

Testimony of Hon. Richard E. Constable, III
Commissioner, Department of Community Affairs
Hearing of the Senate Budget and Appropriations Committee
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State House Annex, Committee Room 4, 1st Floor
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Good morning Chairman Sarlo, Vice Chairman Stack, and members of the Senate Budget and Appropriations Committee. It is a pleasure to share with you the budgetary priorities of the Department of Community Affairs. I am joined today by my Deputy Commissioner, Charles Richman, my Chief Financial Officer, Cindy McDowell, and my Assistant Commissioner in charge of housing programs, Ana Montero.

Over the past year, the Department of Community Affairs has continued to serve its core mission of providing guidance and financial support to local governments, community development organizations, and our business community. Like so much of New Jersey, however, Superstorm Sandy has changed the Department. So in addition to our ongoing work, the Department is designing long-term recovery programs for New Jersey's residents, businesses and communities, while ensuring that the thousands of families displaced by Sandy have immediate access to safe, decent and affordable housing.

Post-Sandy Housing

The DCA has taken a lead role, along with the Governor's Office of Recovery and Rebuilding, in providing Sandy-displaced families with temporary and permanent housing solutions.

To this end, we have partnered with the New Jersey Housing and Mortgage Finance Agency (HMFA) to continuously update a housing portal where thousands of Sandy-displaced residents can find homes and apartments to rent.

For displaced families who are unable to find housing because of a lack of rental resources, the Christie Administration worked with the FEMA and the Army Corps of Engineers to make housing available at Fort Monmouth. To date, 115 units have been renovated; and all are occupied. Further, at the Administration's request, FEMA has installed 80 mobile homes in many of the communities hardest hit by the storm.

We are also taking a hands-on approach to FEMA's Transitional Sheltering Assistance (TSA) program. Over the past five months, more than 5,000 families have been helped by the TSA program, which provides temporary hotel and motel stays to Sandy-displaced families. As a result of exhaustive casework that includes personal outreach to every family in the program, we are working with FEMA, County welfare agencies and the American Red Cross to ensure that all households currently in TSA have an intermediate- or long-term housing solution in place by May 1.

Last, DCA has set aside 1,000 Section 8 vouchers specifically to help low-income families who were displaced by Sandy move into permanent housing. To date we have issued nearly 500 such vouchers.

CDBG-DR Action Plan

These initiatives, while crucial, are just starting points in New Jersey's overall recovery. More than 40,500 owner-occupied primary residences and approximately 15,500 rental units sustained "severe" or "major" damage. "Major damage" is defined by FEMA as damages to a home or rental property exceeding \$8,000 but less than \$28,800; "severe damage" is defined by FEMA as damage of \$28,800 or above. Additionally, floodplain managers have so far determined that over 4,600 homes have been "substantially damaged" as a result of Sandy. A home is deemed "substantially damaged" if damage to the home exceeds 50 percent of a home's pre-disaster value. "Substantially damaged" homes must be elevated.

Given the number of homes that will require repair and elevation, the costs of repairing owner-occupied primary residences and rental units will reach into the billions.

Congress recently passed a \$60 billion Superstorm Sandy aid package which included \$16 billion in Community Development Block Grant Disaster Recovery (CDBG-DR) funds to be shared between New Jersey and other impacted states. So far, HUD has allocated \$1.8 billion to New Jersey, with additional funding allocations expected in the next six to eight months. On March 27, following a public comment period, the State submitted a proposed CDBG-DR Action Plan for HUD's approval. The State's continuous outreach to residents, local leaders and other stakeholders has helped identify the needs and priorities of many affected communities, and informs the programs outlined in the Action Plan. We are currently awaiting HUD's approval of the Action Plan.

As submitted, the Action Plan allocates funds in three main areas: housing, economic development, and infrastructure. Regarding housing, the State designed a \$600 million grant program that will provide grants of up to \$150,000 to eligible homeowners for reconstruction, rehabilitation, elevation, and mitigation efforts. We designed a \$200 million Housing Resettlement Program to provide \$10,000 grants to encourage Sandy-impacted homeowners not to sell or abandon their properties. The Action Plan also allocates over \$300 million for programs that will significantly increase the stock of affordable rental housing in New Jersey.

Of the \$1.1 billion allocated to housing programs in the Action Plan, 72 percent is earmarked for homeowners and 28 percent to increase the state's rental stock. That ratio of nearly three to one mirrors the damage assessment identified by FEMA (72 percent of the units that had "major" or "severe" damage were owner-occupied, and 28 percent were rentals).

To help New Jersey businesses, the State set aside \$500 million for the New Jersey Economic Development Authority to administer community revitalization programs, a tourism marketing campaign, and grants and no-cost loans for storm-impacted small businesses.

While the housing and economic sectors are the central focus of this round of CDBG Disaster Recovery funding, the Action Plan also allocates up to \$110 million to help state and local governments.

DCA is the primary agency responsible for administering the federal CDBG disaster allocation. To be better prepared, I am establishing a new division to administer and provide oversight of the CDBG-DR funds. The division will ensure homeowners and renters suffering from the ravages of Superstorm Sandy will benefit quickly from the programs we have designed. The division staff, numbering more than 100, will primarily be made up of subject matter experts in the fields of housing and disaster recovery operations. The division will also have sufficient compliance, auditing and monitoring staff to ensure the funds are not subject to fraud and abuse.

In order to assist municipalities in the rebuilding effort, we plan to open three regional construction code field offices. The offices will be staffed with dozens of code officials. At the request of any of municipality in the nine most impacted counties, DCA staff will provide support to ensure reconstruction efforts are not slowed by delays in the administration of construction codes.

With this first CDBG Disaster Recovery allocation, the Christie Administration anticipates we will help more than 26,000 homeowners and 5,000 renters, as well 10,000 businesses and dozens of local governments.

ARRA Weatherization

Obviously we have much work to do because of Superstorm Sandy. However, our disaster recovery efforts should not completely overshadow DCA's accomplishments during FY 2013.

In particular, the Department posted exceptional results for the final year of the four-year, \$119 million Weatherization Assistance Program that was part of the American Recovery and Reinvestment Act (ARRA).

While the previous administration set a goal of weatherizing a total of 13,400 units over the four-year period of the program, during Program Year 2012 alone, this Administration weatherized 12,600 homes and apartments. And over the course of the four-year grant, we weatherized 22,400 housing units across the state, and in doing so, DCA fully expended the \$119 million received in federal funding.

NJ HomeKeeper

As Commissioner, I also serve as the chair of the New Jersey Housing and Mortgage Finance Agency (HMFA). I'm proud to report that the Agency has accelerated the \$300 million New Jersey HomeKeeper program, which launched in May 2011 as part of the federal government's Hardest Hit Fund program. HomeKeeper provides loans to unemployed and underemployed families at risk of losing their homes to foreclosure.

Initial numbers were anemic, with only 85 loans closed through the end of 2011. In January 2012, soon after joining the Department, I performed an exhaustive review of HomeKeepers' guidelines, administration, staff, and housing counseling partners. As a result of this review, HMFA revised program guidelines, increased staffing, changed how the program was managed, and improved marketing. The results of our changes have been dramatic. Remember that during all of 2011 only 85 loans were closed. But in 2012, HMFA closed 2,005 loans, and since October 2012, we have averaged nearly 250 closings per month.

Neighborhood Revitalization Tax Credit

DCA's Neighborhood Revitalization Tax Credit (NRTC) program provides funding to community-based nonprofit organizations to complete projects that fulfill the goals of comprehensive neighborhood revitalization plans. In Calendar Year 2012, DCA awarded \$7.7 million in NRTC program funds to 10 projects in 6 municipalities.

As NRTC continues to positively impact New Jersey neighborhoods, DCA is implementing several procedural reforms that will result in the timely investment of program funds into shovel-ready projects. In calendar year 2013 we anticipate awarding \$11 million in program funds.

State Rental Assistance and Section 8

The FY2014 budget maintains our ability to assist nearly 4,000 households with rental assistance. Further, during FY2014, the program will provide support for the construction of over 100 new units of affordable rental housing.

The federal Section 8 program is not without challenges. While sequestration will reduce funding for the program, we have taken steps to prevent existing voucher-holders from being impacted. Each month a limited number of vouchers become available as households exit the program. By not recirculating the vouchers, we are able to ameliorate the impact of the program cuts.

Properly administered, initiatives like NRTC, HomeKeeper, Weatherization, SRAP and the myriad of programs we run at DCA can make a real difference in the welfare of New Jersey families and communities. I am proud to lead a staff of dedicated public servants at DCA who work hard to help families and communities in need.

Property tax relief

Before I conclude, I want to emphasize the Department's continued progress in working with municipalities to implement the Governor's reform agenda and bring real property tax relief to New Jersey communities.

Middle-class New Jerseyans will save \$120 billion over the next 30 years because of historic pension and benefits reform. Indeed, if Governor Christie's reforms weren't in place, pension costs would be \$543 million higher this year than they are today.

By any measure the property tax reforms have been a resounding success. We've now had two consecutive years of the smallest property tax increases in more than 20 years. In 2011, New Jersey homeowners saw a statewide average rise of 2.4 percent in property taxes. In 2012, we did even better, with a statewide average increase of just 1.4 percent. This success is measured against a cumulative average increase of 70 percent in the 10 years before Governor Christie took office.

And municipalities are learning to live within the 2 percent property tax cap, as evidenced by the fact that only one municipality out of 565 is seeking voter approval to exceed the 2 percent cap this year. While local governments are living up to their commitment by finding ways to reduce costs and continuing to provide basic services, the State has kept municipal aid stable for this year at just over \$1.4 billion.

The Department continues to provide technical assistance and financial incentives to local governments seeking to share or consolidate services, or merge municipalities. The merger of Princeton Borough and Princeton Township provides a clear example of the efficiencies that municipalities can realize through consolidation. The unified town has proposed a 2013 budget that is \$3 million smaller than the combined 2012 budgets of the previous municipalities, and even passes on a tax cut to property owners. The State will support this effort by covering 20 percent of the eligible one-time costs associated with the merger, and staff from DCA's Division of Local Government Services has provided hundreds of hours of technical assistance.

Just recently, I visited the borough of Maywood to congratulate them on their efforts to merge their municipal courts together. While this is not a consolidation of municipalities, sharing court services will save more than \$100,000 a year. Again, DCA provided substantial support in this successful effort.

Governor Christie and I look forward to working with the Legislature to make it easier for municipalities to consolidate and share services, and to enact the remaining items of the Governor's Property Tax Toolkit. One of our top priorities is ending sick leave payouts, which have forced some local government to take out bonds to cover these excessive obligations. The current accumulated sick and vacation payout liability for municipalities statewide is almost \$900 million. We must also work to prevent municipalities from increasing user fees as a way of circumventing the 2 percent property tax cap.

By achieving these and other meaningful reforms, we will realize even greater savings for New Jersey taxpayers.

Thank you for the opportunity to come before you today. I am happy to answer your questions.