersey are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income (ELI) renter households, i.e. those with incomes at 30% or less of the area median income (AMI).

Last updated: 9/15/15

AFFORDABLE & AVAILABLE UNITS FOR ELI RENTER HOUSEHOLDS

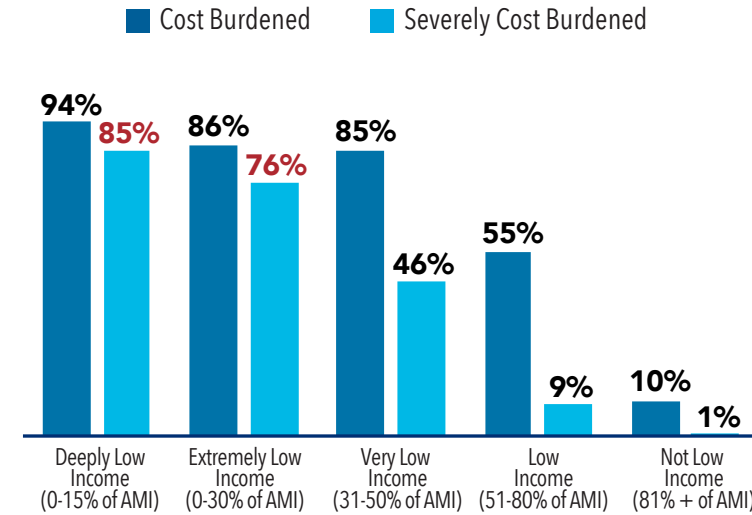


- Insufficient data
- Less than 25 units** per 100 ELI households
- Between 25 - 40 units** per 100 ELI households
- More than 40 units** per 100 ELI households

Source: NLIHC tabulations of 2007-2011 Comprehensive Housing Affordability Strategy (CHAS) data.

HOUSING COST BURDEN BY INCOME GROUP

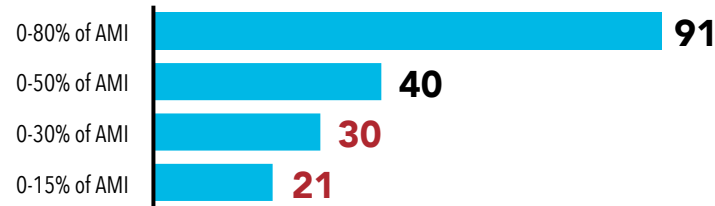
Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are considered severely cost burdened.



Source: NLIHC tabulations of 2013 American Community Survey Public Use Microdata Sample (PUMS) housing file.

HOUSING SHORTAGE BY INCOME THRESHOLD

The lower the income threshold, the greater the shortage of affordable and available units per 100 renter households.



Source: NLIHC tabulations of 2013 American Community Survey Public Use Microdata Sample (PUMS) housing file.

KEY FACTS

36%

Households in this state that are renters

298,647

OR

26%

Renter households that are extremely low income

\$25,500

Maximum state level income for an ELI household

210,481

Shortage of units affordable and available for extremely low income renters

\$25.17

State Housing Wage

The hourly amount a household must earn to afford a two-bedroom rental unit at HUD's Fair Market Rent