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1. From 2008 to 2015, the equalized value of all taxable property in Atlantic City declined by 59 percent, from $20.4 billion to $8.4 billion. During this period, successful property tax assessment appeals increased the city's tax refund obligations, compelling the city to incur $219 million in debt after 2010 to fund tax appeals and cash deficits. In response to this fiscal crisis, the State enacted the "Municipal Stabilization and Recovery Act," P.L.2016, c.4 (C.52:27BBBB-1 et al.) ("Recovery Act") on May 26, 2016, which granted the State broad authority to oversee and manage the fiscal conditions of certain municipalities deemed in need of stabilization and recovery. The Recovery Act allowed the State to assume responsibility for the management of the day-to-day operations of Atlantic City.

To assist in the supervision of Atlantic City, the State retained the services of several professionals. Jeffery S. Chiesa was appointed to serve as the State designee to oversee the city. The State also retained the services of the following professionals to assist in the State's oversight of Atlantic City:

(1) Ernst &Young LLP, to provide financial and other support services in anticipation of litigation regarding Atlantic City;
(2) Squire Patton Boggs (US) LLP, to provide general legal advice in connection with the stabilization of the city, including specialized counsel in connection with bankruptcy and restructuring contingencies;
(3) HJA Strategies, to provide consulting services in anticipation of litigation involving Atlantic City; and
(4) Phoenix Consulting Group LLC, to serve as an expert in anticipation of litigation for the State, including the Division of Local Government Services.

Upon entering office, Governor Murphy indicated that he envisions a greater partnership between Atlantic City and the State during his administration. Lieutenant Governor Oliver also stated in her inaugural speech that she would like to see Atlantic City back on its feet and free of State intervention. On February 15, 2018, Governor Murphy named Jim Johnson as special counsel to review ongoing litigation and provide recommendations for returning Atlantic City to local control. In addition, Governor Murphy announced on April 16, 2018, that the department would begin to regain control of the State's oversight of Atlantic City, with the objective of terminating the appointment of Mr. Chiesa as State designee within g 30 days.

In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that the State has made "significant progress on stabilizing the city's finances." According to the department's response, notable examples of this progress during Fiscal Year 2017 included: (1) reaching a settlement agreement with MGM Resorts International, owner of the Borgata, concerning the property tax appeals filed by the casino; (2) negotiating interim payments in lieu of taxes (PILOT) agreements with casinos operating in the city; and (3) developing plans to restructure fire and police staffing levels. Moreover, the city also anticipates several positive economic developments during Calendar Year 2018, including the openings of the Hard Rock Hotel & Casino, Ocean Resort Casino (formerly Revel), the Stockton University Gateway project, and The Beach at South Inlet.

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On July 12, 2017, the Local Finance Board approved Atlantic City's Calendar Year 2017 budget. According to testimony at the Local Finance Board hearing, the city's Calendar Year 2017 budget represented numerous positive fiscal developments, including expenditure reductions of $50 million, and staffing decreases of 400 employees, since 2014. However, outstanding tax appeal liabilities continued to strain the city's budget, according to testimony from Mayor Guardian. As a result, Atlantic City issued $68,325,000 in tax appeal refunding bonds on October 4, 2017 to finance refunds due to successful tax appeals filed on the following properties during the period between 2013 and 2016: Bally's Atlantic City, Caesars Atlantic City, Golden Nugget Atlantic City, Harrah's Atlantic City, Tropicana Casino & Resort, Taj Mahal Atlantic City, and Trump Plaza Hotel and Casino.

- ***Question:*** **What role will the Department play in the stabilization and recovery of Atlantic City's finances from this point forward? What actions need to be taken to improve the city's fiscal situation? Does the Department intend to significantly alter the scope or focus of State oversight over the city? If so, what specific changes will be made? What additional oversight responsibilities will the department take on when the State designee is ended?**

- ***Question:*** **Please explain Atlantic City's current fiscal situation. What factors present the greatest challenge to the city's long-term self-sufficiency? How many property tax assessment appeals are currently filed against the city? What is the anticipated amount of tax appeal liabilities?**

- ***Question:*** **How much did the State expend for each professional service retained in connection with oversight of the city noted above? To what extent will the State continue to rely on outside professional services to assist in its oversight of Atlantic City? Please list each outside firm under contract with the State to provide services relative to Atlantic City oversight, the scope and duration of each contract, and the maximum contract amount.**

The Division of Local Government Services (DLGS) will manage the oversight of Atlantic City. Historically, DLGS has had the responsibility of overseeing financially distressed municipalities, and its experienced professionals are already significantly engaged in the management of Atlantic City's finances and day-to-day operations. Continued stability requires both budgetary and management discipline. That is a necessity, but not the sole condition in sustaining fiscal health. Atlantic City's tax base has suffered a tremendous decrease in value over the last 10 years and a long term strategy must include specific attention to reversing that slide. The Department is well equipped to build and maintain relationships with community-based organizations, civic groups, and other stakeholders to address the challenges facing the City. Further, DCA is well positioned to leverage its own resources, to envision what Atlantic City can be in the future, and coordinate with other state agencies to help guide the City in that direction.

Atlantic City is financially healthier now than it was 18 months ago. The State's oversight of City finances helped make possible the Hard Rock's $500 million investment on the boardwalk and the Ocean Resort Casino's revitalization of the former Revel property. The State's intervention has given investors confidence, which also benefits the region and the State.

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DCA's work enabled Atlantic City to successfully sell bonds in April to finance pension and healthcare contributions to City employees that were deferred in 2015 in the midst of the City's budget crisis. These deferred contributions were the last major debt hurdle; DCA does not anticipate additional issuance of debt on a similar scale. The above-referenced bonds were sold under the State's Municipal Qualified Bond Act. Pursuant to the Act, the State Treasurer withholds a portion of Atlantic City's state aid in amounts sufficient to pay the principal and interest on the bonds. Also, the State Treasurer will direct a portion of the Investment Alternative Taxes (IATs), paid by licensed casinos, to the City to pay the debt service on the bonds. The bond sale better positioned the City to improve the ratings agencies' view of the City's finances.

Long-term self-sufficiency requires a multi-pronged approach that includes: (a) continued fiscal discipline; (b) decreasing the percentage of property in the City that is tax exempt and increasing the total value of ratables; (c) taking steps to expand economic development in the City, including a sustained focus on employment opportunities for the residents of the City; (d) attracting new residents; and (e) addressing public health issues in the community.

A lawsuit against the State and Atlantic City regarding the allocation of casino payment in lieu of taxes (PILOT) funds has been settled in principle. Under the draft settlement agreement, Atlantic County, in return for a greater allocation of casino PILOT payments, will provide cost-saving services to the City. Critically, those county services will be audited by an independent auditor to ensure that the value of the services provided is fair. Also, if the City's decreased allocation of casino PILOT payments were to cause an increase to the City's municipal tax rate, the State has agreed to offset such a decrease, likely in the form of Transitional Aid (TA). With the bond sale and casino PILOT lawsuit settlement, the City is approaching a balanced Calendar Year (CY) 2018 budget with no property tax increase.

Approximately 4,478 property tax assessment appeals remain outstanding with an estimated overall exposure of $149 million. Notably, the Casino Property Tax Stabilization Act (CPTSA), N.J.S.A 52:27BBBB–18 et seq., which took effect in 2016 and requires the casinos to make specified PILOT payments over a 10-year period, ended the volatility of the supersized tax appeals involving the City's casino gaming properties.

Moving forward, the Department anticipates using in-house resources for Atlantic City oversight rather than outside firms. The remainder of the questions are best directed to the New Jersey Attorney General's Office.

2. Sections 1 through 8 and section 10 of P.L.2016, c.5 (C.52:27BBBB-18 et seq.) comprise the "Casino Property Tax Stabilization Act" ("Act"). The Act provides that, beginning in Calendar Year 2017, and for the next succeeding nine years, casino gaming properties located in Atlantic City (including accessory hotels, conference rooms, parking garages, and other appurtenant facilitates) are exempt from ad valorem taxation on real property. During this ten-year period, owners of casino gaming properties are required to fulfill their property tax liabilities by making annual payments in lieu of taxes (PILOT).

The total amount of PILOTs owed to Atlantic City is based on the total amount of casino gaming revenues generated in each year. The PILOT obligation for each casino gaming

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property owner is determined according to a formula, implemented by the Local Finance Board, which accounts for gaming revenues, the number of hotel rooms, and the square feet of floor space at each property. Under the Act, the owners of casino gaming properties are required to sign financial agreements with Atlantic City promising to make the payments established by this formula. Any new owner of a casino gaming property also is responsible for entering into a PILOT agreement with the city.

The Act also requires Atlantic City to allocate an unspecified portion of the PILOT receipts to Atlantic County and the Atlantic City School District. In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that 10.4 percent of the Calendar Year 2017 PILOT was remitted to the County.

- ***Question:*** **Please provide a report showing the distribution of the PILOT among casino gaming properties for Calendar Year 2018, including the geographic footprint (expressed in acres), number of hotel guest rooms, and gross gaming revenues, for each casino property, respectively. Does the Local Finance Board equally consider each criterion included in the PILOT obligation formula? If not, how is each criterion weighted? Have all casino gaming properties, including the Hard Rock Hotel & Casino and Ocean Resorts Casino, entered into PILOT agreements with Atlantic City? If not, which casino gaming properties have not, and for what reason?**

- ***Question:*** **What proportion of the Calendar Year 2018 PILOT will be distributed to Atlantic City, Atlantic County, and the Atlantic City School District, respectively? What additional service responsibilities have been transferred from Atlantic City to Atlantic County as a condition of providing a share of the PILOT to Atlantic County?**

The CPTSA governs the calculation and allocation of the PILOT payments to be made by the casino gaming properties in Atlantic City. The individual amount of the PILOT owed by each casino gaming property is calculated each calendar year using a formula implemented by the Local Finance Board, in consultation with the Division of Gaming Enforcement, using the following criteria:

- the geographic footprint of the real property, in acres, owned by each casino gaming property;
- the number of hotel guest rooms in each casino gaming property; and
- the gross gaming revenue of the casino in each casino gaming property from the prior calendar year.

Each of the above criteria carries equal weight in the formula; during CY2017, CY2018, CY2019, CY2020, and CY2021, if the formula results in any individual casino gaming property being allocated an amount that is in excess of the total real property taxes due and payable by the property in CY2015, then that property will receive a credit against its IAT obligation under the applicable provisions of the Casino Control Act in the amount of such excess. If, after that credit, that casino gaming property would still be liable for a PILOT in excess of the total real property taxes due and payable by the casino gaming property in CY2015, the casino gaming property shall not be required to make any additional PILOT payment. Instead, any additional amount that would have been owed by that casino gaming property will be added, by

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proportional share, to the PILOT to be paid by every other casino gaming property, subject to the same above-described limitation and credit procedure, in order to provide the City the total amount of the PILOT due and owing for that calendar year. When a new casino gaming property is added, or when an existing casino gaming property no longer qualifies as a casino gaming property under the CPTSA, the City's financial agreement with each owner of each casino gaming property will be amended to reflect the change and the allocation of the PILOT between the casino gaming properties.

The transition and timing of the implementation of the CPTSA required certain unexpected calculations to be performed during the first quarter of 2017, and thereby compelled the execution of "Interim Financial Agreements" with each casino gaming property for the 2017 tax year. Pursuant to such 2017 Interim Financial Agreements, the total 2017 PILOT amount was paid by the casino gaming properties.

The calculations and discussions with casino gaming properties relating to the PILOT allocation for the 2018 tax year and beyond are ongoing and dependent upon certain factors still to be determined resulting from, among other things, the anticipated opening in 2018 of the Hard Rock Hotel and Casino Atlantic City and the Ocean Resort Casino. First Quarter 2018 Interim Financial Agreements were executed with each casino gaming property, and the First Quarter 2018 PILOT payments were made. Because of an anticipated shortfall in First Quarter IATs available for the crediting function, there was a $130,834 shortfall for the First Quarter. This will be made up through the aggregate Second Quarter payment being $32,630,834. The allocations of the First Quarter 2018 PILOT payments are listed in Attachment 1. Second Quarter 2018 Interim Financial Agreements will be necessary, and the 2018 allocations will be finalized in advance of the Third Quarter of the 2018 tax year.

Also pursuant to the CPTSA, a portion of the annual PILOT moneys collected is required to be remitted to the County and to the School District in lieu of the City's tax levy for their own purposes. For the 2017 budget year, 10.4% of the PILOT moneys collected by the City was remitted to the County, and 36.25% was remitted to the School District. Notwithstanding these 2017 payments, the CPTSA does not mandate any specific percentages of PILOT moneys be remitted to the County, the School District, or the Atlantic County Library System. Instead, the CPTSA provides discretion to the Director of DLGS to determine the annual amount of the aggregate PILOT payment to be distributed to these entities, if any. No specific additional service responsibilities were transferred from Atlantic City to Atlantic County in the 2017 budget year as a condition of the County's receipt of the 10.4% share of the PILOT.

The proportion of the 2018 budget year PILOT to be distributed to Atlantic City, Atlantic County, and the Atlantic City School District, respectively, has not been determined; the amount that will be distributed to the County, and any service responsibilities to be transferred from Atlantic City to Atlantic County as a condition of the County's share of the PILOT, is the subject of litigation as discussed in the response to Question 1. That litigation was recently the subject of a settlement conference. A draft settlement agreement is being circulated among the parties, and it is possible the matter will be resolved within the next two to three weeks. Thereupon, the allocation to each of the three budgets identified above can be determined.

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3. Section 4 of the "Casino Property Tax Stabilization Act" ("Act"), P.L.2016, c.5 (C.52:27BBBB-21) requires the owners of casino gaming properties to make separate payments, in addition to PILOT obligations, totaling $110 million to the State from Calendar Year 2015 to 2023. The amount owed by each casino gaming property is based on the property's proportion of gross gaming revenue for the prior year, as determined by the Local Finance Board in consultation with the Division of Gaming Enforcement in the Department of Law and Public Safety. These payments are to total $10 million in Calendar Year 2018 and $5 million in Calendar Years 2019 to 2023. The Act also requires that these separate payments be applied to Atlantic City's municipal budget for the year in which they are received.

- ***Question:*** **Please provide a report showing the allocation of separate payments among casino gaming property owners for Calendar Year 2018. Have all casino gaming property owners fulfilled their additional payment obligations to Atlantic City?**

The allocation of separate payments among casino gaming property owners for CY2018 is set forth in the chart below; the casino gaming property owners are billed for this amount and have one week to make the lump sum payment. The City has tied the invoicing of this amount to that time of the budget year where there is the most stress on cash flow; in 2017 the payment was billed and paid by all casinos in July of 2017. The City anticipates invoicing the casinos for the 2018 budget year in July of 2018 as follows:

2018 Separate State Payment Allocation Based on Gross Gaming Revenue for Calendar Year 2017			
	2017 Gross Gaming Revenue (GGR)	GGR Market Share	2018 Separate State Payment
Bally's	$ 211,024,548	8%	$ 793,550
Borgata	$ 803,827,649	30%	$ 3,022,770
Caesars	$ 368,151,889	14%	$ 1,384,430
Golden Nugget	$ 288,128,188	11%	$ 1,083,500
Hard Rock*	$ -	0%	$ -
Harrah's	$ 363,705,687	14%	$ 1,367,710
Ocean Resort*	$ -	0%	$ -
Resorts	$ 233,461,048	9%	$ 877,920
Tropicana	$ 390,940,502	15%	$ 1,470,120
Total	$ 2,659,239,511	100%	$ 10,000,000

Notes:
Gross Gaming Revenue (GGR) reflects Casino Gross Revenue plus Internet Gross Revenue
GGR Market Share column may not foot due to rounding.
* casino gaming properties anticipated to be operating a casino in the year the 2018 Separate State Payment is due

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4. Section 9 of P.L.2016, c.5 (C.52:27BBBB-25) reallocates casino investment alternative tax (IAT) receipts collected by the Casino Reinvestment Development Authority (CRDA) to Atlantic City, until December 31, 2026, for the purpose of paying debt service on municipal bonds. Any IAT revenues that are pledged for the payment of: (1) bonds issued by the CRDA; (2) bonds issued to refund those CRDA bonds; or (3) other contractual obligations incurred by the CRDA prior to the effective date of the Act, are excluded from the reallocation. IAT revenues may be withheld by the State Treasurer for principal and interest payments on debt required by the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et seq.).

On January 10, 2018, the Local Finance Board authorized the issuance of deferred contribution obligation refunding bonds by Atlantic City in an amount not to exceed $55 million. Atlantic City issued an aggregate principal amount of $49,165,000 in Deferred Contribution Refunding Bonds on April 4, 2018, to pay the city's Fiscal Year 2015 deferred allocable contribution into the State pension and healthcare systems. The bonds have a nonconforming, eight-year maturity schedule; according to testimony from city representatives at the Local Finance Board hearing, the schedule is intended to maximize the receipt of IAT revenue for debt service purposes. According to the statement accompanying the bonds, debt service is to be payable first from the portion of available IAT revenues, second from the portion of required qualified bond withholding amounts, and third from the budgeted amount on deposit with the city.

In response to a Fiscal Year 2017 OLS Discussion Point, the department indicated that Atlantic City received approximately $13,995,000 in IAT revenue in Calendar Year 2016. Although the department also estimated that Atlantic City would receive $17.8 million in IAT revenue in Calendar Year 2017, the city's adopted Calendar Year 2017 budget anticipated $14 million in IAT revenues. Atlantic City also anticipated that IAT receipts would increase to approximately $40 million in each year beginning in 2022.

- ***Question:*** **What amount of investment alternative tax revenues was redirected to Atlantic City and the Casino Reinvestment Development Authority, respectively, in Calendar Year 2017? What amount of IAT revenue is anticipated in Calendar Year 2018, and how much will be redirected to Atlantic City? What amount of Calendar Year 2017 IAT revenues were pledged for the payment of debt issued by Atlantic City? What amount of IAT revenue is projected to be redirected to Atlantic City in each calendar year after 2018, through 2026?**

In CY2017, a total of $13,787,946 in IAT revenue was redirected to Atlantic City, which was pledged for the issuance of debt; $8,780,171 was redirected to the Casino Reinvestment Development Authority.

The amount of IAT revenue projected to be redirected to Atlantic City in each calendar year after 2018 through 2026 is dependent upon the level of gross gaming revenues for each of the years prior to each budget year. The chart below reflects what has been qualifiedly projected:

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Budget Year	Inflow of IATs to Atlantic City (Estimate provided by DGE)
2018	$ 6,700,000
2019	$ 16,000,000
2020	$ 13,900,000
2021	$ 11,200,000
2022	$ 39,600,000
2023	$ 39,600,000
2024	$ 39,600,000
2025	$ 39,600,000
2026	$ 39,600,000

5. On October 8, 2014, the Local Finance Board approved a resolution placing the City of Newark under State financial supervision pursuant to the "Local Government Supervision Act (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.).[1] In response to a Fiscal Year 2018 OLS Discussion Point, the department provided a list of the measures taken by Newark to reduce its structural budget imbalance. Several of these measures included, but were not limited to the following: (1) refinancing debt service to reduce the amount of budgeted payments; (2) seeking new recurring revenue streams, including additional payments through the Port Authority; (3) monitoring parking tax compliance using newly installed technology; (4) continuing to adjust fire and police staffing levels; and (5) consolidating the city's public safety functions under a Public Safety Director.

The Local Finance Board adopted Newark's Calendar Year 2017 budget on September 13, 2017. In testimony before the Local Finance Board, the Director of the Division of Local Government Services indicated that Newark expects to increase the tax levy by 1.7 percent, keep staff levels and discretionary spending relatively flat, and support annual, long-term savings of approximately $3.5 million. The Director expressed some concerns regarding the city's Calendar Year 2018 budget in light of employee contract negotiations and the expired arbitration cap concerning fire and police personnel.

The department also reported during the Fiscal Year 2018 budget process that one of the two assessment appeals filed by Prudential remained outstanding as of April 2017. According to testimony before the Local Finance Board on September 13, 2017, the city stated that it expects to incur approximately $6 million in tax appeal settlement obligations in Calendar Year 2018.

[1] For information on State monitoring and oversight of Newark's fiscal affairs from 2011 through 2015, please see Fiscal Year 2017 OLS Discussion Point No. 9 and Fiscal Year 2018 OLS Discussion Point No. 8, accessible through http://www.njleg.state.nj.us/legislativepub/budget_2017/DCA_response.pdf and http://www.njleg.state.nj.us/legislativepub/budget_2018/DCA_response.pdf respectively.

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On November 15, 2017, the City of Newark issued approximately $22.8 million in General Obligation Notes, consisting of $18.05 million in Tax Appeal Refunding Notes and $4.75 million in General Improvement Bond Anticipation Notes. The notes, which will mature on November 30, 2018, were issued to: (1) refund a portion of the city's $10.5 million Tax Appeal Refunding Notes, which were issued in December 2016; (2) finance payments of certain tax appeal refunds; and (3) fund certain capital improvements.

- ***Question:*** **Please provide an update regarding Newark's fiscal situation, including any new measures taken to improve the city's cash flow and the status of current contract negotiations. What is the status of the second Prudential tax appeal? How many outstanding tax appeals are filed against the city, and what is the anticipated amount of tax appeal liabilities? Please identify any city services that were eliminated or curtailed during 2017. Has the City of Newark introduced a Calendar Year 2018 budget?**

The City of Newark has made significant fiscal progress, and City services were not reduced in 2017. Cash flow has improved with increased revenue collections, timely tax sales, and sound budgeting. Revenues generated from the City's hotel, payroll, and parking taxes are up significantly:

- 2017 Hotel Taxes realized: $7,212,092; an increase of 12% over 2015.
- 2017 Payroll Taxes realized: $50,701,746; an increase of 4% over 2015.
- 2017 Parking Taxes realized: $24,887,058; an increase of 11% over 2015.

Revenue from the lease of City-owned property at Newark Liberty and Port Newark to the Port Authority of New York and New Jersey was $97,684,485 in 2017, representing an increase of $12,940,173 over the previous year. The City joined the State Health Benefits Program in mid-2017, resulting in $3.38 million in savings. Renegotiating the ambulance service with University Hospital has resulted in a $300,000 annual cost reduction. The City's Police and Fire services are out of contract as of December 31, 2017, and negotiations are in progress.

On February 16th, Mayor Baraka requested that the City's TA funds be converted to Consolidated Municipal Property Tax Relief Aid (CMPTRA). Due to the City's compliance with the requirements of the TA program and the relatively small proportion of TA to the City's overall budget, the Department supports the City's request. DLGS will reduce its oversight to 1) participating in collective bargaining sessions with the City's represented units and approving any agreements prior to ratification; and 2) continuing to work with the City's economic development office to review and approve redevelopment and PILOT agreements prior to execution. The City's CY2018 budget has not yet been introduced.

There are approximately 2,060 outstanding tax appeals filed against the City. The number does not represent 2,060 separate properties; certain properties may have appeals filed for several years, with each year counted separately. The estimated tax appeal liability is $13 million. The second Prudential tax appeal is likely to be settled in 2019.

6. Established in 1917 as the Department of Municipal Accounts, the Division of Local Government Services (DLGS) provides assistance to local governments and authorities in

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developing and strengthening managerial, planning, financial competence. Most notably, the DLGS oversees and monitors compliance with local finance laws, administers State Aid programs, assists fiscally distressed municipalities with financial and managerial support, and assists local governments and schools with procurement regulation. The DLGS also assists with shared service efforts, administers certification programs for officials (e.g., municipal clerks, financial officers, tax collectors, etc.), and oversees local government deferred compensation programs and length of service award programs to volunteer fire and rescue organizations.

At its peak in Fiscal Year 1988, the DLGS employed 104 full-time employees. However, due to attrition, layoffs, and retirements, the number of full-time DLGS employees has steadily declined over the years: the Fiscal Year 2019 budget for the division funds 40 full-time positions. In response to a Fiscal Year 2016 OLS Discussion Point, the department stated that the division's staffing plan was below the level needed to execute its statutory responsibilities, particularly in the area of Transitional Aid oversight. During the Fiscal Year 2018 budget process, the department indicated that it anticipated hiring three full-time staff members, including a Regulatory Officer, Research Economist, and Analyst Trainee, as well as two part-time Fiscal Monitors.

- ***Question:*** **Is the DLGS's current staffing plan sufficient to meet its statutory responsibilities? Did the division hire new full-time staff in Fiscal Year 2018? If so, how many new full-time and part-time employees were hired? If not, why not? To which areas of responsibilities were these employees assigned? Does the department anticipate hiring additional staff in Fiscal Year 2019?**

It is necessary to evaluate the adequacy of the division's staffing in light of the goals of the new administration. The evaluation is ongoing. In the past year, DLGS added several new staff members. Five full-time employees have been hired; three have been assigned to general division duties, one serves as a research economist, and one has been assigned to duties related to Atlantic City. DLGS maintains a full complement of TA monitors, including two full-time employees and five part-time employees. For Fiscal Year (FY) 2019, DLGS may consider hiring additional employees to assist with the oversight of Atlantic City, to provide expanded technical assistance to other municipalities, and to provide on-going guidance in the use of FAST.

7. In March 2016, the Division of Local Government Services (DLGS) announced that it would begin to implement the "Financial Automation Submission & Tracking" (FAST) initiative. In response to a Fiscal Year 2018 OLS Discussion Point, the department explained that "[t]he FAST initiative will be a cloud-based solution built on the Microsoft Dynamics 365 software development platform that will change the submission process for financial reports and data currently required to be submitted to DLGS as paper reports." The department also noted that it has not hired any additional staff, or incurred any new costs, associated with implementing the FAST system.

On December 14, 2017, the DLGS issued a Local Finance Notice (LFN 2017-26) stating that the "[i]mplementation of the FAST system is mandatory for municipalities and counties for all submissions to the Division [DLGS] commencing January 1, 2018." According the Notice,

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local units would be required to submit most mandatory filings through the FAST system, including debt statements, annual financial statements, local budgets, user-friendly budgets, and annual audit reports. On January 31, 2018, the DLGS issued another Local Finance Notice (LFN 2018-06), which reiterated the division's intention to implement the FAST system for all Calendar Year 2018 municipal budget submissions.

However, the DLGS issued another Local Finance Notice on February 23, 2018 (LFN 2018-09) announcing that it would postpone the utilization of the FAST system for calendar year budget submission until 2019. According to the Notice, "[a]fter careful consideration and contemplation of our constituents' concerns, the time has come to take a step back and realign our timeline for implementation." The Notice added that "Local Units operating on the *Calendar Year* will not be required to utilize the FAST solutions for *2018* Budget submissions. However, Local Units operating on the *State Fiscal Year* will continue to be expected to file *SFY 2019* through the FAST Solution in the coming months." Despite this postponement, the Notice reminded local unit filers that they were still required to submit their annual financial statement through the FAST system by February 26, 2018.

In February 2018, the department transferred a total of $280,000 from DLGS salaries and wages appropriations to support the implementation of the FAST system, of which $120,000 was to support certification and licensing functionality solutions, and $160,000 was for items in phase two of the FAST system, including user-friendly budgets, management reports and analytics, deferred compensation, and cooperative purchasing.

- ***Question:*** **Please provide an update regarding the division's progress towards implementing the FAST initiative. What constituent concerns were raised that caused the division to postpone the full implementation of the system? How will the division address these concerns? Will those Calendar Year municipalities who are comfortable with the FAST system be permitted to submit 2018 budget documents through the system?**

- ***Question:*** **Has the department hired any new staff specifically for the FAST initiative? Has the department incurred any new costs associated with the FAST initiative? Does the department anticipate making any additional transfers to defray the costs associated with the FAST initiative? If so, how much is anticipated to be transferred, and from what sources? What impact on division annual operating costs will result from full implementation of FAST?**

DLGS continues to make progress on the implementation of the FAST Solution, which is currently accepting Annual Debt Statements, Supplemental Debt Statements, and Annual Financial Statements. The Budget Module for municipalities and counties has recently been released to a working test group of local government finance professionals for purposes of field testing before being opened to full distribution. This step is consistent with the Department's commitment (expressed in Local Finance Notice (LFN) 2018-09) to improving the user experience and crafting a cost-effective, labor-saving, and transparent budget process. In the weeks since the issuance of LFN 2018-09 and the decision to delay implementation of the Budget Module, DLGS staff have worked with FAST programmers to refine this component.

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The constituent concerns dealt with the navigation and data entry of information as it related to municipal utilities. Concerns were also expressed with transitioning from the blank templates contained in the paper-based forms that had been used by DLGS, which permitted customization and non-standard presentation. By contrast, the FAST system contains built-in checks and balances requiring local governmental entities to report their financial information in a consistent manner pursuant to statutory requirements, and includes calculations and the carrying of information from one related document to another to minimize data entry errors; information is entered once into the system and flows to all appropriate forms. DLGS has provided additional training and guides to help users navigate the system and has made system enhancements to address constituent concerns.

One FY2018 hiree is partially assigned to the FAST initiative. The new costs associated with the FAST system consist of additional technicians to facilitate the online review of submitted documents. There are no additional transfers anticipated unless the scope of the project is expanded to facilitate the automation of additional processes; the FAST solution is a scalable solution that is capable of collecting and organizing an infinite amount of information. The implementation of FAST, regardless of any expansion, will require on-going maintenance which will impact the FY2020 budget.

8. In Fiscal Year 2012, the Transitional Aid to Localities program replaced Extraordinary Aid, Special Municipal Aid, and Trenton Capital City Aid as the State's only discretionary municipal government financial assistance program. Transitional aid is awarded to help municipalities, which are deemed to be in serious fiscal distress meet immediate budgetary needs and regain financial stability. Municipalities that receive Transitional Aid are required to enter into a memorandum of understanding with the State, under which the State may impose certain conditions on the distribution of aid. The proposed Fiscal Year 2019 Budget recommends an appropriation for Transitional Aid to Localities of approximately $102 million, an increase of $15 million from the Fiscal Year 2018 adjusted appropriation.

Budget language permits the Director of the Division of Local Government Services (DLGS) to transfer a portion of a municipality's Transitional Aid from the prior fiscal year to its allocation of Consolidated Municipal Property Tax Relief Aid (CMPTRA). The department has noted that this authority increases investor confidence in municipal bonds and grants the director flexibility to provide increased formula aid to municipalities, which despite having implemented cost reduction measures, continue to experience large structural imbalances. Through Fiscal Year 2018, twelve municipalities receive a portion of Transitional Aid as CMPTRA, as follows: (1) Asbury Park, $6 million; (2) Atlantic City, $35 million; (3) Beverly City, $280,000; (4) Camden City, $54.5 million; (5) Chesilhurst Borough, $150,000; (6) Harrison Town, $2.656 million; (7) Lawnside Borough, $550,000; (8) Maurice River Township, $265,000; (9) Newark City, $10 million; (10) Penns Grove Borough, $590,000; (11) Trenton City, $14.86 million; and (12) Union City, $9 million. According to the Calendar Year 2017/Fiscal Year 2018 Certification of State Aid released by the DLGS, no municipality is scheduled to receive a portion of Transitional Aid as CMPTRA in Fiscal Year 2019.

As of April 2, 2017, the DLGS has not posted a Local Finance Notice concerning the application requirements and deadlines for the distribution of Transitional Aid to calendar year

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municipalities in 2018. The department also has not posted the aid allocation for State fiscal year municipalities in Fiscal Year 2018.

- ***Question:*** **Please identify the amount of funding applied for and awarded to each municipality that received Transitional Aid in Fiscal Year 2018. Did the amount of Transitional Aid awarded by the division in State Fiscal Year 2018 exceed the total amount appropriated by the State for that year? If so, please explain. What is the justification for the recommended increase of $15 million in Transitional Aid funding? Is the division aware of increased needs in municipalities already receiving aid, or that additional municipalities will require assistance?**

- ***Question:*** **Please identify each municipality that has notified the Division of its intention to apply for Transitional Aid in Calendar Year 2018 and the amount of funding requested by each municipality. When is the deadline for Calendar Year 2018 Transitional Aid applications? Have any municipalities that received Transitional Aid in Calendar Year 2017 or State Fiscal Year 2018 been granted early termination of their memorandum of understanding?**

The amount of TA funding applied for and awarded in FY2018 is as follows:

CY Municipalities	***Amount Requested***	***Amount Awarded***
Asbury Park	$ 850,000	$ 500,000
Atlantic City	13,000,000	13,000,000
Newark	9,000,000	7,431,000
Nutley	4,675,000	3,675,000
Penns Grove	356,000	356,000
Salem	1,130,000	1,130,000
Seaside Heights	2,000,000	1,400,000
FY Municipalities	**Amount Requested**	**Amount Awarded**
Camden	$16,000,000	$18,200,000
Paterson	27,000,000	27,000,000
Trenton	10,000,000	9,000,000
Union City	10,000,000	10,000,000

The total amount awarded for TA exceeded the total appropriated in FY2018. After the October 2017 deadline for municipalities operating on the State Fiscal Year, DLGS reviewed the applications submitted and determined these award amounts were needed for the municipalities' cash flow and budgetary needs. A one-time surplus is available in the CMPTRA account, and DCA has submitted a transfer request for a portion of the surplus to support the increased need in the TA account.

LFN 2018-14 was published by DLGS on April 20, 2018 and sets forth the TA application process for municipalities applying for aid in CY2018. Notices of Intent to apply for TA were

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due May 4, 2018; DCA received Notices of Intent from the City of Salem, the City of Atlantic City, the Township of Nutley, the City of Penns Grove, and the Borough of Seaside Heights. TA applications are due May 25, 2018. The amount of funding requested by each municipality will be set forth in the application. No municipality will be granted early termination of its Memorandum of Understanding (MOU). Asbury Park will remain under the conditions of CY2017 MOU until December 31, 2018. The City of Newark was notified that oversight would be reduced, and a modified MOU was issued in April of 2018. DLGS awaits a copy of the adopted MOU by the City Council.

9. The Fiscal Year 2019 budget recommends the reauthorization of a language provision that permits the allocation of Transitional Aid to local government units that experience financial distress due to the destruction or loss of a "major local business ratable," defined as one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which: (1) comprised the largest assessed valuation of any one or more line-items of taxable property in the municipality; (2) generated an annual payment in-lieu of taxes in excess of 10 percent of the total municipal levy; or (3) is otherwise determined by the Director of the Division of Local Government Services to be of such significance to a municipality that its destruction or loss resulted in financial distress.

Following the departure of the Hoffman-LaRoche pharmaceutical company, Nutley Township received Transitional Aid pursuant to this language provision in the following amounts: $2,750,133 in Fiscal Year 2015; $5,500,000 million in Fiscal Year 2016; $5,500,000 million in Fiscal Year 2017; and $3,675,000 in Fiscal Year 2018. In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that Nutley Township is the only municipality to have applied for Transitional Aid on the basis of the loss or destruction of a major business ratable.

The department has indicated that it does not consider Transitional Aid to be a long-term solution for Nutley Township. According to the department, a portion of the Hoffman-LaRoche site was placed under contract in 2016 with a joint venture to develop a new private medical school with Hackensack University Medical Center and Seton Hall University. Later named the Hackensack Meridian School of Medicine at Seton Hall University, the school is expected to open in summer 2018.

- ***Question:*** **Has Nutley Township reapplied for the Calendar Year 2018 round of Transitional Aid funding? If so, what amount of funding was awarded to the municipality? Does the division continue to consider Nutley Township as experiencing financial distress caused by the destruction or loss of a major local business ratable? Please identify any other municipalities that applied for Transitional Aid on the basis of this condition.**

As indicated in the response to Question 8, DLGS received Nutley's Notice of Intent to apply for TA on April 27, 2018. DLGS continues to consider Nutley Township in need of TA based on financial distress caused by the departure of Hoffman-LaRoche. The property is about 125 acres in Nutley, and only about 10.5 acres are developable. The remaining Nutley portion is

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slated for green acres and a parking lot. Nutley stands to permanently lose about $2.4 million per year in ratables. PRISM purchased the land and is concurrently contesting its value while redeveloping the campus. There are a few buildings on the lot with redevelopment plans underway that will likely become subjects of PILOT Agreements. There is concern that, in addition to the loss of revenue, at full build out the campus will employ 8,000-10,000 and cost burden the town with demands on schools, fire, police, and infrastructure.

To date, no other municipalities have applied for TA on the basis of the destruction or loss of a major local business ratable.

10. On April 12, 2018, Governor Murphy and Lieutenant Governor Oliver announced that the State would restore funding for the Main Street New Jersey ("Main Street") and Neighborhood Revitalization programs. Established in 1989 and codified into law in 2001, the Main Street program operated until the State discontinued funding in 2017. The proposed Fiscal Year 2019 Budget recommends that $500,000 be appropriated for the Main Street program. Pursuant to P.L.2001, c.238 (C.52:27D-452 et seq.), the Main Street program attempts to redevelop and revitalize local downtown districts by providing small business assistance to members of those communities, including business owners and entrepreneurs.

Municipalities are selected for participation in the Main Street program through a competitive application process. Eligible municipalities are required to have a defined downtown commercial district that contains historic architectural resources. Participants are required to: (1) establish a voluntary board of directors; (2) develop public-private partnerships and a program operating budget that is determined by the Commissioner of Community Affairs ("Commissioner") to be adequate for not less than three years; and (3) commit to employing a full-time Executive Director for the program in certain cases.

The department is required to fulfill the following duties when implementing the Main Street program:

(1) Employ a State Coordinator and staff to oversee the program;
(2) Enter into contracts with the National Main Street Center, and others, to accomplish the program's objectives and provide technical assistance to local Main Street programs;
(3) Develop a plan, with the assistance of the Main Street New Jersey Advisory Board, describing the objectives of the program and detailing how the department will coordinate program activities; and
(4) Coordinate and cooperate with the public and private entities that provide services to municipalities undertaking projects under the program.

According to the department's April 2018 press release, the Main Street program leveraged more than $1.2 billion of private investments in local downtown districts from 1990 to 2017. The department also noted that 10,301 full-time jobs and 2,560 new and expanded businesses were supported through the Main Street program over the last two decades.

- ***Question:*** **Please provide a Fiscal Year 2019 spending plan for the Main Street New Jersey program. How many municipalities are eligible for the Main Street**

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program? Will the department grant preference to municipalities that have never participated in Main Street? How many local downtown communities does the department expect to assist through the program in Fiscal Year 2019? How many State employees will be assigned to the program? What is the anticipated cost of entering into contracts with the National Main Street Center? What technical assistance will the department provide to local Main Street programs? Will the department implement any changes to the Main Street Program since it was last funded? If so, please explain those changes.

Main Street New Jersey (MSNJ) Program services cover an array of on- and off-site support for public and private stakeholders in downtown revitalization. A spending plan is being developed.

There are approximately 220 municipalities with traditional mixed-use commercial districts that could be eligible for the MSNJ program; however, there must be a local district management organization in place in order to obtain MSNJ designation. DCA will offer prior designees the opportunity to rejoin the MSNJ program while providing an application opportunity to municipalities that were not part of the program in its last active year (CY2016). DCA expects to assist 20-30 designated MSNJ communities starting in FY2019. Staff from DCA's Office of Local Planning Services (LPS) will administer the program. DCA will spend approximately $5,000 per year to contract with the National Main Street Center to secure the State's annual accreditation with Main Street America/The National Main Street Center. This accreditation enables the State to have an official State Coordinating Program for Main Street America and empowers the coordinating program to designate and otherwise accredit local Main Street programs.

DCA plans to offer technical assistance that could include, among other possible assistance: on-site visual merchandising consultation, on-site small business consultation, a district enhancement webinar program, market analysis data packages, business recruitment assistance, website design/branding, business and building design/branding, capacity building technical assistance, on- and off-site Executive Director hiring assistance, off-site Executive Director orientation/training, off-site state-level project advocacy, Improvement District technical assistance, and a how-to guide for place-based revitalization. As a change from the prior iteration of the MSNJ program, DCA is also planning to offer targeted, small-scale Building and Storefront Improvement Grants and MSNJ Placemaking Grants.

11. The proposed Fiscal Year 2019 Budget recommends an appropriation of $2.5 million for the Neighborhood Preservation Program (NPP), which operates pursuant to the "Maintenance of Viable Neighborhoods Act," P.L.1975, c.248 (C.52:27D-142 et seq.) and "The Neighborhood Preservation Housing Rehabilitation Loan and Grant Act of 1975," P.L.1975, c.249 (C.52:27D-152 et seq.). Funding for the NPP was discontinued in 2009. While in operation, the NPP provided financial and technical assistance to support municipalities in the early stages of decline, but with the potential to be restored and rehabilitated.

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"The Neighborhood Preservation Housing Rehabilitation Loan and Grant Act of 1975" ("Housing Rehabilitation Act") allows the department, as well as municipalities, to offer loans and grants to eligible entities to finance housing rehabilitation projects in areas that have been determined, by the governing body of the municipality, to be substandard or deteriorating. The Housing Rehabilitation Act also established the Neighborhood Preservation Loan and Grant Fund as a revolving fund that is to be administered by the department for the purposes of the program. Monies held in the fund may only be used to issue loans or grants concerning housing rehabilitation or support associated administrative expenses.

Similarly, the "Maintenance of Viable Neighborhoods Act," also authorizes the department to issue grants to local government units that undertake measures to promote the restoration and rehabilitation of certain declining, yet still viable, neighborhoods. Grants may be used to support: (1) intensive code enforcement in deteriorating areas; (2) grants and loans issued for privately owned properties pursuant to the Housing Rehabilitation Act; (3) rehabilitation or demolition projects; and (4) certain other activities related to the improvement of blighted areas.

The Commissioner of Community Affairs is required under both laws to submit spending plans with the department's annual budget request for the anticipated expenditures for each constituent program of the NPP. Under section 9 of P.L.1975, c. 248 (C.52:27D-150) and section 5 of P.L.1975, c.249 (C.52:27D-156), each spending plan is required to include: (1) a performance evaluation of prior program expenditures; (2) a description of the programs to be supported in the upcoming year; (3) a copy of the regulations governing each program; and (4) an estimate of the planned expenditures in the upcoming year. In addition, the spending plan submitted pursuant to the Housing Rehabilitation Act is required to provide a complete financial statement on the status, to date, of the Neighborhood Preservation Loan and Grant Fund. These spending plans are to be used by the Legislature in determining the amount to appropriate to the NPP.

- ***Question:*** **Please provide the Fiscal Year 2019 spending plan for each constituent program of the Neighborhood Preservation Program, as required under P.L.1975, c.248 (C.52:27D-150) and P.L.1975, c.249 (C.52:27D-156), respectively. Will the department grant preference to municipalities that have never participated in the NPP? How many projects does the department expect to support through the NPP in Fiscal Year 2019, and in what amounts? How many State employees will be assigned to the program? Does the department intend to change the operation of the NPP since State funding was last provided? If so, please explain those changes.**

The Neighborhood Preservation Program (NPP) is budgeted to receive $2.5 million in funding for FY2019. The goal of the NPP is to serve as a catalyst for economic development. In addition to the NPP budget, DCA will make every effort to assemble and coordinate the award of other compatible funding, including Main Street, Small Cities, Opportunity Funds, local transportation aid, EDA, and county programs that can be applied to the neighborhood's particular circumstances. The program will concentrate on neighborhoods with the potential for mixed-use development to encourage small business job creation and invite greater business and community investment in economic development. DCA's plan is to select

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municipalities with neighborhoods that demonstrate a need for stabilization, a desire to plan for it, and the capacity to manage such investment.

In FY2019, DCA will provide approximately 20 NPP grants in the amount of $125,000 each to threatened but viable communities. Staff from DCA's Division of Housing and Community Resources with prior NPP experience will manage this program, with collaboration from DCA's LPS staff. Changes to operation of the program will include using data-driven approaches to target those threatened but viable neighborhoods where NPP investment will have the greatest impact, and include a strong focus on mixed-use development to spur economic revitalization.

12. The New Jersey Affordable Housing Trust Fund ("trust fund") is a non-lapsing fund that subsidizes the construction and rehabilitation of affordable housing units in the State. The funds are distributed to regions of the State based on the region's percentage of the State's low- and moderate-income housing need. The trust fund is supported by revenues generated by the realty transfer fee, monies transferred from municipal affordable housing trust funds, and other monies as may be dedicated by the Legislature for the purposes of the fund. Monies generated by the collection of non-residential development fees in municipalities that do not have substantive certification from the Council on Affordable Housing also are deposited into the trust fund.

Monies in the trust fund also support Local Planning Services (formerly the Council on Affordable Housing), affordable housing administration, the State Rental Assistance, shelter assistance, and Prevention of Homelessness programs, and most recently housing assistance for clients of the Department of Human Services. The proposed Fiscal Year 2019 Budget recommends that those realty transfer fee monies credited to the trust fund be used to support the Neighborhood Preservation (P.L.1975, c.248, and P.L.1975, c.249) and Main Street New Jersey programs.

In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that approximately $200 million in Housing Revenue Bond proceeds, and approximately $21 million in Low Income Housing Tax Credits (LIHTC), would be available for affordable housing in Fiscal Year 2017. During Fiscal Year 2018, the department also estimated that approximately 2,000 affordable housing units would be funded with Housing Revenue Bonds, including Conduit Housing Bonds, and roughly 1,250 units of affordable housing would be funded by the LIHTC.

Some observers have expressed concerns that with reductions in both federal personal income tax rates and federal corporation tax rates, low income housing tax credits may attract fewer investors, for whom the tax relief that the credits offer may be less important.

- ***Question:*** **Please indicate the amount of funding, by source, which will be available in Fiscal Year 2019 for affordable housing purposes, excluding Community Development Block Grant-Disaster Relief funds. How many affordable housing opportunities will be provided, by funding source? What number of affordable housing units will be funded in Fiscal Year 2018 and Fiscal Year 2019 respectively,**

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with State funds, NJHMFA funds, Low Income Housing Tax Credits, and all other sources respectively, excluding CDBG-DR funds?

- ***Question:*** **How much State revenue was generated by the non-residential development fee in Fiscal year 2017, and what amount has been generated in Fiscal Year 2018 to date?**

- ***Question:*** **Are the department and the New Jersey Housing and Mortgage Finance Agency concerned that federal tax changes will reduce investor interest in low income housing tax credits, and that fewer housing units can be built through that source? Is there any evidence that this impact is occurring? If so, what options are available to make up for the number of units that LIHTC would have produced?**

Based on existing encumbrances of $14.6 million, DCA estimates the commitment of financing through the Affordable Housing Trust Fund for approximately 50 units in FY2018 and for 50 units in FY2019. Based on the current federal National Housing Trust Fund (HTF) award of $5.599 million, DCA anticipates financing approximately 28 units in FY2018; the FFY18 award is $7.727 million. The awards for the expenditure of these funds have not yet been determined. Based on the current level of funding for the federal HOME program, DCA anticipates financing approximately 15 units in FY2018 and for approximately 15 units in FY2019.

NJHMFA finances multi-family affordable housing production with bond proceeds realized from the sale of taxable and tax-exempt Housing Revenue Bonds coupled with the private equity generated from 9% and 4% federal Low-Income Housing Tax Credits (LIHTCs). NJHMFA receives $24 million annually in 9% tax credit authority, which generates private equity of approximately $240 million. NJHMFA-administered 4% tax credits must be partnered with tax-exempt bonds. The issuance of tax-exempt bonds is governed by the amount of federally mandated volume cap awarded to the NJHMFA by the State Treasurer. NJHMFA projects financing 5,500 rental units in each of CY2018 and CY2019 through its tax credit programs.

NJHMFA has $18 million in funding from previously funded programs including the Special Needs Housing Trust Fund. NJHMFA expects to fund 70 special needs beds in CY2018 using $6.8 million in funding and to fund 110 beds in CY2019 with the remaining funding. Additionally, NJHMFA is the administrator of the Partnership Loan Program (PLP) in partnership with DHS and DCA. The PLP was launched in 2011 to help transition individuals from institutions into community settings. PLP is funded with NJHMFA General Funds, DCA funds and contributions from local Affordable Housing Trust funds. The State funds are matched dollar for dollar with municipal or other sources of subsidy. NJHMFA anticipates financing 28-30 special needs beds in CY2018 using $1.7 million in PLP funding. A total of $3 million is expected to be committed in CY2019, as municipalities that have fair share settlements begin to fulfill their obligations.

In FY2017, $810,789 was generated by the non-residential development fee. To date, $877,775 has been generated in FY2018.

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Changes to federal tax law have had a detrimental impact on the value of LIHTCs. The impact is apparent in the decrease in equity pricing per credit, which had already sustained an approximate 10% decrease in 2016-2017 due to purchasers anticipating the passage of lower corporate tax rates. After the passage of the Tax Cuts and Jobs Act, which reduced the corporate tax rate from 35% to 21%, equity pricing has dropped an additional 3-5%. In 2015, credits pricing was over $1.00 per credit (as high as $1.15 in very competitive markets). In 2018, NJHMFA expects pricing to be as low as $0.91. The 2018 federal appropriations act increased the amount of credits available by 12.5%, thus partially reducing the impact of the lower pricing. Nevertheless, projects will either need additional credits, thereby reducing the total number of developments awarded, or need to identify additional soft financing subsidy. Rising construction and land costs also have a negative impact on the ability of developers to finance projects.

13. The HOME Investment Partnership Program (HOME) is a block grant program administered by the United States Department of Housing and Urban Development (HUD) that provides grants to states and local jurisdictions to fund a variety of affordable housing activities, including owner-occupied housing rehabilitation, homebuyer assistance, rental housing construction and rehabilitation, and tenant-based rental assistance. HOME is the largest federal block grant program provided to state and local governments designed exclusively to create affordable housing for low-income households.

HOME funds are allocated according to a formula in which 60 percent of the funds are awarded to "participating jurisdictions" (i.e., eligible local government units having populations above a certain threshold) and 40 percent are awarded to states to use in areas that are not supported by participating jurisdictions. All states are automatically eligible for HOME funds, and each state annually receives either the amount of their formula allocation or $3 million, whichever is greater. The federal formula is based on the following criteria: the relative inadequacy of each jurisdiction's housing supply, the incidence of poverty, fiscal distress, and other considerations.

In 2017, the Department of Community Affairs was one of 28 recipients of HOME funds in New Jersey. According to HUD, State and local governments in New Jersey received a total of about $24.6 million. HOME funds are administered through the department's "Home Production Program," in accordance with federal regulations (24 C.F.R. Part 92) and the State regulations governing the Neighborhood Preservation Balanced Housing Program (N.J.A.C.5:43-1.1 et seq.). Department regulations prohibit the use of Balanced Housing and HOME program funds on the same project. In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that it targets smaller projects developed by non-profit agencies or Community Housing Development Organizations when awarding HOME funds.

Housing units created with HOME funds are required to be affordable to "low-income" households, defined as those households having an adjusted gross income below 80 percent of the area median income. Housing units may be provided to qualified low-income households with HOME funds as follows: (1) if a unit is for rent, the renter should pay no more than 35 percent of gross income for rents and utilities (or no more than 40 percent of gross income for households applying for age-restricted units); and (2) if a unit is for sale, the buyer should pay

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no more than 28 percent of monthly household income for mortgage principal, interest, taxes, insurance, and where applicable, condominium fees.

Projects financed through the Home Production Program are required to include rehabilitation, construction, or conversion of non-residential properties to residential use. HOME funds may be allocated to support tenant-based rental assistance, as well as construction and development costs, such as professional fees and financing costs. Funds also may also be used to cover deficits during the first 18 months of operation for rental projects.

The "Consolidated Appropriations Act, 2018," signed into law by President Trump on March 23, 2018, appropriated $1.362 billion to the HOME Investment Partnerships Program for Federal Fiscal Year 2018 (October 1, 2017 through September 30, 2018), an increase of $412 million from Federal Fiscal Year 2017.

- ***Question:*** **How many housing units will be supported by HOME Production Program funds in Fiscal Year 2018 and Fiscal Year 2019, respectively? What amount of HOME funds will support tenant-based rental assistance in Fiscal Year 2018 and Fiscal Year 2019, respectively? How does the department plan to expend the additional HOME funds received pursuant to the Federal Fiscal Year 2018 budget?**

DCA anticipates that HOME Production Program funds will finance approximately 15 units in FY2018 and 15 units in FY2019. In FY2018, $1,627,239 provided tenant-based rental assistance to approximately 195 households. New Jersey's FFY2018 HOME allocation is $5,113,599 ($1.57 million more than last year). DCA will continue to distribute HOME funds as follows:

- 45% will support HOME tenant-based rental assistance;
- 45% will support the HOME Production Program (including Community Housing Development Organizations); and
- 10% will support administration.

14. The Internal Revenue Code of 1986 authorizes state and local government entities to issue tax-exempt private activity bonds for qualified purposes on behalf of private entities issuing the debt. These bonds are known as "Tax-Exempt Private Activity Bonds" or "private activity bonds." Private activity bonds are issued to finance purposes that benefit private persons, but also serve a significant public benefit, such as affordable housing, student loans, and privately operated transportation facilities. A bond is classified as a private activity bond if: (1) more than 10 percent of its proceeds are used by a private entity; and (2) more than 10 percent of its debt service is backed by private resources. Interest on private activity bonds is generally taxable, except when the bond is used to finance a qualified purpose.

In addition to restricting the types of private activities that may qualify for tax-exempt status (i.e., "qualified purposes"), Congress formulaically limits the aggregate principal balance that can be issued as private activity bonds in each state. The limit established for each state is known as the "volume cap." The federal formula for determining each state's volume cap is set forth in Section 146 of the Internal Revenue Code. According to the Congressional Research Service (CRS), the annual volume cap formula was increased in 2018 to equal the greater of

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$105 per capita, or $311.38 million, adjusted annually for inflation. CRS also reports that New Jersey's private activity bond volume cap is $945.59 million in 2018.

The "New Jersey Bond Volume Cap Allocation Act," P.L.1987, c.393 (C.49:2A-1 et seq.) ("Act") authorizes the Governor to establish a procedure for the allocating the State's private activity bond volume cap. Section 4 of P.L.1987, c.393 (C.49:2A-4) requires that any procedure established by the Governor allocate the entire State volume cap to the Department of Treasury for reallocation by the State Treasurer. Executive Order No. 185, issued by Governor Kean on February 4, 1988, directed the State Treasurer to allocate all or any portion of the State volume cap for 1988, and each year thereafter, among those State entities and local units authorized to issue private activity bonds. The State Treasurer is required to set the terms and conditions for receiving an allocation to issue private activity bonds.

In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that the New Jersey Housing and Mortgage Finance Agency (NJHMFA) was allocated a total of $715.3 million in private activity bond volume cap in 2016, which consisted of an initial allocation of $480 million and a supplemental award of $235.3 million. The department further noted that the NJHMFA anticipated issuing $261 million in private activity bonds in 2017 and that the balance of the 2017 volume cap would be committed to projects that proceed and close in 2018.

- ***Question:*** **What is the total amount of volume cap allocated to the NJHMFA in 2017? Did the NJHMFA request additional private activity bond financing capacity from the State Treasurer? If so, what amount of additional volume cap was requested and authorized, respectively? What was the total amount of private activity bonds issued in 2017? What amount of private activity bonds does the NJHMFA anticipate issuing in 2018? How much of the 2018 volume cap will be allocated to affordable housing developers? For what projects has the NJHMFA allocated its 2018 volume cap?**

In 2017, NJHMFA received an initial allocation of $200 million in volume cap and later requested, and was awarded, an additional $230 million in cap. NJHMFA issued $382.6 million in private activity bonds in 2017 using 2016 carryover allocation. Volume cap is often preliminarily assigned to a project in one year, but bonds are only issued when a project's entire financing has been completed, resulting in more or less issuance in a given year than the amount of volume cap assigned to NJHMFA.

For CY2018, the State Treasury approved NJHMFA's request for $430 million in carryforward cap and $500 million in new cap for a total of $930 million. Of that total, NJHMFA has committed $584.6 million in cap which will be used to fund 38 multifamily affordable housing projects (5,800 rental units). Additionally, as of April 30, 2018, there are requests for $205 million in cap for 15 multifamily projects (1,370 rental units). The list of committed and pipeline volume cap projects is included as Attachment 2.

Additionally, $100 million in cap has been committed to a Single-Family Mortgage Revenue Bond issuance to fund approximately 500 single-family mortgages. NJHMFA expects to issue a

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second $100 million Single-Family Mortgage Revenue Bond issuance in the fourth quarter of 2018 to fund an additional 500 single-family mortgages.

15. The federal "Housing and Economic Recovery Act of 2008," (Pub.L.110-289) established the National Housing Trust Fund (HTF), administered by the United States Department of Housing and Urban Development (HUD), to provide a permanent source of federal funds to support affordable housing. Federal law requires that the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae") set aside a portion of the unpaid principal balances on new mortgage purchases to be allocated for the HFT. HTF funds are used to preserve the supply of rental housing and increase homeownership rate for certain low-income families. The monies are distributed to states based on a formula that weighs various factors concerning the supply of extremely low- and very low-income housing units.

In response to a Fiscal Year 2018 OLS Discussion Point, the department noted that it had received an adjusted allocation of $3,738,267 from HUD for its Federal Fiscal Year 2016 round of HFT funding. HUD approved the department's HFT Allocation Plan for these federal monies on March 2, 2017. HUD allocations for Federal Fiscal Year 2017 funding were published in the Federal Register on June 23, 2017; New Jersey was awarded $5,599,220. According to HUD policy, all Federal Fiscal Year 2017 HTF funds are required to benefit extremely low-income households, with at least 80 percent of the funds used for rental housing, up to 10 percent of the funds used for homeownership housing, and up to 10 percent of the funds used for administrative costs. On January 12, 2018, the department released a Request for Proposal (RFP), which indicated that $5,039,298 in total funding would be available through this federal allocation of monies. The RFP further noted that the purpose of the program is to complement existing efforts to increase the supply of affordable rental housing for extremely low-income families and that the maximum award per application would be $700,000.

- ***Question:*** **Please detail how New Jersey's allocation of HFT monies was used in Fiscal Year 2018. Has the department awarded HFT monies from its Federal Fiscal Year 2016 allocation? If so, please indicate the grantees and awarded amounts, respectively. Please provide a copy of New Jersey's HTF Allocation Plan. When is the department required to expend all HFT funds, and does the department expect that all funds will be expended within the permitted period of time? Has the department received any notification from HUD regarding its Federal Fiscal Year 2018 HTF allocation?**

In FY2018, DCA released a Request for Proposals (RFP) for its FFY2017 National Housing Trust Fund (HTF) award. In order to support the State's goals to prevent and reduce homelessness and to provide affordable housing to the most vulnerable populations, DCA will use the HTF funds to support affordable housing projects that serve extremely low-income households (those earning at or below 30% of the Area Median Income) and households with special needs. The RFP also prioritizes projects to be developed in areas of high opportunity. DCA will also commit project-based Housing Choice Vouchers to projects selected through the RFP.

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Previously, DCA awarded FFY2016 HTF funds to six projects selected through a competitive RFP:

Recipient Name	Title	Project Title	Project Description	Award Amount
Affordable Housing Alliance, Inc.	Monmouth	Millstone Place	For the acquisition and new construction of four rental units.	$700,000
Coming Home of Middlesex County, Inc.	Middlesex	Homes for the homeless re-entry population of Middlesex County	For the acquisition and moderate rehabilitation of three rental units.	$566,800
Homeless Solutions, Inc.	Morris	88 Martin Luther King, LLC	For the acquisition and new construction of eight rental units.	$696,406
Nouvelle, LLC	Bergen	James Street Reentry	For the acquisition and substantial rehabilitation of two rental units.	$700,000
Reformed Church of Highland Park Affordable Housing Corporation	Middlesex	Highland Park	For the acquisition and moderate rehabilitation of four rental units.	$600,000
Urban League of Essex County	Essex	Fairmount Heights Project	For the acquisition and substantial rehabilitation of three rental units.	$235,744
			6 Projects	**$3,498,950**

DCA is required to expend FFY2016 HTF funds by March 6, 2022, and FFY2017 HTF funds by October 31, 2022, and anticipates fully expending all funds by those dates. DCA's second allocation was $5.599 million. The New Jersey Plan for its FFY2017 allocation is included as Attachment 3. The Department issued an RFP for those funds in January 2018. Applications were due on May 15, 2018. DCA has been notified that its FFY18 allocation will be $7.727 million.

16. P.L.2004, c.140 (C.52:27D-287.1 et al.) established the State Rental Assistance Program (SRAP) to provide tenant-based and project-based rental assistance grants, comparable to the federal Section 8 Housing Choice Voucher Program, for low-income individuals and households. Pursuant to N.J.A.C.5:42-1.2 et seq., tenant-based rental assistance grants are awarded through a lottery process to applicants who do not currently hold Section 8 housing vouchers. Program regulations reserve at least 35 percent of rental assistance grants for households on the SRAP waiting list. SRAP also offers project-based rental assistance to support the construction and rehabilitation of affordable housing units; project-based assistance is required to account for at least 17 percent of program grants.

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The proposed Fiscal Year 2019 Budget recommends a continued Grants-in-Aid appropriation of $18.5 million for SRAP. Pursuant to a recommended budget language provision, this appropriation is to be payable first from the monies received from the New Jersey Housing and Mortgage Finance Agency. Proposed budget language would continue to reserve at least $20 million in additional funds from the New Jersey Affordable Housing Trust Fund to support SRAP. The proposed budget also includes a language provision allowing the transfer of up to $2 million in SRAP funds to the Division of Mental Health and Addiction Services (DMHAS) in the Department of Health to assist clients supported by the Housing Assistance component of the federal Social Services Block Grant (SSBG) that was provided to New Jersey.

In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that it anticipated spending a total of $44,631,012 through SRAP in Fiscal Year 2018. The department's projected spending plan included approximately $36.9 million for tenant-based assistance (82.8 percent), $7.6 million for project-based assistance (17.1 percent), and $1.5 million for administrative costs (3.4 percent). The department also reported that, as of March 2017, SRAP waiting lists included 3,220 households, including 1,400 households on the Elderly Waiting List, 1,240 households on the Family Waiting List, 480 households on the Disabled Waiting List, and 2 households on the Homeless Waiting List.

- ***Question:*** **Please provide an updated Fiscal Year 2018 spending plan and a projected Fiscal Year 2019 spending plan for the State Rental Assistance Program, specifying administrative costs, tenant-based vouchers (number and amount by fiscal quarter), and project-based rental assistance (including number of projects, units per project, and amount by fiscal quarter). How much State funding will be available in Fiscal Year 2018 and Fiscal Year 2019 for the SRAP Program, and from what sources? How many households are on the SRAP waiting list? As SRAP vouchers become available, what is the priority order in which each voucher is allocated to the waiting list? How many households receiving SSBG funding will be supported with SRAP funds? How did the transfer of funds to the DMHAS affect the department's ability to distribute vouchers in Fiscal Year 2018?**

Please see Attachment 4 for an updated spending plan and information on State funding sources. There are currently 3,120 households on the SRAP waiting lists: 1,400 on the Elderly waiting list, 1,240 on the Family waiting list, and 480 on the Disabled waiting list. When DCA is able to serve new households from the waiting lists, DCA selects from each waiting list in proportion to the percentage of each set-aside DCA is required to maintain on the program. The maximum estimated wait time is two years. To date, no households receiving SSBG funding have been referred to DCA.

17. In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that it had awarded a certain portion of SRAP vouchers through the Statewide Housing First Initiative. In particular, the department indicated that 500 tenant-based vouchers were provided through the Statewide Housing First Initiative as of March 30, 2017. Modeled on the Camden Housing First Pilot Program, the Statewide Housing First Initiative seeks to provide immediate permanent housing assistance to chronically homeless persons prior to administering more

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comprehensive supportive services, as needed. According to the department, the initiative reserved 400 vouchers for chronically homeless households and 100 vouchers for homeless veterans.

In July 2016, the department announced that 12 community-based organizations had been selected to manage the distribution of SRAP vouchers through the Statewide Housing First Initiative. As of March 2017, the department reported that 29 chronically homeless households and two homeless veteran households had secured housing (i.e., leased-up), and 59 chronically homeless households and eight homeless veteran households had received vouchers. However, the department also stated that fewer households had secured housing through the Statewide Housing First Initiative in Fiscal Year 2017 than anticipated because recipients required a longer amount of time after voucher issuance to secure housing compared to other rental assistance programs.

As reported by the department, the average housing assistance payments provided through the Statewide Housing First Initiative is $1,054 per month or $12,648 per year. The initiative also received dedicated funding through the federal Community Services Block Grant (CSBG), which covered $500 for each household that secured housing, according to the department. In total, the department estimated that it would expend $6.3 million in rental subsidies on an annualized basis once all participants have become active.

- ***Question:*** **How many vouchers have been distributed to chronically homeless and homeless veteran households, respectively, through the Statewide Housing First Initiative, and in what amounts? How many households applied for rental assistance through this initiative? What was the average time between voucher issuance and housing lease-up for program recipients? Will the initiative continue to receive funding through the Community Services Block Grant; if so, how much? What amount has been expended, to date, to support the initiative? Does the department plan to award additional SRAP vouchers through the Statewide Housing First Initiative in Fiscal Year 2019? If so, how many vouchers, and in what amounts, will be awarded to chronically homeless and homeless veteran households, respectively? Do the community-based organizations managing the distribution of SRAP vouchers receive an administrative allowance? If so, how is the allowance calculated, and what is the total amount spent annually on such allowances?**

DCA received 498 applications for the Statewide Housing First Initiative and approved 468 of those applications. To date, 374 households are leased up in their apartments (50 veteran and 324 chronically homeless households); the remainder are in housing search. The average time from voucher issuance to lease-up was 120-150 days for program participants, due in large part to challenges faced by participants in finding landlords who would accept applicants with issues in their credit history and criminal backgrounds. This program will not receive additional funding through the Community Services Block Grant (CSBG); the CSBG funding was intended as seed funding to help initiate the program, and applicants to the Statewide Housing First Request for Proposals were asked to demonstrate their ability to attract other service funding to ensure the project's sustainability. The full $250,000 in CSBG funds has been expended. In addition, $199,522 in rental assistance funds was expended in FY2017, and $2,561,776 in

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rental assistance funds was expended in FY2018. DCA has no plans at this time to expand the Statewide Housing First Initiative.

The community-based organizations do not manage the distribution of SRAP vouchers. The vouchers used in the Statewide Housing First Initiative were tenant-based, and the community-based organizations referred participants to DCA. DCA administers the vouchers.

18. The Camden Coalition of Health Care Providers launched the Camden County Housing First Pilot Program on February 25, 2015. According to its website, the pilot program is a multi-agency collaborative in partnership with South Jersey Behavioral Health Resources, Volunteers of America – Delaware Valley, Saint Joseph's Carpenter Society, OAKS Integrated Care, and Corporation for Affordable Housing. Using the "Housing First" approach, the pilot program provides chronically homeless households with immediate permanent housing prior to administering regular case management and social services, as needed.

The department supports the Camden County Housing First Pilot Program through a combination of Section 8 Housing Choice Voucher allocations and Grants-in-Aid appropriations. Specifically, the department awarded the program 50 project-based Section 8 vouchers in order to support Camden County residents who are "chronically homeless" and "super-utilizers" of the health-care system.[2] The pilot program also received Grants-in-Aid appropriations from the State of $250,000 in Fiscal Years 2016 and 2017 and $500,000 in Fiscal Year 2018. According to the department, these appropriations were used to provide crucial supportive services, such as intensive case management and care coordination, to program participants. The proposed Fiscal Year 2019 Budget does not recommend continued funding for the program.

In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that 40 individuals had been housed through the pilot program. According to the department, all program participants were considered to be chronically homeless and have at least one chronic mental illness; most notably, 92 percent of participants had a substance use disorder diagnosis, 84 percent had a mental illness diagnosis, and 78 percent had both diagnoses. During the Fiscal Year 2018 budget process, the department estimated that program participants experienced a 50 percent reduction in emergency room and inpatient admissions. The department also speculated that the pilot program would reduce incarceration and recidivism rates among its participants.

In addition, the department indicated that it is committed to comprehensively evaluating the performance of the pilot program. According to the department, a formal evaluation of the pilot program would include the following factors: (1) hospital in-patient and emergency department utilization; (2) jail stays; (3) housing evaluation appointments; (4) tenant/landlord interactions; (5) rent payment timeliness; (6) health status; (7) housing maintenance; and (8) public system cost reductions. However, the department reported during

[2] For information on how "chronically homeless" and "super-utilizers" are defined, please see Fiscal Year 2018 OLS Discussion Point No. 22, which may be accessed through the following link: http://www.njleg.state.nj.us/legislativepub/budget_2018/DCA_response.pdf.

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the Fiscal Year 2018 budget process that the pilot program has not been operational for long enough to see the results of the formal evaluation.

- ***Question:*** **For what purposes was the Fiscal Year 2018 appropriation to the Camden Coalition of Health Care Providers Housing First Pilot Program used? How did the increased appropriation in Fiscal Year 2018 affect the provision of pilot program services? What amount of Fiscal Year 2016, Fiscal Year 2017, and Fiscal Year 2018 State appropriations were expended on administrative costs by the Camden Coalition? Were additional housing vouchers awarded through the pilot program? If so, how many? What are the results of the department's formal evaluation of the pilot program? What is the justification for eliminating funding for the program in Fiscal Year 2019? Are other resources expected to substitute for the State grant? If so, what are those resources?**

The Camden Coalition of Health Care Providers is responsible for the overall design and management of the Camden Housing First Pilot Program, including participant selection, case conferencing, provision of assistance with housing search, intensive case management, care coordination, and delivery of needed supportive services. The FY2018 appropriation was used to support these activities, and the increase helped to provide these services to additional participants through the pilot program. The Camden Coalition expended a total of $31,393 of State funds for administrative costs during the FY2016, FY2017, and FY2018 grant cycles ($25,000 in FY2016 and $6,393 in FY2017), representing 3.14% of total State appropriations received over that time. DCA has allocated an additional 15 Housing Choice Vouchers to this program, and the Camden Coalition is in the process of referring those potential participants to DCA. The program accesses other funding through private and local government streams, and anticipates utilizing Medicaid billing in the future for eligible services.

The Housing First Pilot Program is still relatively new and most participants have been housed less than two years, so the long-term impact of the program on health care, public system costs, and recidivism cannot yet be measured. However, the Camden Coalition is currently conducting a mixed methods evaluation of the Housing First initiative in coordination with the University of Pennsylvania. Preliminary data from this evaluation shows a 60% reduction in emergency department and inpatient utilization per days at risk of being hospitalized. In addition, the project administers housing surveys to all participants at three points: baseline (move-in), six months post-move-in, and twelve months post-move-in. Initial responses are positive, and indicate that the pilot program assists in stabilizing participants in their communities, including fostering reconnection with family, removal from addiction triggers, and increased safety.

19. The department reported during the Fiscal Year 2018 budget process that it would provide not more than 500 tenant-based SRAP vouchers as a part of its Moving On Initiative. The initiative seeks to assist formerly homeless households who currently live in supportive housing, and who no longer need the connected supportive services, but still require a housing subsidy. By helping formerly homeless persons move out of supportive housing facilities and into permanent housing units, the department states that this initiative will help create greater

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opportunities for currently homeless persons to gain access to these supportive services. During the Fiscal Year 2018 budget process, the department estimated that 200 households would secure housing through the initiative by June 2017 and that 160 additional households would also secure housing in the first quarter of Fiscal Year 2018.

- ***Question:*** **How many SRAP vouchers were distributed through the Moving On Initiative in Fiscal Year 2017 and Fiscal Year 2018, respectively, and in what amounts? How many households applied for rental assistance through this initiative? What was the average time between voucher issuance and housing lease-up for program recipients? To date, how much has been expended, by fiscal year, to support the Moving On Initiative? Does the department plan to award additional vouchers through the Moving On Initiative in Fiscal Year 2019? If so, how many vouchers will be awarded, and how much does the department expect to spend in support of the initiative?**

DCA reserved a total of 500 vouchers for the Moving On Initiative. In FY2017 and FY2018, DCA received 338 applications for this program and approved 300. The average time between voucher issuance and housing lease-up for program participants was 30-60 days for participants who chose to remain in their current apartments. The extension of time beyond 30 days was generally due to housing inspection failure; after landlords remedied the issues, the participants were leased in the program. For those participants who chose to find new apartments, the time from voucher issuance to lease-up was 90-120 days. Most of the delays experienced by participants were due to challenges in finding landlords who would accept participants with issues in their credit history and criminal backgrounds. DCA expended $42,262 in FY2017 and $2,428,968 in FY2018 to support this initiative. DCA has no plans at this time to expand the initiative in FY2019.

20. On January 8, 2018, Governor Christie signed into law the "New Jersey Housing Assistance for Veterans Act," ("Act") P.L.2017, c.258 (C.52:27D-516 et seq.). The Act established a five-year pilot program under which grants are to be awarded to qualified charitable organizations to help modify and rehabilitate the primary residences of disabled and low-income veterans. Veteran applicants who are considered to be both low-income and disabled will receive a preference during the selection process for program participants. Section 4 of P.L.2017, c.258 (C.52:27D-519) directs the Director of Division of Local Government Services (DLGS) to promulgate rules and regulations to implement the pilot program by June 1, 2018.

The Act requires that $1 million in grants be awarded to qualified charitable organizations during each year of the program's operation, and appropriates $5 million to support the pilot program. A language provision in the proposed Fiscal Year 2019 Budget would allow the unexpended balance of this appropriation to be carried forward into Fiscal Year 2019 and administered by the Director of the Division of Housing and Community Resources to support the pilot program.

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Under the pilot program, a qualified charitable organization may not receive more than $400,000 in grant awards during any one fiscal year. Grantee organizations are required to make a matching contribution of not less than 50 percent of the grant award. Permitted uses of grant funding may include rehabilitating homes that are considered to be in a state of disrepair, installing certain energy efficient features, and improving certain housing accommodations, such as installing wheelchair ramps, widening doors, reconfiguring bathrooms, removing door thresholds, and installing appropriate floor coverings.

The department also provides other forms of housing assistance to veterans in this State. In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that it awarded 273 project-based Section 8 Housing Choice Voucher (HCV) program vouchers for veterans through the issuance of two Requests for Proposals in 2015; as of March 2017, 63 households had occupied these project-based units. The department also indicated that it allocated 832 Veterans Affairs Supportive Housing vouchers through its HCV program and that veteran households were given a preference in the Fiscal Year 2018 Administrative Plan for the HCV program.

- ***Question:*** **Please provide an update regarding the status of the New Jersey Housing Assistance for Veterans pilot program. When does the department expect to award the first round of pilot program grants? Have steps been taken to secure participation by qualified charitable organizations? How much does the department expect to expend on the pilot program in Fiscal Year 2019? What amount of funds will be spent on grant awards and administrative costs, respectively, in Fiscal Year 2019? How many eligible veterans are expected to be assisted through the program in Fiscal Year 2019?**

- ***Question:*** **How many vouchers have been awarded to families and individuals, respectively, through the veterans' housing component of the State's Section 8 Housing Choice Voucher Program? What efforts has the department undertaken to inform potential eligible applicants of the availability of housing assistance for veterans?**

DCA anticipates issuing an RFP and awarding the first round of pilot program grants in the first quarter of FY2019. DCA anticipates committing the full $1 million allocated for the first year by the end of FY2019.

DCA continues to support veterans through its award of project-based Housing Choice Vouchers and through its administration of the Veterans Affairs Supportive Housing (VASH) program. DCA has leased 91 households through its project-based veterans projects, and 18 additional projects are due to be completed in FY2019. DCA anticipates leasing the full 273 project-based vouchers awarded through this initiative as these projects come online in FY2019. In addition, DCA was recently awarded an additional 52 VASH vouchers to support homeless veterans in the State. DCA will continue its successful "graduation" program for veteran households that stabilize in the VASH program and no longer require supportive services, but still require vouchers to afford their housing. DCA has provided 51 veteran

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households leaving VASH with Housing Choice Vouchers, allowing other homeless veteran households to backfill the existing VASH vouchers.

21. On March 2, 2015, the United States Department of Housing and Urban Development (HUD) announced the awarding of $150 million in rental assistance to state housing agencies through the Section 811 Project Rental Assistance Program ("Section 811"). Section 811 provides affordable housing for persons with disabilities who earn less than 30 percent of the area median income. The program is operated through state agency partnerships that identify and support targeted populations of persons with disabilities who require long-term care services in order to live independently. The New Jersey Housing and Mortgage Finance Agency (NJHMFA) was awarded $5.099 million to assist 206 households in this State.

The Section 811 program was authorized by the "Frank Melville Supportive Housing Investment Act of 2010," (Pub.L.111-374). Under the program, state housing agencies, in partnership with state health and human service agencies and Medicaid agencies, can apply for Section 811 assistance to finance new and existing affordable housing units that are supported by Low Income Housing Tax Credits, the HOME program, or other funding sources. Within these state partnerships, the health care agency is required to develop a policy for referrals, tenant selection, and service delivery to ensure that housing opportunities are targeted towards the people most deeply in need of affordable supportive housing. Section 811 only provides project-based assistance. In addition to satisfying income-based requirements, eligible households are required to have at least one adult member with a disability.

In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that 16 projects were currently participating in the Section 811 program and that the NJHMFA was still accepting applications. The department further stated that 65 vouchers were awarded in Calendar Year 2016. In addition, the department indicated that the NJHMFA anticipated awarding 34 vouchers in Calendar Year 2017 and 107 vouchers in Calendar Year 2018.

- ***Question:*** **How many households in this State received assistance through the Section 811 Rental Assistance Program in Fiscal Year 2018? Is the NJHMFA still accepting applications from eligible participants? How many vouchers did the NJHMFA award in Fiscal Year 2017 and Fiscal Year 2018 respectively, and how many does it anticipate to award in Fiscal Year 2019?**

Ninety-four households are receiving assistance through the Section 811 Program. NJHMFA continues to accept applications and anticipates awarding the remaining vouchers within 12 months.

22. The New Jersey Housing and Mortgage Finance Agency (NJHMFA) has received approximately $415.5 million in aid from the federally-supported Hardest Hit Fund, created by the United States Department of Treasury in 2010 to provide support to targeted areas deemed hardest hit by the economic and housing market downturn. Federal monies were allocated through five rounds of funding to a total of 18 states, including New Jersey, and the District of Columbia. The NJHMFA has used its $415.5 million allocation of funds to operate the

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HomeKeeper, HomeSaver, and HomeSeeker foreclosure assistance programs. According to information from United States Department of Treasury, the State had drawn approximately $376.5 million for the programs as of December 31, 2017.

The NJHMFA created the New Jersey HomeKeeper Program (NJHK) to assist, through interest-free, forgivable, 10-year mortgage loans, eligible homeowners at risk of foreclosure through no fault of their own due to recent unemployment, loss of income, or financial hardships from medical issues, divorce, disability, or death. As of January 31, 2018, NJHK had been allocated $314,103,972, excluding the funds required to cover administrative expenses. According to the program's guidelines, NJHK mortgage loans are limited to $48,000 per borrower, and the average loan is $41,000.

In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that it expected to award 900 NJHK loans, totaling $27.9 million, in Fiscal Year 2017 and Fiscal Year 2018, respectively. The department also indicated that 942 homeowners applied for the NJHK program as of March 31, 2017, of which 208 applications were approved and 409 applications did not qualify. On December 15, 2017, the NJHMFA announced on its website that it would temporarily suspend applications for the NJHK program.

- ***Question:*** **Please provide Fiscal Year 2018 and Fiscal Year 2019 spending information for the New Jersey HomeKeeper Program. How much was expended on administrative costs? How many homeowners applied for the NJHK program in Fiscal Year 2018? How many homeowners received assistance? How many households were denied assistance? What was the amount of the average loan provided to NJHK recipients? Why did the NJHMFA temporarily suspend applications for the program? Has the NJHMFA resumed accepting applications for the NJHK program? If so, have additional restrictions been placed on eligible applicants?**

In CY2017, $26.3 million in HomeKeeper program funds were expended; as of March 31, 2018, an additional $10.9 million has been expended. Per U.S. Treasury requirements, NJHMFA only reports administrative expenditures for the entire Hardest Hit program. A total of $6.6 million was expended on administrative costs in CY2017 for all HHF programs, including HomeKeeper, HomeSaver, and HomeSeeker. In CY2017, 4,139 applications were received, of which 1,520 were approved and 2,619 were denied. The average HomeKeeper loan amount is $32,630. NJHMFA suspended the program in December 2017 to allow staff to work through the application pipeline to ensure the applications remaining to be processed did not exceed the available funding and to allow for a review of HHF programs to determine how best to allocate remaining funds. NJHMFA has not resumed taking applications for the HomeKeeper program.

23. On July 31, 2015, the NJHMFA established the New Jersey HomeSaver Program (HSP) to leverage federal Hardest Hit Funds to make mortgage payments more affordable for first-time homebuyers. The program helps to refinance, recast, or permanently modify the first mortgage loan of eligible homeowners through principal reductions and reinstatement payments.

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Program assistance is provided in the form of interest-free, forgivable 10-year loans; HSP loans are forgiven at a 20 percent per year rate beginning in the fifth year after the closing date. Eligible HSP borrowers are required to be in financial hardship and at risk of foreclosure through no fault of their own, and satisfy certain other financial and residential requirements.

As of January 31, 2018, the HSP program has been allocated $30 million in funding, excluding administrative expenses. According to program guidelines, the maximum assistance is $50,000 per household. In response to a Fiscal Year 2018 OLS Discussion Point, the department noted that 2,700 homeowners applied for the HSP as of March 31, 2017, of which 305 households were approved and 1,705 households did not qualify, primarily due to inadequate financial hardship. The department also reported that 68 homeowners received assistance through both the New Jersey HomeKeeper and HomeSaver programs. On December 15, 2017, the NJHMFA announced on its website that it would temporarily suspend applications for the HSP program.

- ***Question:*** **Please provide Fiscal Year 2018 and Fiscal Year 2019 spending information for the New Jersey HomeSaver program. How much was expended on administrative costs? How many households applied for the program in Fiscal Year 2018? How many homeowners received assistance? How many households were denied assistance? What was the amount of the average loan provided to HSP recipients? How many households received assistance through both the HomeKeeper and HomeSaver programs? Why did the NJHMFA temporarily suspend applications for the program? Has the NJHMFA resumed accepting applications for the HSP program? If so, have additional restrictions been placed on eligible applicants?**

To date, NJHMFA has expended $4.3 million in CY2018. As noted above, NJHMFA expended a total of $6.6 million on administrative costs in CY2017 for all HHF programs, including HomeKeeper, HomeSaver, and HomeSeeker. The HomeSaver program is designed to assist homeowners who experienced a hardship that caused them to fall behind in their mortgage payments, and applicants must demonstrate their current ability to make their monthly mortgage payment and utilize the HomeSaver funds to obtain a refinance, modification, or recast of their existing mortgage. Many applicants do not pass this sustainability aspect of the eligibility requirements. In 2017, 2,896 HomeSaver applications were received, of which 381 were approved and 2,515 were denied. The average HomeSaver loan amount is $45,648. Sixty-eight homeowners received assistance under both the HomeKeeper and HomeSaver programs. In December 2017, NJHMFA stopped taking new HomeSaver applications. HomeSaver resumed accepting applications on April 9, 2018 without any additional restrictions.

24. On April 3, 2017, the NJHMFA launched the New Jersey HomeSeeker Down Payment Assistance Program (DPA) to incentivize qualified first-time homebuyers to purchase primary residence homes within areas most impacted by the State's foreclosure crisis. Like the HomeKeeper and HomeSaver programs, the DPA program also uses federal Hardest Hit funding. According to the NJHMFA's initial press release, the DPA program would provide interest-free, forgivable loans, in the amount of $16,000, to qualified homebuyers who

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purchased homes in one of six target areas, including Atlantic, Camden, Essex, Gloucester, Passaic, and Union counties. The press release estimated that the program would assist 1,000 homebuyers.

According to DPA program guidelines released on January 31, 2018, the NJHMFA reduced the maximum DPA household assistance to $10,000 and added Burlington County and Mercer County to the list of eligible target areas. Eligible borrowers are required to: (1) qualify for a NJHMFA First Time Homebuyers mortgage loan; (2) have an income not in excess of 140 percent of the area median income; (3) be a first-time homebuyer; (4) undergo homeownership counseling; (5) meet certain credit and debt-to-income ratio requirements; and (6) execute a Dodd-Frank affidavit. Single-family dwellings with a purchasing price over $437,349 and two-four family dwellings with a purchasing price over $559,854 are not eligible for DPA assistance

As of January 31, 2018, the program has been allocated $26,378,092, excluding administrative expenses. According to DPA program guidelines, the program was expected to assist approximately 2,037 households. On April 2, 2018, the NJHMFA also announced that it would dedicate an additional $10 million in funding the DPA program.

- ***Question:*** **Please provide Fiscal Year 2017, Fiscal Year 2018, and Fiscal Year 2019 spending information for the New Jersey HomeSeeker Down Payment Assistance program. How much was expended on administrative costs? How many households applied for the program in Fiscal Year 2017 and Fiscal Year 2018? How many homeowners received assistance, and in what amounts? How many applicants were denied assistance? How many households are expected to receive DPA assistance in Fiscal Year 2019? How many DPA recipients also received assistance through the HomeKeeper and/or HomeSaver programs? Please explain why the maximum DPA assistance was reduced from $16,000 to $10,000, and why Burlington and Mercer counties were chosen for program expansion, as opposed to other counties.**

In CY2017, NJHMFA received 1,169 HomeSeeker applications, of which 340 were either denied or cancelled by the homebuyer. The remaining 829 homebuyers were approved for $16,000 in down payment and closing costs assistance at a total funding amount of $13.3 million. NJHMFA projects assisting 1,270 homebuyers in CY2018 for a total funding amount of $12.7 million, and 1,000 homebuyers in CY2019 for a total of $10 million. As previously noted, NJHMFA expended a total of $6.6 million in administrative costs in CY2017 for all HHF programs including HomeSeeker, HomeSaver, and HomeKeeper. None of the recipients of HomeSeeker assistance funds received assistance through HomeKeeper or HomeSaver.

NJHMFA routinely reviews the impact of programs with participating banks and mortgage originators. The review of the HomeKeeper program focused on how the program could be modified to assist more potential homebuyers. Based upon the review, Agency staff concluded that reducing the award to $10,000 would provide assistance to more households while not materially impacting the pool of potential home buyers.

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When developing the program based upon guidance from the U.S. Department of the Treasury, NJHMFA evaluated all 21 New Jersey counties and identified the initial six targeted areas based on seriously delinquent mortgage loans, negative equity, short sales, REO sales, and foreclosures. At least 40% of the zip codes within each of the six counties exceed the statewide average in at least four out of these five distressed housing market indicators. NJHMFA has reduced the criteria for the percentage of zip codes within the county that must exceed the statewide average in at least four out of five distressed housing market indicators from 40% to 20%. This reduction allows first-time home buyers from two additional counties, Burlington and Mercer, to participate in the program. The addition of both Burlington and Mercer Counties to the HomeSeeker program furthers the program goals of encouraging homeownership, strengthening demand, stabilizing the housing market, and reducing foreclosures in additional hardest hit areas of New Jersey.

25. $10 million was appropriated to the department for the "Lead-Safe Home Renovation Pilot Program" ("Lead-Safe Home") in Fiscal Year 2017. A language provision in the Fiscal Year 2017 Appropriations Act authorized the transfer of these funds to the Revolving Housing Development and Demonstration Grant Fund for the purpose of remediating lead in dwellings Statewide. The Lead-Safe Home program received an additional appropriation of $10 million in Fiscal Year 2018; in January 2018, $200,000 was transferred to the Division of Family Health Services in the Department of Health to fund blood-lead testing for children.

Fiscal Year 2017 Lead-Safe Home program funds were allocated pursuant to a Request for Proposal (RFP) issued by the department in August 2016. The RFP announced the creation of a pilot program to finance public-private partnerships that provide lead-safe repairs and support energy efficiency in eligible owner-occupied and residential housing units built prior to 1978. The purpose of the program is to identify and remediate lead-based paint hazards in order to prevent temporarily elevated blood levels in children and women. The department awarded $10 million in grants to eight nonprofit entities pursuant the RFP. According to the department's website, this grant period commences on November 1, 2016 and ends on October 31, 2018.

The department issued a second RFP on November 30, 2017, to allocate the Fiscal Year 2018 Lead-Safe Home program funding. Priority consideration is given to applicants who addressed: (1) households with children under the age of six, or pregnant women, living in eligible housing units where there is a lead-based paint hazard; and (2) households that have been deferred from the Weatherization Assistance Program, also administered by the department, due to the presence of lead-based paint hazards. According to the RFP, there is no maximum award limit, and the term of the grant is one year. The deadline for application submission was December 27, 2017.

In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that it had received applications from grantee agencies for the remediation of 104 housing units. The department further reported that it anticipated meeting its benchmark for remediated units in Fiscal Year 2017 and expected to complete 406 housing units by the end of Fiscal Year 2018. The proposed Fiscal Year 2019 Budget recommends a continued appropriation of $10 million for the Lead-Safe Home program.

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- ***Question:*** **How many homes have been remediated of lead hazards through the Lead-Safe Home Pilot Program? How many homes does the department anticipate to be remediated in Fiscal Year 2018 and Fiscal Year 2019, respectively? Please provide an update regarding the latest allocation of Lead-Safe Home grants. How many applications were received? How many grants were awarded, and in what amounts? Do grantee agencies receive an administrative allowance? If so, how is the allowance calculated, and what is the total amount spent annually on such allowances?**

To date, the Lead-Safe Home Pilot Program has provided remediation to 176 units that have been deemed lead-safe. An additional 164 units are in progress (pending a lead assessment, procurement of lead remediation contractor, and/or completion of work by contractor). DCA anticipates that all funds will be allocated and the planned 507 units will be remediated by October 31, 2018. DCA is currently in the process of evaluating the current program for efficiencies, effectiveness, and ways to incorporate best practices. DCA has not awarded the latest allocation of Lead-Safe Home grants.

In the initial RFP, DCA allowed Lead-Safe Pilot agencies to budget for an administrative allowance totaling 10% of their grant; the full 10% was requested and budgeted by the Lead-Safe Pilot agencies, totaling $1 million.

26. The "Urban and Rural Centers Unsafe Buildings Demolition Bond Act," (Act") P.L.1997, c.125, authorized the issuance of bonds, in the amount of $20 million, to finance the demolition and disposal of unsafe buildings in urban and rural areas. The proceeds from the bond issuance are held in the Urban and Rural Centers Unsafe Buildings Demolition Bond Fund ("Demolition Bond Fund"). Monies held in the Demolition Bond Fund may only be loaned to municipalities for the purposes of demolition projects through specific appropriations by the Legislature. Three rounds of demolition bond funding have been awarded to date.

The Act requires the Commissioner of Community Affairs to establish criteria for approving eligible loans. The department uses the following priority list when awarding project funds: (1) projects in which the demolition of an unsafe building is necessary for the construction of certain new buildings; (2) projects addressing unsafe buildings located in redevelopment areas that do not pose an imminent and extreme hazard; and (3) projects addressing unsafe buildings not located in redevelopment areas, subject to certain conditions. Municipalities that are eligible to receive State aid under P.L.1977, c.260 (C.52:27D-162 et seq.) or P.L.1978, c.14 (C.52:27D-178 et seq.) may qualify for a project loan.

Under section 15 of the Act, loans issued from the fund may not exceed a term of 20 years or an annual interest rate of four percent. The terms of each loan are determined by the Commissioner and approved by the State Treasurer. Loan payments and appropriated funds not expended within the time period allowed under program rules are returned to the Demolition Bond Fund.

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P.L.2011, c.229 appropriated $7,403,340 from the Demolition Bond Fund to implement the third round of funding under the Act. In response to a Fiscal Year 2018 OLS Discussion Point, the department explained that five municipalities that received funding through P.L.2011, c.229 withdrew from the program. Most notably, the City of Hackensack and the City of Rahway withdrew because the approved buildings had already been demolished, while the City of Trenton withdrew due to loan's interest rate. The table below lists those municipalities that received funding pursuant to P.L.2011, c.229, as provided by the department during the Fiscal Year 2018 budget process.

Municipality	Loan Award	Amended Loan Award	Total Reimbursement	Loan Balance	Buildings Demolished
Camden	$2,000,000	--	$1,942,191	$57,809	119
Irvington	$923,240	--	$828,945	$94,295	42
Millville	$60,000	--	$60,000	$0	4
Orange Twp.	$325,000	--	$240,239	$84,761	11
Pleasantville	$174,000	--	$174,000	$0	4
Vineland	$100,000	$96,650	$96,650	$0	4
Totals	$3,582,240	$3,578,890	$3,342,025	$236,865	184

Additionally, a language provision in the Fiscal Year 2017 Appropriations Act, P.L.2016, c.10, allocated $9,950,522.53 from the Demolition Bond Fund for demolition and disposal projects in 12 municipalities. In response to a Fiscal Year 2018 OLS Discussion Point, the department provided the following table explaining each of these projects.

Municipality	Loan Award	Contract Execution	Anticipated Demolitions	Total Reimbursement	Loan Balance	Buildings Demolished
Brick	$300,000	2/23/2017	6	--	$300,000	0
Camden	$3,000,000	12/22/2016	8	--	$3,000,000	0
Glassboro	$1,499,000	12/2/2016	30	--	$1,499,000	0
Gloucester	$856,329.53	1/13/2017	3	--	$856,329.53	0
Hillside	$105,000	Pending	3	--	$105,000	0
Irvington	$600,000	12/2/2016	50	--	$600,000	0
Paterson	$1,987,343	Pending	24	--	$1,987,343	0
Pemberton[1]	$260,000	--	13	--	$0	0
Pleasantville	$289,850	1/13/2017	20	--	$289,850	0
Salem	$250,000	1/13/2017	15	--	$250,000	0
Vineland	$635,000	12/9/2016	4	--	$635,000	0
Winslow	$168,000	10/24/2016	7	$60,400	$107,600	3
Totals	$9,950,522.53	N/A	183	$60,400	$9,630,122.53	3

1 – Pemberton withdrew from the program on September 23, 2016.

- ***Question:*** **Please provide an update regarding the status of each municipal demolition project funded through P.L.2011, c.229. What is the total amount expended, by municipality, for the demolition of unsafe buildings? How many buildings have been demolished? What is the amount of total reimbursements and loan award balances for each municipality? How many total buildings are eligible for demolition?**

- ***Question:*** **Please provide an update regarding the status of each municipal demolition project funded projects through the Fiscal Year 2017 Appropriations Act,**

Discussion Points (Cont'd)

P.L.2016, c.10. What is the total amount expended, by municipality, for the demolition of unsafe buildings? How many buildings have been demolished? What is the amount of total reimbursements and loan award balances for each municipality? When the appropriations authorized by P.L.2011, c.229 and P.L.2016, c.10 are taken into account, what is the amount remaining for the demolition of unsafe buildings?

The chart below provides the status for eligible municipalities that received an award of funds under P.L. 2011, c. 229, Round 4 of the Demolition Bond Loan Program, and reflects participating municipalities only.

Municipality	Original Loan Award	Reduction of Loan Award[1]	Adjusted Total Loan Award[2]	Total Reimbursement	Loan Award Balance	Buildings Demolished[3]
Camden	$2,000,000.00	--		$2,000,000.00	$0.00	124
Irvington	$923,240.00	$81,945.73	$841,294.27	$841,294.27	$0.00	42
Millville	$60,000.00	--		$60,000.00	$0.00	4
Orange Twp.	$325,000.00	--		$303,549.00	$21,451.00	14
Pleasantville	$174,000.00	--		$174,000.00	$0.00	4
Vineland	$100,000.00	$3,350.00	$96,650.00	$96,650.00	$0.00	4
Totals	**$3,582,240.00**	**$85,295.73**	**$3,496,944.27**	**$3,475,493.27**	**$21,451.00**	**192**

1 - Municipalities may request to reduce their loan awards. Upon receiving such a request, the Department amends the contract to reduce the amount of the loan awards and adjusts the repayment schedule. The unused portion of funds is returned to the Demolition Bond Loan Fund.

2 – The adjusted total loan award is the original loan award minus the loan reductions.

3 – Numbers are based on reimbursements paid to date.

With the exception of the City of Orange Township, all demolition projects funded through P.L. 2011, c. 229, are complete. The Township has remained in contact with DCA and is working to draw down the remaining funds under Round 4. The Township has submitted two requests for reimbursement totaling $63,310, which have been approved and are in the process of reimbursement. The chart above includes these payments to better reflect the Township's status.

To date, a total of $3,475,493.27 has been reimbursed across the six participating municipalities for the demolition of 192 buildings. Under the Demolition Bond Loan Program, the loan award is reimbursed to a municipality upon submittal of invoices related to the demolition and disposal of specified, eligible buildings. Municipalities may also, by contract, allocate up to ten percent of the loan award for administrative expenses; when this option is elected, invoices identifying the employee(s) and accounting for the time spent on the Demo Bond project are required. Municipalities are not required to report any municipal expenses spent on services that are not submitted for reimbursement. Loan Repayments under this round of funding began October 2014 and will continue through November 2033.

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The chart below provides a status update for eligible municipalities that received an award of funds under P.L. 2016, c.10, Round 5 of the Demolition Bond Loan Program, and reflects participating municipalities only. Five of the 11 participating municipalities have submitted invoices to DCA for reimbursement. DCA works closely with municipalities through the reimbursement process under this Program, and receives monthly reports from each municipality regarding the status of buildings eligible for demolition.

Municipality	Amount of Loan Award	Eligible Buildings	Total Reimbursement	Loan Award Balance	Buildings Demolished[1]
Brick	$300,000.00	6	$87,600	$212,400.00	1
Camden	$3,000,000.00	22	$1,594,688.76	$1,405,311.24	9
Glassboro	$1,499,000.00	33	$1,158,034.51	$340,965.49	31
Gloucester City	$856,329.53	3	$0.00	$856,329.53	0
Hillside	$105,000.00	3	$0.00	$105,000.00	0
Irvington	$600,000.00	55	$0.00	$600,000.00	0
Paterson	$1,987,343.00	24	$0.00	$1,987,343.00	0
Pleasantville	$289,850.00	12	$140,668.30	$149,181.70	12
Salem	$250,000.00	19	$0.00	$250,000.00	0
Vineland	$635,000.00	4	$0.00	$635,000.00	0
Winslow	$168,000.00	9	$168,000.00	$0.00	9
Totals	**$9,690,522.53**	**190**	**$3,148,991.57**	**$6,541,530.96**	**62**

1 - Numbers are based on reimbursements paid to date.

To date, DCA has reimbursed $3,148,991.57 across five municipalities for the demolition of 62 buildings. It is anticipated that a total of 190 buildings will be demolished under this Round of funding. As stated above, DCA does not require that municipalities report any municipal expenses spent on services that are not subject to reimbursement; the chart shows the total amount reimbursed to each municipality under this Round to date. The total remaining loan balance is $6,541,530.96, with each municipality's remaining balance shown in the above chart. Loan repayments under this Round will begin in July 2018 and continue through October 2037.

As of April 24, 2018, there is an uncommitted balance of $2,776,025.58 in the Demolition Bond Loan Fund for the demolition of unsafe buildings in future rounds. The Fund is replenished as participating municipalities repay their loans. Rounds of funding are announced when the fund is sufficient to support the anticipated applications, which has traditionally been a minimum account balance of $5 million.

27. The Low-Income Home Energy Assistance Program (LIHEAP), administered by the United States Department of Health and Human Services (HHS), provides federal funding to states to operate home energy assistance programs for low-income households. State-

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administered LIHEAP programs assist eligible households in making payments toward home heating and cooling bills. HHS allocates two types of federal funding for state LIHEAP programs: (1) regular funds, which are distributed according to a formula; and (2) emergency contingency funds, which are distributed to grantees, at the discretion of the Secretary of HHS, based on emergency needs. New Jersey's LIHEAP program is administered by the Office of Home Energy Assistance in the Department of Community Affairs through county-level application agencies.

Households with incomes up to 150 percent of the federal poverty guidelines, or 60 percent of the state median income, whichever is greater, are eligible for LIHEAP. States may adopt lower income eligibility limits, except that no household with an income below 110 percent of the federal poverty guidelines may be considered ineligible. To qualify for LIHEAP in New Jersey, applicant households are required to: (1) be responsible for home heating or cooling costs; and (2) have a gross income of not more than 175 percent of the Federal Poverty Index. LIHEAP cooling assistance is only provided to income-eligible New Jersey households if medical evidence indicates that the lack of cooling would seriously endanger the health of at least one member of the household. The amount of the LIHEAP heating benefit is determined by income, household size, fuel type, and heating region.

In October 2016, the Office of the State Comptroller (OSC) issued an investigative report concerning the administration of the State's LIHEAP program. According to the report, the OSC found evidence of improper benefit payments and concluded that certain areas of the program were susceptible to fraud. The report also issued nine recommendations to the department to rectify these concerns. In response to a Fiscal Year 2018 OLS Discussion Point, the department acknowledged that, as of April 2017, at least 4,023 LIHEAP applicants possessed invalid social security numbers. The department also reported that it had implemented each of the OSC's recommendations.

Under the "Consolidated Appropriations Act, 2018," signed into law by President Trump on March 23, 2018, New Jersey is expected to receive approximately $127 million in LIHEAP funding during Federal Fiscal Year 2018, an increase of over $7 million from Federal Fiscal Year 2017.

- ***Question:*** **How has the increased federal appropriation for the LIHEAP program in Federal Fiscal Year 2018 impacted the provision of home energy assistance to eligible households in this State? Please provide an update concerning the continued implementation of each recommendation of the Office of the State Comptroller regarding the LIHEAP program.**

The increased federal appropriation will allow the LIHEAP program to extend its application period through May 31, 2018 and to continue issuing Emergency Benefits to all eligible recipients. DCA anticipates that the additional funding will allow the LIHEAP program to issue supplemental heating and supplemental cooling benefits to all eligible recipients, as well as to allocate additional funds to the Weatherization Assistance Program, allowing more low-income homeowners homes across the State to increase the energy efficiency of their homes and reduce their energy bills.

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As detailed in DCA's response to the OSC report, DCA has implemented the OSC recommendations. In most cases, the recommendations had been implemented prior to issuance of the OSC report. No additional funds or hiring of staff have been necessary to implement the recommendations. Recommendations implemented by DCA include:

Recommendation: Remove performance goals in agreements with subrecipient agencies
Implementation: In FY2014 and FY2015, DCA's agreements with subrecipients included performance goals establishing minimum benchmarks to determine and address agency performance. OSC recommended that these performance goals be eliminated. DCA removed the relevant performance goals from agreements with subrecipient agencies in FY2016 and has not reinstated these performance goals.

Recommendation: Fully implement a means to validate applicant and household member identification with the Social Security Administration (SSA)
Recommendation: Cross-check applicants with available death records
Implementation: In 2013, DCA entered into an agreement with the SSA to allow the exchange of information to verify applicants' social security numbers. However, the process required by SSA to initiate an on-site inspection of DCA's physical and IT-related protocols took several years and several submissions of information. In October 2016, DCA received approval to access the SSA database, and beginning with the first benefit approval in FY2017, DCA has validated applicant social security numbers using the SSA database; SSA has also been validating and providing Death Records with their responses. In addition, LIHEAP's policies require that all individuals, except children under one year of age, provide a valid social security card.

Recommendation: Use available databases to conduct information verification reviews
Implementation: In cases where applicants report zero income, DCA uses the data from the New Jersey Department of Labor and Workforce Development to verify income. In addition, all subrecipient agencies are charged with reviewing sources of applicant income. This review carries the requirement that applicants, under penalty of perjury, provide accurate information on all sources of income.

28. The Fiscal Year 2018 Appropriations Act allocated $8 million to two organizations that provide prisoner re-entry services. Specifically, the New Jersey Re-entry Corporation (NJRC) and Volunteers of America (VOA) each received $4 million during that year. This appropriation represented a combined increase of $3 million from Fiscal Year 2017, during which time each program received $2.5 million. Both organizations provide specialized re-entry services, including housing, medical, and employment assistance, to individuals recently released from State correctional facilities. The proposed Fiscal Year 2019 Budget discontinues funding for both re-entry service providers.

Pursuant to a language provision in the Fiscal Year 2018 Annual Appropriations Act, the monies distributed to the NJRC were used to provide continued one-stop offender re-entry services in Newark, Jersey City, Paterson, and Toms River, as well as to establish new services in Bergen, Union, Middlesex, Somerset, and Monmouth counties. Likewise, State appropriations for VOA were to be used to provide expanded re-entry services in Atlantic City,

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and Camden, Gloucester, Cumberland, and Salem counties. Budget language also authorizes the provision of medication-assisted relapse therapy treatment by both organizations.

In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that the NJRC expected to serve 1,500 people through its Fiscal Year 2017 contract, which commenced in May 2017 and expires in May 2018. According to the department, the NJRC served four locations during this grant period with 29 percent of funding allocated to Paterson, 27 percent of funding allocated to Newark, 27 percent of funding allocated to Toms River, and 17 percent of funding allocated to Jersey City. The department also noted during the Fiscal Year 2018 budget process that the VOA expected to serve 2,400 people through its Fiscal Year 2017 grant, which commenced in August 2016 and expired in July 2017.

The table below shows the amount expended and encumbered, by grantee, since Fiscal Year 2016, based on information available through the New Jersey Comprehensive Financial System, as of April 16, 2018.

New Jersey Re-entry Corporation			
Fiscal Year	Expended	Encumbered	Total
2016	$3,500,000.00	$0.00	$3,500,000.00
2017	$1,741,399.23	$758,600.77	$2,500,000.00
2018	$2,000,000.00	$2,000,000.00	$4,000,000.00
Volunteers of America			
Fiscal Year	Expended	Encumbered	Total
2016	$1,500,000.00	$0.00	$1.500,000.00
2017	$2,500,000.00	$0.00	$2,500,000.00
2018	$2,000,000.00	$2,000,000.00	$4,000,000.00

- ***Question:*** **Please provide an update concerning the Fiscal Year 2017 and Fiscal Year 2018 appropriations for the New Jersey Re-entry Corporation and the Volunteers for America programs. How did increased funding in Fiscal Year 2018 impact the provision of re-entry services by each organization? Please indicate the amount of Fiscal Year 2018 funding that was allocated by NJRC and VOA, respectively, to each of its one-stop re-entry service locations. How many people were assisted at each site? Has the department conducted a performance review of the NJRC and VOA re-entry service programs? If so, what were the results of the performance review? Other than the results of a performance review, what is the justification for discontinuing funding for these two programs?**

The following chart shows funds that have been expended and encumbered to date for FY2017 and FY2018 for the New Jersey Re-entry Corporation (NJRC) and Volunteers of America (VOA) programs:

New Jersey Re-entry Corporation			
Fiscal Year	Expended	Encumbered	Total
2017	$1,919,296	$580,704	$2,500,000

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2018	$2,000,000	$2,000,000	$4,000,000
Volunteers of America			
Fiscal Year	Expended	Encumbered	Total
2017	$2,500,000	$0	$2,500,000
2018	$2,302,006	$1,697,994	$4,000,000

The increased appropriations provided to each agency allowed for the continued provision of services in existing locations, as well as the expansion of services to new locations. NJRC has expanded its services to Bergen, Middlesex/Somerset, Monmouth, and Union Counties, while continuing to provide services in Essex, Hudson, Ocean, and Passaic Counties. VOA has expanded its services to Camden, Cumberland, Gloucester, and Salem Counties, while continuing to provide services in Atlantic and Mercer Counties.

The following chart shows the amount of FY2018 funding that has been allocated by NJRC to each of its service locations:

New Jersey Re-entry Corporation								
	Passaic	Essex	Hudson	Ocean	Bergen	Middlesex/ Somerset	Union	Monmouth
FY2018 Allocation*	$751,934	$607,088	$322,984	$567,996	$446,437	$446,437	$410, 687	$446,437

*These are anticipated, estimated costs. DCA anticipates that NJRC will file a budget revision to reflect final and actual cost to each location.

The following chart reflects the number of people served at each site by NJRC per year:

New Jersey Re-entry Corporation								
	Passaic	Essex	Hudson	Ocean	Bergen	Middlesex/ Somerset	Union	Monmouth
2016	142	145	202	31	-	-	-	-
2017	528	488	319	277	-	-	-	-
2018 (to date)	409	375	239	276	11	20	36	0

The following chart shows the amount of FY2018 funding that has been allocated by VOA to each of its service locations:

Volunteers of America				
	Trenton	Atlantic City	Camden	Tri-County (Gloucester, Salem,

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				Cumberland)
FY2018 Allocation	$1,000,000	$1,000,000	$1,000,000	$1,000,000

The following chart reflects the number of people served at each site by VOA per year:

Volunteers of America				
	Atlantic	Mercer	Camden	Tri-County (Cumberland, Gloucester, Salem)
2016	504	241	-	-
2017	605	372	-	-
2018 (to date)	405	154	218	120

In addition to monthly reporting by NJRC and VOA, DCA has conducted a review of the re-entry programs based on data provided by each organization, as well as data obtained from the NJ Parole Board's Data Mart. This analysis examined re-offenses (re-arrest, re-conviction, or re-incarceration) post-release by program participants and by a control group. Participants enrolled in services for more than one year demonstrated a 19.6% re-arrest rate, a 17.4% re-conviction rate, an 18.8% re-incarceration rate, and an overall 37% re-offense rate. For those reentry program participants matched to a comparison group, following unconditional release from prison after 2012, 25% re-offended through July 2017, compared to 65% of the comparison group; 16% were re-arrested compared to 60% of the comparison group; 11% were convicted of a crime compared with 47% of the comparison group; and 8% were re-incarcerated compared to 27% of the comparison group. Other notable findings included:

- Re-entry program participants are more likely to be African-American and less likely to be White or Hispanic than other released inmates.
- Re-entry program participants have generally spent more time in jail than the control group.
- Re-entry program participants are more likely to have committed a drug offense and less likely to have committed a violent offense.
- Re-entry program participants are typically older upon release and have been in the community for a shorter time than other released inmates.

29. On December 22, 2017, the enactment of the "Tax Cuts and Jobs Act" (Pub.L.155-97) instituted significant changes to the federal tax system, including limiting to $10,000 the deductibility of state and local taxes (SALT), such as local property taxes and state income taxes, against individual federal income taxes. In response, many taxpayers prepaid 2018 property taxes during Calendar Year 2017 in order to claim increased, uncapped SALT deductions against their 2017 federal income taxes.

On December 27, 2017, Governor Christie issued Executive Order No. 237 to require the Director of the Division of Local Government Services (DLGS) to issue a notice stating that municipalities were required to accept prepayments for 2018 property taxes during Calendar

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Year 2017. The Executive Order also required municipalities to record those property tax prepayments as received in Calendar Year 2017.

However, after the IRS issued guidelines that drew into question the ability of a taxpayer to deduct certain prepaid 2018 property taxes from 2017 federal income tax liabilities, the DLGS issued a Local Finance Notice on January 19, 2018 (LFN 2018-04) to address the prospect of refunding third and fourth quarter 2018 property tax prepayments. The Notice stated, "If a municipality wishes to permit refunding payments toward unbilled third and fourth quarter 2018 property taxes, the governing body should adopt a resolution specifically authorizing the refund of such payments." The Notice further provided that a municipality may not refund a 2018 property tax prepayment except upon written request by the taxpayer.

On April 12, 2018, the Legislature approved Assembly Bill No.3382 (First Reprint) in concurrence with the Governor's conditional veto, to clarify the status of these and future property taxes prepayments. The law authorizes property taxpayers to make dedicated prepayments towards an anticipated property tax liability prior to the issuance of an actual tax bill. The law also requires that any prepayment be credited to the quarterly tax liability for which it was dedicated. Being retroactive to July 1, 2017, the law is applicable to prepayments of 2018 property taxes that were already made by taxpayers pursuant to Executive Order No. 237 and DLGS guidance.

- ***Question:*** **Please provide information concerning how many taxpayers pre-paid 2018 property taxes prior to January 1, 2018, and the total amount of taxes collected. How do these amounts compare to prior years? How many municipalities issued refunds for pre-paid 2018 property taxes, and in what amounts? Has the department issued guidance to municipalities concerning the implementation of Assembly Bill No. 3382, approved on April 12, 2018? If so, please provide those guidelines.**

DLGS does not track this data and thus has no way to compare the above-referenced metrics to prior years. DLGS is in the process of crafting guidance to municipalities concerning the implementation of Assembly Bill No. 3382, approved on April 12, 2018.

30. Since October 2012, New Jersey has received approximately $4.2 billion in federal Community Development Block Grant—Disaster Recovery (CDBG-DR) funds to assist in the State's recovery following Superstorm Sandy. The State continues to use these federal funds to administer various homeowner assistance, rental housing assistance, and community development programs to assist those that were most impacted by the storm.

According to information available through www.renewjerseystronger.org, New Jersey allocated approximately $1.7 billion in CDBG-DR funds, as of December 31, 2017, to support four homeowner assistance programs, as follows: (1) the Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program, $1.3 billion; (2) the Low-to-Moderate (LMI) Homeowner Rebuilding Program, $50.3 million; (3) the Housing Resettlement Program, $205 million; and (4) the Blue Acres Buyout, $174.5 million, which is administered through the Department of Environmental Protection.

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The RREM Program is the State's primary source of assistance for homeowners affected by Superstorm Sandy. As of December 31, 2017, the program has been allocated $1.3 billion according to information from www.renewjerseystronger.org. The program helps eligible applicants repair or rebuild their Sandy-impacted homes. Specifically, the RREM program awards grants of up to $150,000 to eligible homeowners in order to support the costs associated with home repair. 70 percent of RREM funding is reserved for low-to-moderate income applicants. In response to a Fiscal Year 2018 OLS Discussion Point, the department indicated that a total of 7,593 grant agreements had been signed by active applicants under the RREM program, with an average grant award of $131,100. The department also projected RREM program expenditures to total $138 million in Fiscal Year 2017 and $74 million in Fiscal Year 2018.

The State also provides similar assistance to Sandy-affected homeowners through the LMI Homeowners Rebuilding Program. As of December 31, 2017, the program has been allocated $50.3 million in CDBG-DR funds, according to information from www.renewjerseystronger.org. Eligibility requirements and assistance levels under the LMI program are similar to those for the RREM program, except that eligible applicants are required to have a total household income not in excess of 80 percent of the area median income. A portion of LMI program funding also is reserved to assist the owners of substantially damaged manufactured housing units. During the Fiscal Year 2018 budget process, the department reported that a total of $29 million had been disbursed to homeowners under the LMI program and that projected expenditures would total $12 million in Fiscal Year 2017 and $10 million in Fiscal Year 2018.

The Housing Resettlement Program provides grants of $10,000 to eligible homeowners to use towards non-construction purposes, such as increased flood insurance premiums, in order to encourage Sandy-impacted households to relocate to their county of residence prior to the storm. According to information from www.renewjerseystronger.org, the program was allocated $205 million in CDBG-DR funds and disbursed $203 million as of December 31, 2017.

- ***Question:*** **Please provide an update concerning the total amount of funds disbursed, by Fiscal Year, for the RREM, LMI Homeowners Rebuilding Program, and Housing Resettlement programs, respectively. Please provide updated expenditure forecasts for Fiscal Year 2018 and Fiscal Year 2019, respectively, for each program. How many homeowners currently receive grants through each program, and in what amounts? How many total homeowners have participated in each program, and what was the average benefit? When does the department expect to expend all funding for each program?**

The below chart identifies the total amount of funds disbursed, by Fiscal Year, for the Reconstruction, Rehabilitation, Elevation, & Mitigation (RREM) Program, LMI Homeowners Rebuilding Program, and Housing Resettlement Program, respectively. Additionally, the chart provides updated expenditure forecasts for FY2018 and FY2019, respectively, for each program.

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Program	Allocation	Expended FY2013	Expended FY2014	Expended FY2015	Expended FY2016	Expended FY2017	FY2018 Forecast 07/01/17 - 06/30/18	FY2019 Forecast 07/01/18 - 06/30/19
RREM	1,303,684,781	15,950	181,142,333	478,478,927	362,710,371	137,278,126	68,702,710	40,861,797
LMI Homeowners Rebuilding	50,294,758	-	-	65,353	23,567,682	11,633,986	4,771,377	2,080,205
Housing Resettlement	205,000,000	19,198	195,680,513	6,681,919	768,393	150,546	-	(250,000)

There are 7,442 eligible homeowners in the RREM program, of whom 5,929 have completed construction. The average grant award is $129,449. DCA expects to expend all funding for RREM by September 2022, the federal expenditure deadline.

There are 304 eligible homeowners in the LMI Homeowners Rebuilding Program, 174 of whom have completed construction. The average grant award is $134,900. DCA expects to expend all funding for the LMI Homeowners Rebuilding Program by the federal expenditure deadline.

Lastly, the Homeowner Resettlement program provided $10,000 grants to 18,247 homeowners, who have all met the three-year residency requirement. DCA does expect return of funds for those applicants who did not fulfill the three-year residency requirement. Any returned funds will be reallocated for other purposes. The Resettlement program is complete, and no additional expenditures are anticipated.

31. According to New Jersey's Community Development Block Grant—Disaster Recovery (CDBG-DR) Action Plan, roughly 27 percent of all housing damage caused by Superstorm Sandy affected rental housing units. In response, the State allocated approximately $857 million in CDBG-DR funds, as of December 31, 2017, to support various rental housing assistance programs. According to www.renewjerseystronger.org, CDBG-DR funds support eight rental housing assistance programs as of December 31, 2017, as follows:

(1) The Fund for the Restoration of Multifamily Housing (FRM) Program, $651.5 million;
(2) The Sandy Homebuyer Assistance Program, $18.9 million;
(3) The Sandy Special Needs Housing Fund, $59.7 million;[3]
(4) The Rental Assistance Program, $12.5 million;
(5) The Landlord Rental Repair Program (LRRP), $54.1 million;[4]

[3] For more information on the Sandy Special Needs Housing Fund, please see Fiscal Year 2018 OLS Discussion Point No. 29, which may be accessed through the following link: http://www.njleg.state.nj.us/legislativepub/budget_2018/DCA_response.pdf.
[4] For more information on the LRRP program, please see Fiscal Year 2018 OLS Discussion Point No. 28, which may be accessed through the following link: http://www.njleg.state.nj.us/legislativepub/budget_2018/DCA_response.pdf.

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(6) The Neighborhood Enhancement Program, $38.7 million;
(7) The Landlord Incentive Program, $17.8 million; and
(8) The Predevelopment Fund for Affordable Rental Housing, $3.7 million.

Most notably, the FRM program helps to finance the construction of affordable housing units in the nine counties most impacted by Superstorm Sandy (Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union). FRM program guidelines require eligible projects to provide rental housing in which some or all units are affordable to low- to moderate-income households. Eligible projects also are required to provide a priority to qualified Sandy-impacted residents during the first 90 days of rental housing availability. Of the $651.5 million in CDBG-DR funds allocated to the FRM program, approximately $298.7 million has been disbursed as of December 31, 2017, according to information from www.renewjerseystronger.org.

In addition to the aforementioned rental assistance programs, the State also administers the Sandy Tenant-Based Rental Assistance Program (TBRA) using federal CDBG-DR funds. The TBRA program provides temporary rental housing vouchers to eligible low- and moderate-income households living within the nine counties most impacted by Superstorm Sandy. TBRA vouchers are provided for a maximum of 24 months, with a mandatory application renewal after the first year. As of December 31, 2017, the TBRA program has been allocated $32 million in CDBG funds, of which approximately $20.2 million was disbursed, according to information from www.renewjerseystronger.org. In response to a Fiscal Year 2018 OLS Discussion Point, the department reported that it anticipated expending $7.09 million in Fiscal Year 2017 and $9.25 million in Fiscal Year 2018 through the TBRA program.

- ***Question:*** **Please provide an update concerning the total amount of funds disbursed, by Fiscal Year, for each Sandy-related rental assistance program, including the TBRA program, respectively. Please provide updated expenditure forecasts for Fiscal Year 2018 and Fiscal Year 2019, respectively, for each program. How many renters currently receive assistance through each program, and in what amounts? How many total renters have participated in each program, and what was the average benefit? When does the department expect to expend all funding for each program?**

The below chart identifies the total amount of funds disbursed, in dollars, for the Fund for the Restoration of Multifamily Housing Program (FRM), the Sandy Homebuyer Assistance Program (SHAP), the Sandy Special Needs Housing Fund (SNH), the Rental Assistance Program (RAP), the Sandy Tenant-Based Rental Assistance Program (TBRA), the Landlord Rental Repair Program (LRRP), the Neighborhood Enhancement Program (NEP), the Landlord Incentive Program (LIP), and the Predevelopment Loan Fund for Affordable Rental Housing. Additionally, the chart provides updated expenditure forecasts for FY2018 and FY2019 for each program.

Program	Allocation	Expended FY 2013	Expended FY 2014	Expended FY 2015	Expended FY 2016	Expended FY 2017	FY-2018 Forecast 07/01/17 - 06/30/18	FY-2019 Forecast 07/01/18 - 06/30/19
FRM	651,547,401	-	15,011,649	98,260,042	49,873,308	92,832,288	125,612,411	114,000,000

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SHAP	18,936,320	-	10,243,734	5,044,384	3,516,619	37,516	200,000	-
SNH	59,700,000	-	4,137,683	9,123,893	7,878,765	8,410,573	6,166,009	12,029,844
RAP	12,500,000	-	-	-	-	1,499,690	8,500,000	2,500,310
LRRP	54,063,663	22,446	12,053,347	17,438,265	14,070,815	4,791,758	3,786,181	951,616
NEP	38,727,006	-	858,322	9,784,475	9,715,540	4,427,903	2,960,176	4,254,362
LIP	17,773,703	-	1,084,793	3,895,692	5,514,775	5,587,624	1,106,622	-
TBRA	32,000,000	-	4,701,406	106,993	1,838,734	8,090,041	10,872,086	3,451,454
Pre-development Loan Fund	3,769,001	-	962,546	1,488,259	582,802	540,191	264,599	-

Multiple strategies have been employed to address the needs of renters impacted by Superstorm Sandy, including loans to non-profit developers for predevelopment studies, funds for the construction of affordable rental housing, assistance for new homeownership, grant assistance to landlords, and rental subsidies for low- to moderate-income (LMI) households.

The Predevelopment Loan Fund, the FRM Program, SNH, and NEP were established to address the need for new affordable housing construction. To date, the Predevelopment Loan Fund has expended $3,612,488 that resulted in the construction of 203 affordable units currently occupied by 203 households. The final loan disbursements should be made by July 2018. The FRM program has expended $340,289,698 to date towards the completion of 37 projects, which have produced 2,497 units currently occupied by 2,482 households. DCA expects to expend all funding for FRM by September 2022, the federal expenditure deadline. In total, over 7,200 rental units will receive FRM funding. The SNH also supports the development of affordable units but specifically targets people with special needs. Financing is available for stand-alone projects or in conjunction with FRM. To date, SNH has expended $34,531,152 towards the completion of 24 projects, which have produced 156 units of housing currently occupied by 164 households. Over 450 special needs beds will be created through the SNH. The program is closed to new applications, and DCA expects to expend all funding for SNH by September 2022, the federal expenditure deadline. The NEP was designed to stabilize deteriorating neighborhoods by financing small affordable residential projects that address the shortage of affordable rental and/or homeowner housing. NEP has expended $27,177,151 towards the completion of 10 projects that have produced 76 units of rental housing occupied by 76 households. An additional five units were rehabilitated and are in the hands of new homeowners. DCA anticipates the final NEP disbursement will occur by September 2019.

SHAP also provided resources for renters by providing up to $50,000 in down payment assistance for eligible homebuyers. To date, SHAP has expended $18,896,878 and provided an average down payment of $47,000 to approximately 350 homeowners in the nine counties most impacted by Superstorm Sandy. The last disbursement was made in November 2017, and the program is closed to new applications.

LRRP and LIP provide funding to landlords to ensure that existing rental housing continued to be affordable in the post-Sandy rental market. LRRP, which was designed to restore rental properties that were damaged by Superstorm Sandy, has expended $51,434,799 to date for 455 units which were occupied by 409 LMI households. To be eligible for LRRP, landlords agreed to rent their unit(s) to LMI households at affordable rents upon completion of repairs. DCA expects the final disbursement to be provided in 2019 and to have expended all funding

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by 2021. LIP also provided funds to qualified landlords to quickly address the immediate needs of displaced LMI households. Priority was given to households earning at or below 50% of the area median income, and nearly 600 households benefited. Final expenditures for LIP occurred in 2018.

Two rental subsidy programs were also established, one targeting Sandy-impacted homeowners and one targeting very low-income renters at risk for homelessness in the post-Sandy rental economy. RAP provides short-term rental assistance to homeowners who have executed a grant agreement in the RREM or LMI Homeowner Rebuilding Programs, but have not yet completed the construction, rehabilitation, or elevation of their primary residence. Prior to the program being funded with CDBG-DR funds, the program provided short-term rental assistance using Social Services Block Grant (SSBG) funds to 2,236 RREM and LMI homeowners during their construction process at an average of $1,225 per month, or an average of $13,885 in total per household. To date, RAP has provided an additional $8,340,915 in CDBG-DR assistance to approximately 870 homeowners (some may have also received SSBG funding); approximately 480 households are currently receiving a benefit. The average short-term rental assistance amount is just under $10,000 per household, at an average of $1,248 per month. HUD provided a waiver to New Jersey allowing disbursements to continue until June 2019. RAP may exhaust the current program allocation prior to the June 2019 expenditure deadline; DCA is closely monitoring this program and will reallocate funding if necessary depending on demand. TBRA provides housing vouchers to LMI families for up to 24 months. Through the program, most families contribute an average of just over $400 per month towards their rent. TBRA pays the balance of their rent directly to the landlord, providing an average household payment of $1,060 per month. To date, TBRA has expended $22,865,911 to serve a total of 1,788 households. There are 787 households currently active in the program. The average benefit per household is approximately $12,000. HUD provided a waiver to New Jersey allowing disbursements to continue until January 1, 2019.

32. Enacted on February 10, 2017, section 5 of P.L.2017, c.15 (C.52:15D-13) allowed certain Sandy-impacted homeowners to apply for a Certificate of Forbearance in order to postpone mortgage payments towards homes affected by the storm. A Sandy-impacted homeowner is defined under the act as one: (1) who received FEMA rental assistance as a result of Superstorm Sandy, or was approved for assistance through the RREM or LMI programs; or (2) whose primary residence incurred certain levels of home damage as a result of the storm, including damage of at least $8,000, or flooding of more than one foot.

Sandy-impacted homeowners were required to apply for forbearance by June 1, 2017. Under State regulations, applicants were deemed to qualify for forbearance if: (1) each program eligibility criterion was satisfied; or (2) the department failed to act on the application within 30 days. The program's eligibility criteria include the following: (1) possess a current mortgage obligation; (2) qualify as a Sandy-impacted homeowner; (3) experience a period of displacement as a result of Superstorm Sandy; (4) submit a completed program forbearance application; and (5) have a primary residence home that requires additional construction or elevation work and a Certificate of Occupancy prior to reoccupation (N.J.A.C.5:65-1.5). All terms and conditions of a participant's original mortgage, except with regard to default and delinquency provisions, are to continue unmodified during the forbearance period.

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In addition, section 5 of P.L.2017, c.15 (C.52:15D-13) also directed the courts to award certain Sandy-impacted homeowners, upon application and demonstration of good cause, a temporary stay on foreclosure proceedings. Homeowners who were subject to foreclosure proceeding as of August 10, 2015, may apply for the temporary stay. Under the law, the receipt of FEMA rental assistance as a result of Superstorm Sandy, or the approval of assistance through the RREM or LMI programs, constitutes good cause for a homeowner to be awarded the foreclosure stay. Homeowners were required to apply for the stay by July 1, 2017.

- ***Question:*** **How many Sandy-impacted homeowners were awarded mortgage forbearances pursuant to P.L.2017, c.15 (C.52:15D-13)? Please indicate how many homeowners applied for the forbearance. What were the most common reasons for applicant denial? How many Sandy-impacted homeowners were awarded a stay on foreclosure proceedings? How many homeowners applied for the stay? What were the most common reasons for applicant denial?**

A total of 1,066 homeowners applied to DCA, including 154 who later withdrew their applications. Of the applicants, 477 were found to be eligible for forbearance. Most commonly, those who were found to be ineligible had not received assistance through the programs required by the statute or had already completed construction on their homes. The Department does not have any statistics on homeowners who applied to the courts for a stay of foreclosure.

33. The Governor's budget address to the Legislature included a statement of intent to encourage more municipalities to pursue shared services by appointing a Shared Services "Czar." No other details have been provided, and no appointment or designation of such an official has been made as of April 22, 2018. The Division of Local Government Services has played a prominent role in assisting local governments to explore and implement shared service agreements and municipal consolidations. The Local Unit Alignment, Reorganization, and Consolidation Commission (LUARCC) also has a formal role in studying and proposing the consolidation of local units and shared service agreements.

- ***Question:*** **Has the Lieutenant Governor been actively involved in developing the proposal for a Shared Services "Czar"? Please provide any available information on the proposal. Will the department play a role in supporting the individual chosen for this office? Does the department's budget include any financial resources that would support a Shared Services "Czar" or the implementation of initiatives that might arise from that officer's activities? What role will LUARCC play in the proposal of local unit consolidation and shared service agreements moving forward?**

Although the Director of DLGS has always served as an ambassador for the promotion of shared services in New Jersey's communities, DCA looks forward to the involvement of mayors Platt and Glatt. DCA always welcomes municipal input; staff and the Lieutenant Governor will

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continue to work with local government entities to explore options for cost savings and efficiencies.

34. The proposed Fiscal Year 2019 Budget reflects a restructuring of the Neighborhood Revitalization Tax Credit program. According to the Fiscal Year 2019 "Budget in Brief," the program would be "restructured to offer a total of $15 million per year with a business entity receiving an 80% tax credit for the amount of funding it provides." Currently, the "Neighborhood Revitalization State Tax Credit Act," P.L.2001, c.415 (C.52:27D-490), offers tax credits in an amount up to 100 percent of the approved financial assistance provided by business entities to nonprofit organizations to support qualified projects in eligible neighborhoods. The total amount of tax credits certified in any fiscal year may not exceed $10 million.

Qualified projects are required to support housing and economic development activities or other neighborhood revitalization activities, including, but not limited to, the improvement of infrastructure, the provision of social services, and the development of community outreach programs. Qualified projects must assist eligible neighborhoods that are located in, or adjacent to, a municipality that was qualified to receive Special Municipal Aid, pursuant to P.L.1987, c.75 (C.52:27D-118.24 et seq.), or contains a formerly designated "Abbot" school district, subject to certain other restrictions.

Recipient nonprofit organizations are required to submit a neighborhood preservation and revitalization plan to the department for approval. The department must give preference to project applications that: (1) involve development or expansion of a "microenterprise," defined as a commercial enterprise with five or less employees; (2) benefit low and moderate-income neighborhoods; and (3) improve the quality of life of neighborhood residents. Housing and economic development activities must make up at least 60% of the cost of the project.

The maximum tax credit that a business entity may receive in any given fiscal year is $1 million. The tax credit is to be awarded only for assistance provided within the same year in which the credit is approved. Approval is in the form of a certificate issued by the commissioner; if the commissioner approved assistance for more than one year, then the credit must be used within the year in which the payment was scheduled and made.

A business entity's funding for which it earns a tax credit must be paid to the department, for deposit in a nonlapsing fund; the department then distributes the funds to the nonprofit organization. The business entity does not need to designate a project it wants to support; it may make its payment to the department with the understanding that funding will be matched later with an approved project. The department maintains a qualified project pool and a target amount of funding for which it will award tax credits. The December 2017 project pool included 12 organizations and projects, for which $11.4 million in funding is sought that would be tax-credit eligible.

Fiscal information on the program shows that the full $10 million tax credit ceiling was attained annually since Fiscal Year 2010. The information also shows that, excluding funding

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received in Fiscal Year 2018, a total of $10.5 million has not yet been distributed to nonprofit organizations, although the funding is explicitly committed to their projects.

- ***Question:*** **What data does the department have, or what assumptions does it make, that support the conclusion that 50 percent more project funding will be attracted in exchange for a smaller percentage tax credit? Have all tax credits been awarded for 100 percent of the contributed funding for the period between Fiscal Year 2015 and Fiscal Year 2018? If not, what is the total value of tax credits awarded as a percentage of funding during that time period? How many nonprofit organizations that applied for participation under the program have been denied participation despite being eligible?**

- ***Question:*** **At what point in the process of implementing a project does the department issue a tax credit certificate? Does the department issue tax credit certificates prior to the distribution of the contributed funding to the nonprofit organization to which the funding is linked? If so, does the department monitor the time lag between the loss of State revenue from the tax credit and the completion of the project that the tax credit supports? Should the Legislature be concerned that, unlike other economic development incentive tax credit programs, this program's tax expenditures (i.e., the loss of State revenue) can precede the use of the business investment for the eligible project, rather than occurring after the business investment produces results?**

All tax credits available through NRTC have been fully allocated for the past eight fiscal years, and all tax credits were awarded for 100% of the contributed funding in FY2015 through FY2018. In FY2017, 15 applications met the threshold for funding eligibility, and 12 applications received funding. In FY2018, 12 applications met the threshold for funding eligibility, and all received funding.

DCA issues tax credit certificates after the receipt of pledged funds from business entities. When all funds have been received for a given fiscal year, DCA awards the funds to the eligible non-profit organizations whose project applications for that same fiscal year have attracted that investment. DCA enters into an agreement with each NRTC grantee that specifies the activities to be funded, the allocation of funds, and the time period during which activities must be implemented. The grant agreement is DCA's vehicle for monitoring the grantee's performance during the grant period.

The goal of the NRTC Program is to foster public-private partnerships to spur revitalization in distressed neighborhoods across the state. DCA's experience with the program, along with evidence from a recently completed program evaluation conducted by DCA, has demonstrated that the greatest successes occurred in neighborhoods that built on their assets, and created new assets to serve as a platform for revitalization. In order to increase the impact of the program and use the additional $5 million in tax credits dedicated to this program in SFY19 to greatest effect, DCA will prioritize neighborhoods with sufficient assets to create momentum in fighting distress and in building thriving communities. In the upcoming FY2019 Request for Proposals from neighborhoods already included in NRTC, DCA will refine the Neighborhood

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Asset Score to capture a broad array of assets that can contribute to success. In addition to assets including housing quality and value, arts and cultural facilities, educational facilities, parks and recreational facilities, medical and behavioral health facilities, community facilities, and other assets, DCA will also include:

- Participation of a strong community-based organization, as evidenced by that organization's track record in creating successful neighborhood assets;
- Community support and engagement with residents, as evidence of social capital and residents' capacity to participate in the revitalization of their neighborhood;
- Municipal support for neighborhood revitalization efforts;
- DCA will incorporate a measure of the level of neighborhood distress into the Neighborhood Asset Score, so that funds are targeted to areas where this investment is truly needed, and to ensure that NRTC does not contribute to gentrification.

DCA will also open a process for accepting new Neighborhood Plans, to offer new communities the opportunity to leverage this program to revitalize their neighborhoods, while also allowing existing neighborhoods whose NRTC plans have lapsed the ability to prepare new plans reflecting the current conditions in their communities. The Neighborhood Plan process will incorporate the refined Neighborhood Asset Score, as well as thresholds for minimum levels of distress and of community assets and the presence of a strong community-based organization to drive the plan forward. The Neighborhood Plan process will provide the opportunity to consider the needs of neighborhoods and their capacity for significant impact through NRTC. Starting with the FY2020 funding cycle, organizations with new approved NRTC plans will enter the RFP process, which at that time will transition to a tool to measure applicants' capacity and performance in fostering revitalization in their neighborhoods. DCA recently examined the progress toward revitalizing in the 29 existing NRTC neighborhoods. As a result, DCA has determined to solicit new NRTC neighborhood plans, continue to include the presence of neighborhood assets as a predictor of leveraging funds, require a demonstrated level of resident engagement and municipal support among other changes. Over the past two years that DCA has been evaluating the magnitude of the impact thus far and the potential for the program, staff have spoken to grantees, tax credit recipients, residents and local officials. DCA is confident that these proposed changes will attract interest from a larger pool of businesses that will allow NRTC to expand to more neighborhoods and enhance neighborhood outcomes.