

**Fiscal Year 2007 Budget Statement
of
Commissioner Susan Bass Levin
Senate Budget and Appropriations Committee
Wednesday, May 3, 2006**

(As Prepared for Delivery)

Good afternoon and thank you for the opportunity to present the Department of Community Affairs' proposed budget for FY 07.

DCA's story is a story of people, places and progress. We provide technical assistance and review the budgets of 566 municipalities. We administer state aid to municipalities – almost \$1.7 billion in formula aid to these 566 municipalities. We provide funding and technical assistance for the state's 23 rape crises centers, 21 domestic violence shelters, 3 urban women's centers, 5 Hispanic women's centers, and 15 displaced homemaker centers. We work with municipalities, non-profit organizations and developers to finance over 22,000 units of affordable housing. We offer 91 different grant programs – grants for historic preservation, grants to Hispanic organizations, grants for defibrillators, grants for smart growth. We review thousands of plans, inspect new construction, oversee local fire and building code officials and serve as part of the State's homeland security team, helping to keep New Jersey's communities safe.

But DCA's story is also a story of people in communities all across New Jersey. We recognize the State's difficult fiscal position and we have responded to Governor Corzine's charge to fulfill our core mission – to make our communities stronger – and to do so efficiently and effectively.

Governor Corzine has challenged each of us to improve government services, to analyze our operations so that we can more effectively respond to constituents.

I would like to share with you some of the changes that we have made that will pay dividends to New Jersey's families, saving time, paper and money.

SAGE (System for Administering Grants Electronically)

SAGE is DCA's new online grant administration system. Every step of the grant making process, from the initial posting of a Request for Proposal to the completion of the application to contract execution and even grant monitoring— is managed through SAGE, a one stop shop for DCA grants. This system drastically reduces the cumbersome and costly processing of paper applications. It also allows greater oversight since our administrators can log-on at any time and look at all applications and their status.

As of this month, 1,922 agencies (municipalities, counties, non-profit organizations and developers) have 1,032 grants administered through the SAGE system. An additional 572 open grant applications are in various stages of approval.

SAGE has been so successful that we are currently working with DOT to configure a system for them.

Improved process, managerial effectiveness and program impact

Housing Resource Center

In August of 2005, we launched the New Jersey Housing Resource Center, a housing information clearing system. The HRC is an on-line inventory of affordable for-sale and rental housing located at www.njhousing.gov. A joint venture of DCA, HMFA and DHS, the site consists of a searchable registry and a collection of links to other sources of housing and related information. The registry allows landlords to list rental units priced below 140% of Fair Market Rent and sellers to list properties offered for sale at under \$350,000.

Consumers get comprehensive, up to the minute listings of available affordable units searchable by location, amenities, accessibility features, price or users income –in English or Spanish.

There are currently 6000 searches a day. Over 17,500 units have been listed by more than 1000 landlords. And, this month, the site recorded its one millionth search.

Bureau of Housing Inspection Computer System

We are designing a new system to keep track of registration and inspection information on all the State's multiple dwellings. We intend for this system to be up and running by the end of next year.

The current system uses two separate databases: one is the general registration database and the second is the compliance database (all of the cases where the owners failed to comply with the requirements of the code and we had to take some further enforcement action). The new system will combine both into one comprehensive database.

The current system is based on batch processing. (Data entry is done constantly, but the processing to update the system is done weekly.) In the new system, the records will be updated in "real time."

The new system will increase the efficiency of code enforcement and enhance our ability to assure the safety of tenants and hotel guests. Inspection reports that now take as much as six weeks to reach building owners will be sent to owners within a week.

Permits New Jersey

We recently completed the first phase of a partnership with the State's Office of Information Technology to develop a new Uniform Construction Code administrative records system using web-based technologies. This system has been in operation since January, 2005. It increases the administrative efficiency of code enforcement: entering permit applications, scheduling inspections, issuing permits and tracking all of the inspections on each permit through to completion and issuance of the certificate of occupancy.

The second phase of the Permits NJ project will enable homeowners and contractors to access this system to apply for permits, schedule inspections and check the status of projects, bringing the administration of code enforcement into the 21st century. This will be of special benefit to small contractors. This on-line permit application system will be available by the end of the year.

And in response to the SCI report on new home construction, we have developed a database listing of all registered new home builders which is available online at <http://www.nj.gov/dca/codes/> for anyone to review. To further assist potential homebuyers in evaluating builders, next week we are adding to the website the ability to view the number of claims made against a builder as well as whether the builder defaulted on the claim.

Saving time and money

The Department is moving away from paper. We now communicate with local officials electronically via GovConnect. DCA forms and pamphlets are available online. Last year, the Office of Smart Growth annual report was distributed on-line and this year, 5 DCA division/affiliates are joining the 21st century, with an estimated savings of \$200,000.

We can achieve even more significant savings by changing the way we mail notices by eliminating the statutory requirement that certified mail be used for the service of notices and orders issued under our statutes.

Certified mail currently costs \$2.40 per item. If a return receipt is requested, as it is required to be under the Hotel and Multiple Dwelling Law and the Uniform Fire Safety Act, there is an additional charge of \$1.85 per item. The Bureau of Housing Inspection sends upward of 50,000 mailings a year by certified mail/return receipt requested. Thus, BHI alone would have savings in excess of \$212,500 per year. Add to that the volume of mail required to be sent out certified, or certified/RRR, by the Division of Fire Safety, the Bureau of Rooming and Boarding House Standards and the Bureau of Code Services and we estimate that the savings in DCA could exceed \$250,000 a year. The courts are not required to send notices by certified mail. The Department's code enforcement offices should not be required to do so either.

The Government Records Council Resource Center

The Government Records Council was buried under paper- case files of two or three reams of paper were mailed to Council members before each monthly meeting.

The solution- to create a combination database and digital compilation of case files as well as other resources and reports. Authorized Council members can now access GRC information through one secure portal rather than having to wade through multiple notebooks of paper.

This initiative saves two full days of administrative staff time and one day of professional staff time every month; reduces mailing costs by over 85%; saves the time previously needed for bulk mail delivery; enhances case manager productivity by providing easy access to files; provides management with a systematic way to distribute and maintain information made available for staff use; and reduces the amount of time it takes to move cases through the adjudicatory process.

In fact, this system has worked so well that we are in the process of implementing it for the other Boards associated with DCA.

Commitment to Community Housing

But the key to improving DCA's effectiveness while streamlining operations is our on-going commitment to our communities.

In 2002, my first year at the DCA, we established an affordable housing goal for the next four years of 20,000 units. Last year, I came before you to report that we achieved and surpassed that goal. In less than four years, we financed more than \$2.5 billion in affordable housing projects, over 22,000 units in 500 of the State's municipalities.

Governor Corzine has set the goal even higher. We are developing a housing plan that will achieve the Governor's goal to create or preserve 100,000 units of housing over the next ten years that is affordable to low and moderate-income families.

In addition to our ambitious production goal, we are focused on creative approaches to rebuild our neighborhoods. We need to expand access to affordable housing especially for the most vulnerable of our residents. We need to provide more low interest mortgages to first time homebuyers to keep young families in our state. We need to redesign our programs to utilize existing funds more efficiently, increase outreach to maximize participation in our new Lead Safe New Jersey program, integrate support services with housing for special needs populations and we need to think green.

I would like to provide you with a little information about a few of our recent initiatives.

Increasing Production

We have one of the most productive federal tax credit programs in the country. By combining the federal low income housing tax credits with a State subsidy and HMFA low interest mortgages, we will finance over 3500 units of rental housing each year for the next decade.

DCA and HMFA function as a seamless operation – and as we move forward with a combined application on SAGE, we will make it even easier to finance affordable housing. For first time homebuyers, HMFA intends to double the number of mortgages it provides. For housing for the very low income, additional subsidies will be available to make the project work.

For urban areas with emerging markets, we will offer a new product – CHOICE – that will allow flexibility to encourage a mix of affordable and market rate units. CHOICE provides housing that will attract higher income homeowners and build higher value housing to create mixed income communities. Unfortunately, the market sales price of housing in these areas is so low that a developer cannot sell the new houses for what it costs to build them. Consequently, housing for middle and market rate buyers in these neighborhoods does not get built. And in suburban areas, the CHOICE program has the added benefit of accommodating suburban municipalities that have the opposite market dynamic and are looking to include more affordable housing in an already viable real estate market.

Another new initiative is the Municipal Acquisition and Construction Program. This program is intended to help municipalities that are seeking COAH certification to acquire land and construct their own affordable housing units.

Increasing Enrollment in Housing Assistance and Lead Safe New Jersey Programs

This budget contains an expansion of the state rental assistance program. Three quarters of this assistance is targeted to families with incomes below 30% of median income. As the federal Section 8 program cuts funding for people in need, this legislature and Governor Corzine have recognized the importance of providing rental assistance. We used the existing federal Section 8 waiting list in order to minimize the delay and expense in creating a new mailing list.

In the first eight months of the program, 3203 letters were mailed to the waiting list. In the last four months, 8985 letters were mailed and now, all 12,188 people on the waiting list have received notification.

With a goal of eliminating childhood lead poisoning by 2010, last summer DCA kicked off the Lead Hazard Control Assistance Act. LHCA, with sponsors including Senators Rice, Bucco and Weinberg, is the first of its kind in the nation, combining inspection and property maintenance requirements, funds for the abatement of lead hazards, emergency relocation, education about the dangers of lead poisoning, and a publicly accessible online registry of lead-safe housing.

We began inspections of multi-unit dwellings with three or more units and have now inspected over 127,000 units for lead hazards and cited 60 violations that were immediately abated. We have begun administering our Emergency Lead Poisoning Relocation program to provide resources for families with a lead poisoned child to move. We also began offering resources for homeowners and landlords to abate lead hazards found in their home.

Admittedly the program has not moved as quickly as we would have liked. Since returning to DCA in January, I began to address the shortfalls of this program head on with a goal of dramatically increasing participation in lead programs by the end of the year through the implementation of a comprehensive outreach program. Awareness of both lead hazards and our programs is the key to success, and I am confident that this program will turn the corner as we proceed with our plans.

Integrate Housing and Supportive Services

One measure of a civilized society is the compassion with which it treats those who cannot help themselves.

The Special Needs Housing Trust Fund, administered by HMFA with support from DCA and DHS, provides a comprehensive program to develop permanent supportive housing, community residences and other supportive housing arrangements for people with special needs, including mental illness and developmental disabilities.

New Jersey is the only state in the country that coordinates funding from three Departments to provide construction capital, the long-term guarantee of service dollars and project based rental assistance, if necessary, in support of the operating budget. The residential opportunities created by this partnership will offer positive alternatives to institutionalization or homelessness for those with mental illness or other disabilities.

In less than 8 months, \$26 million in subsidy has been awarded for the construction of 313 units of housing with a market value of \$65 million. There are approximately 150 additional units on the horizon in the next two months.

The budget includes funding for capital improvements to homeless shelters (\$5 million over last year's allocation of \$2.2 million in state funding and \$1.5 million in federal funding), plus an additional \$1.5 million for domestic violence shelters and \$500,000 for rape-care centers. These funds are essential to provide basic shelter for those who are homeless and for women who have been victims of domestic violence or sexual assault.

Green

We have also undertaken an extensive Green Buildings Initiative throughout DCA's various divisions and affiliates. With the creation of the Green Building Task Force, we intend to coordinate our resources to encourage Green residential and commercial buildings, to review our Building and Energy Codes, to develop a Green Building Primer and design standards and to provide incentives for energy efficient affordable housing. The DCA Division of Housing, HMFA and the New Jersey Meadowlands Commission have implemented policies that have already begun paying dividends to provide renewable energy as well as help transform the market and aid the development of more sustainable and energy efficient affordable housing. The synergy of the Green Building Task Force will result in more efficient, safe, healthy, prosperous and livable communities while simultaneously maintaining and enhancing the environment.

Women's Micro-Business Credit Program

And finally, I am pleased to announce eight organizations that will receive Women's Micro-Business Credit Program grants, established by legislation sponsored by Senators Turner, Buono, Allen and Gill: Bergen County Community Action Program, Cooperative Business Assistance Corporation (Camden), Isles, Inc., Union County Economic Development Corporation, NJAWBO, Trenton Business Assistance, NORWESCAP and the Cumberland Empowerment Zone. This program provides resources for unemployed or underemployed women looking to start a small business by providing them with training, one-on-one mentorship, and access to business loans.

Conclusion

In this time of financial restraint, the Governor has shown his commitment to our towns and cities, to quality housing, to vital community services, to vibrant public/private partnerships, and to critical assistance to local government.

In closing, I would like to thank you for this opportunity to come before you and discuss DCA's budget for the coming fiscal year. It is always a pleasure to be able to highlight the important programs and the good work that comes out of the Department of Community Affairs. I look forward to working with each of you as we move forward. I welcome your questions.

Thank you.