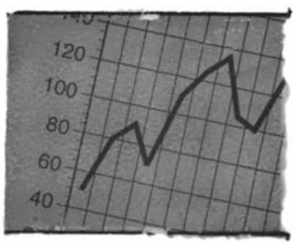

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF COMMUNITY AFFAIRS

FISCAL YEAR 2015 - 2016

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2015

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Local Government Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Scott A. Brodsky.

Questions or comments may be directed to the OLS Local Government Section (609-847-3875) or the Legislative Budget and Finance Office (609-847-3105).

DEPARTMENT OF COMMUNITY AFFAIRS

Budget Pages....... C-3, C-7, C-9, C-10, C-16, C-23, C-25, C-26, D-43 to D-60, F-7 and F-9

Fiscal Summary ($000)

	Expended FY 2014	Adjusted Appropriation FY 2015	Recommended FY 2016	Percent Change 2015-16
State Budgeted	$450,195	$800,869	$793,381	(.9%)
Federal Funds	$987,543	$435,545	$433,679	(.4%)
Other	$70,123	$93,060	$100,710	8.2%
Grand Total	$1,507,861	$1,329,474	$1,327,770	(.1%)

Personnel Summary - Positions By Funding Source

	Actual FY 2014	Revised FY 2015	Funded FY 2016	Percent Change 2015-16
State	89	92	103	12.0%
Federal	264	287	301	4.9%
Other	538	524	538	2.7%
Total Positions	891	903	942	4.3%

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

Link to Website: http://www.njleg.state.nj.us/legislativepub/finance.asp

Highlights

- The Fiscal Year 2016 recommended appropriation for Consolidated Municipal Property Tax Relief Aid (CMPTRA) is $594.082 million, an increase of $18.230 million (3.2%) from the Fiscal Year 2015 adjusted appropriation of $575.852 million. This increase affects only five municipalities allowed to receive a portion of their Fiscal Year 2015 Transitional Aid to Localities funding as an increase in their CMPTRA payment. Budget language allows for the transfer of $341.882 million from CMPTRA to the Energy Tax Receipts Property Tax Relief Fund to support annual inflation increases in Energy Tax Receipts Property Tax Relief Aid, resulting in no change in combined formula aid distributed through these two programs.

- In May 2013, the State signed an agreement with the federal government for the expenditure of $1.006 billion in federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds, a portion of the first tranche of CDBG-DR assistance awarded to New Jersey. According to the New Jersey Comprehensive Financial System (NJCFS), approximately $853.1 million, or 84.7%, has been expended by the department and two of its affiliated agencies, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) and the New Jersey Redevelopment Authority (NJRA). CDBG-DR funds support homeowner assistance, the construction of affordable housing, economic revitalization, assistance to governmental entities, supportive services, and planning, monitoring, and oversight.

- On May 30, 2014, the federal Department of Housing and Urban Development approved CDBG-DR Action Plan Amendment No. 7, which outlines the State's plan for the expenditure of the second tranche of federal assistance totaling $1.463 billion. On July 25, 2014, the State signed an agreement with the federal Government for the expenditure of $500 million in CDBG-DR funds. Data available through the NJCFS indicates that approximately $222.3 million, or 44.4%, has been expended by the department, NJHMFA, and NJRA.

- Although the Budget does not anticipate the receipt of the third (and final) tranche of CDBG-DR funds, totaling $881.909 million, in the remainder of Fiscal Year 2015 or during Fiscal Year 2016, the State submitted, on December 16, 2014, its plan for the allocation of $501.909 million of the third round of CDBG-DR funds for review and approval by the federal Department of Housing and Urban Development (HUD). The State proposal includes additional funding for homeowner assistance, rental housing and renter programs, and tenant-based rental assistance. The remaining portion of the State's third tranche of CDBG-DR, $380 million, is designated for specific projects selected through the "Rebuild by Design" program. HUD has 60 days to review and approve the State plan.

- Funding for Transitional Aid to Localities is $107.350 million, a decrease of $14.150 million from the Fiscal Year 2015 adjusted appropriation of $121.500 million. When a proposed lapse of $5.840 million and the transfer of $18.230 million from Transitional Aid to CMPTRA are taken into account, the funding level is an effective increase of $9.920 million. The Executive recommends the renewal of budget language that

Highlights (Cont'd)

extends Transitional Aid eligibility to localities experiencing financial distressed caused by the destruction or loss of a major business ratable.

- The Budget does not continue funding for Meadowlands Adjustment Payment Aid. A legislative initiative funded at $7.318 million in Fiscal Year 2015, Meadowlands Adjustment Payment Aid relieved seven municipalities of their Calendar Year 2014 inter-municipal tax sharing obligations. Under the "New Jersey Meadowlands Tax Relief Act," sections 82 through 85 of P.L.2015, c.19 (C.5:10A-82 through C.5:10A-85), payments into the inter-municipal tax sharing account will now be supported by the revenues raised by a 3% hotel use assessment fee added to the rent charged for the occupancy of a hotel room in the Meadowlands District.

- The recommended funding level for the State Rental Assistance Program (SRAP) $18.5 million is unchanged from the Fiscal Year 2015 adjusted appropriation. Through CDBG-DR Action Plan Amendment No. 6, the State has received federal approval to reallocate $17 million in federal Hurricane Sandy relief funds intended for project-based assistance to provide tenant-based housing vouchers. If CDBG-DR Action Plan Amendment No. 11 is approved, an additional $15 million will be allocated for tenant-based rental assistance.

- New State funding for affordable housing construction is limited to collections of the additional fee segment of the realty transfer fee above the amount anticipated, and revenues generated by the Statewide non-residential development fee, but only to the extent that they are not needed to provide a minimum funding level of $20 million for SRAP. These additional revenues are projected to total $32.468 million. Approximately $12.938 million reverted from the New Jersey Affordable Housing Trust Fund to the General Fund at the end of Fiscal Year 2014. The Executive utilized $10 million in additional realty transfer fee revenues to help balance the Fiscal Year 2015 budget and intends to use an additional $3 million for the same purpose in Fiscal Year 2016.

- The Budget proposes a Fiscal Year 2016 appropriation of $4.0 million in State Aid for Consolidation Implementation, a reduction of 52.9% from the Fiscal Year 2015 adjusted appropriation of $8.5 million. Consolidation Implementation funds are used to reimburse local governments, including school districts, that have consolidated or entered into shared services arrangements. Fiscal Year 2015 Consolidation Implementation monies were awarded to Camden County, Gloucester County, and the South Hunterdon Regional School District. The Executive intends to lapse $1.4 million in unexpended Consolidation Implementation funds at the end of Fiscal Year 2015.

Highlights (Cont'd)

- The Budget anticipates all sales tax revenue collected in urban enterprise zones (UEZs) as State revenue, diverting about $80.479 million from the Enterprise Zone Assistance Fund that is normally diverted to assisting UEZ municipalities in undertaking public improvements and economic development projects. The estimated amount of revenues to be transferred to the General Fund is 6.3% less than the amount to be transferred ($85.948 million) in Fiscal Year 2015. According to the Department of the Treasury, sales tax revenues deposited in the Enterprise Zone Assistance Fund will decline in Fiscal Year 2016 because the amount designated for the Enterprise Zone Assistance Fund from some UEZs will decline from two-thirds of the sales tax revenues collected in the UEZ to one-third of the sales tax revenues collected in the UEZ.

Background Papers

- A Community Development Block Grant-Disaster Recovery Funding Update p.14
- Community Development Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates p.19

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2014	Adj. Approp. FY 2015	Recom. FY 2016	Percent Change 2014-16	Percent Change 2015-16
General Fund					
Direct State Services	$49,531	$39,976	$40,226	(18.8%)	0.6%
Grants-In-Aid	49,990	42,958	35,640	(28.7%)	(17.0%)
State Aid	38,966	1,600	1,600	(95.9%)	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$138,487**	**$84,534**	**$77,466**	**(44.1%)**	**(8.4%)**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	311,708	716,335	715,915	129.7%	(0.1%)
Sub-Total	**$311,708**	**$716,335**	**$715,915**	**129.7%**	**(0.1%)**
Casino Revenue Fund	$0	$0	$0	0.0%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$450,195**	**$800,869**	**$793,381**	**76.2%**	**(0.9%)**
Federal Funds	$987,543	$435,545	$433,679	(56.1%)	(0.4%)
Other Funds	$70,123	$93,060	$100,710	43.6%	8.2%
Grand Total	**$1,507,861**	**$1,329,474**	**$1,327,770**	**(11.9%)**	**(0.1%)**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2014	Revised FY 2015	Funded FY 2016	Percent Change 2014-16	Percent Change 2015-16
State	89	92	103	15.7%	12.0%
Federal	264	287	301	14.0%	4.9%
All Other	538	524	538	0.0%	2.7%
Total Positions	**891**	**903**	**942**	**5.7%**	**4.3%**

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	0.0%	0.0%	0.0%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2015	Recomm. FY 2016	Dollar Change	Percent Change	Budget Page
COMMUNITY DEVELOPMENT MANAGEMENT					
Grants-in-Aid					
Meadowlands Adjustment Payment Aid	**$7,318**	**$0**	**($7,318)**	**(100.0%)**	**D-48**

A legislative initiative first authorized by the Fiscal Year 2014 Appropriations Act, Meadowlands Adjustment Payment Aid reduced the inter-municipal tax sharing account liabilities in Calendar Year 2014 for seven municipalities. Created in 1972, the Inter-Municipal Tax Sharing Program was established to provide a method of distributing the costs and benefits of economic development and land use decisions made by New Jersey Meadowlands Commission among the 14 municipalities in the Meadowlands District. According to the "Meadowlands Tax Sharing Payment Schedule" for 2014-2015, seven municipalities benefitted in the following amounts: Carlstadt Borough ($1,514,102); Little Ferry Borough ($547,802); Lyndhurst Township ($737,250); Moonachie Borough ($412,084); North Bergen Township ($755,790); Secaucus Town ($2,968,045) and South Hackensack Township ($382,629). The amount each municipality owed to the inter-municipal tax sharing account was formula-driven and varied from year-to-year.

Direct municipal contributions to the inter-municipal tax sharing account were eliminated by the "New Jersey Meadowlands Tax Relief Act," sections 82 through 85 of P.L.2015, c.19 (C.5:10A-82 through C.5:10A-85). The "New Jersey Meadowlands Tax Relief Act" provides that payments into the inter-municipal tax sharing account will be funded by revenues raised by a hotel use assessment fee of 3% of the rent charged for every occupancy of a room or rooms in a hotel in the Meadowlands District subject to taxation pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). Subsection d. of section 85 of P.L.2015, c.19 (C.5:10A-85) requires that if the hotel use assessment does not raise sufficient revenue to pay the full amount into the inter-municipal tax sharing account, the State Treasurer is to provide the Meadowlands Regional Commission with such funds as may be necessary to make full payments to municipalities compensated through the inter-municipal tax sharing program. The OLS notes that the Fiscal Year 2016 Budget makes no provision for a State appropriation to the inter-municipal tax sharing account to supplement hotel-use assessment revenues should they be insufficient to make full payments.

All Other Funds

Budget Item	Adj. Approp. FY 2015	Recomm. FY 2016	Dollar Change	Percent Change	Budget Page
Housing Code Enforcement	**$3,756**	**$4,568**	**$ 812**	**21.6%**	**D-49**

Housing code enforcement revenues support the Bureau of Housing Inspection (BHI) in the Division of Codes and Standards. The department has indicated that the anticipated revenue increase is the result of "both annualized fee increases and baseline trends." The BHI oversees the registration and periodic inspection of hotels, motels, and multiple dwellings, as mandated

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2015	Recomm. FY 2016	Dollar Change	Percent Change	Budget Page

by the "Hotel and Multiple Dwelling Law," P.L.1967, c.76 (C.55:13A-1 et seq.), maintains a Statewide inventory of hotels and multiple dwellings, and administers the State-Local Cooperative Housing Inspection Program. This special revenue account represents the amount above $10.565 million in Housing Inspection Fees anticipated for Fiscal Year 2016.

Housing Services	**$39,852**	**$44,468**	**$ 4,616**	**11.6%**	**D-49**

These revenues, generated by a portion of the State realty transfer fee collections, support the production of affordable housing through the New Jersey Affordable Housing Trust Fund. New State funding for affordable housing is limited to the anticipated amount of realty transfer fee collections above $41.232 million, but only to the extent that those funds are not needed for the State Rental Assistance Program. Budget language appropriates at least $20 million from the New Jersey Affordable Housing Trust Fund for the State Rental Assistance Program.

Uniform Construction Code	**$10,458**	**$12,089**	**$ 1,631**	**15.6%**	**D-49**

Uniform Construction Code revenues support the activities of the Division of Codes and Standards. The department has indicated that the anticipated revenue increase is the result of "both annualized fee increases and baseline trends." The division ensures that all buildings are constructed to meet common standards; ensures the competence of local construction code officials through a licensing program; and verifies that all pre-manufactured buildings shipped into New Jersey are incompliance with the "State Uniform Construction Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and the "Hotel and Multiple Dwelling Law," P.L.1967, c.76 (C.55:13A-1 et seq.). The division also inspects ski lifts, carnival and amusement rides, and liquefied petroleum gas facilities in the interests of public safety, and administers the "New Home Warranty and Builders' Registration Act," P.L.1977, c.167 (C.46:3B-1 et seq.) and the "Retirement Community Full Disclosure Act." P.L.1969, c.215 (C.45:22A-1 et seq.).

GOVERNMENT DIRECTION, MANAGEMENT, AND CONTROL

Direct State Services

Local Government Services – Salaries and Wages	**$3,896**	**$4,146**	**$ 250**	**6.4%**	**D-55**

The Division of Local Government Services (DLGS) administers State laws regulating local fiscal affairs, provides financial, professional and technical assistance to strengthen local management systems, and serves as a central clearinghouse and information and referral service on local government issues and matters of concern to local officials. Personnel Data on Page D-54 of the Fiscal Year 2016 Budget indicate that total filled, State-supported positions for DLGS will increase from the revised Fiscal Year 2015 amount of 42 to 53 in Fiscal Year 2016. However,

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2015	Recomm. FY 2016	Dollar Change	Percent Change	Budget Page

the OLS notes that the Fiscal Year 2015 salary appropriation was adequate to fund 53 positions. It is thus unclear whether the recommended increase in Salaries and Wages is associated with the anticipated increase in filled positions or other factors.

State Aid

Consolidated Municipal Property Tax Relief Aid (PTRF)	**$575,852**	**$594,082**	**$18,230**	**3.2%**	**D-55**

The Fiscal Year 2016 Budget increases State Aid allocated through Consolidated Municipal Property Tax Relief Aid (CMPTRA) by $18.230 million. This increase would permit five municipalities to receive a portion of their Fiscal Year 2015 Transitional Aid to Localities funding as an in their CMPTRA payment as follows: Atlantic City ($10,000,000); Beverly City ($280,000); Camden City ($2,500,000), Penns Grove Borough ($590,000); and Trenton City ($4,860,000). In addition, the annual inflation adjustment to Energy Tax Receipts Property Tax Relief Aid, 1.5% or $16.708 million, is to be funded by reallocating CMPTRA rather than increasing energy tax receipts appropriations. No municipality will receive a formula-based increase in State Aid in State Fiscal Year 2016. The Executive Branch has indicated that $1.73 million will lapse from CMPTRA to the Property Tax Relief Fund at the end of the Fiscal Year.

Consolidation Implementation (PTRF)	**$8,500**	**$4,000**	**($4,500)**	**(52.9%)**	**D-55**

Fiscal Year 2015 budget language permits Consolidation Implementation funds to be used to reimburse local governments that have consolidated or entered into shared services arrangements and assist local governments involved in the implementation of the "Property Tax Assessment Reform Act," ("Act") P.L.2009, c.118 (C.54:1-86 et seq.). The Act established a system of county property assessment in Gloucester County and requires the State to reimburse municipalities for the cost of property revaluations required for the implementation of that initiative. The budget language also authorized a wider allocation of Consolidation Implementation funds to assist any type of local government unit that consolidates or is annexed pursuant to current law.

According to the New Jersey Comprehensive Financial System, approximately $4.8 million has been expended and $2.0 million is encumbered. The remaining $1.4 million has been placed in budget reserve and the Executive Branch has indicated that these funds will lapse to the Property Tax Relief Fund at the end of the fiscal year. Consolidated Implementation Funds have been distributed as follows: Camden County ($3,000,000), Gloucester County ($3,700,000), and South Hunterdon Regional School District ($98,859).

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2015	Recomm. FY 2016	Dollar Change	Percent Change	Budget Page
Transitional Aid to Localities (PTRF)	**$121,500**	**$107,350**	**($14,150)**	**(11.6%)**	**D-55**

Transitional Aid to Localities is the State's principal discretionary municipal financial assistance program. In Fiscal Year 2015, 11 municipalities submitted applications requesting $144.445 million in additional State assistance; these municipalities were awarded $112.910 million. According to the New Jersey Comprehensive Financial System, Nutley Borough received $2.750 million but that municipality's application and amount requested are not available at this time. There were no unsuccessful applicants. Taking into consideration the transfer of $18.230 million from the Fiscal Year 2015 appropriation to Consolidated Municipal Property Tax Relief Aid (CMPTRA), and an anticipated lapse of $5.840 million at the end of the current Fiscal Year, the recommended funding level is an effective increase of $9.920 million above net Fiscal Year 2015 Transitional Aid. Eleven municipalities (Asbury Park City, Atlantic City, Beverly City, Camden City, Chesilhurst Borough, Harrison Town, Lawnside Borough, Maurice River Township, Newark City, Penns Grove Borough, and Trenton City) will continue to receive a portion of their Transitional Aid awards from prior years as Consolidated Municipal Property Tax Relief Property Tax Relief Aid. These municipalities remain eligible to apply for additional State financial assistance.

Fiscal Year 2015 budget language extended eligibility for Transitional Aid to local governments that are experiencing financial distress caused by the destruction or loss of a major business ratable. It is possible but not certain that Nutley Borough was awarded Transitional Aid under that provision. Transitional Aid recipients typically must submit to broad State oversight of their financial and general management matters, but this can be waived for recipients of aid to compensate for major ratable loss. According to Local Finance Notice 2015-4, municipalities that are new Transitional Aid applicants during the Calendar Year 2015 funding round were required to accept additional State oversight on the date Transitional Aid applications were due (March 16, 2015). State oversight pursuant to this condition of application will terminate if no award is provided or if the application is withdrawn. State oversight of Transitional Aid applicants will be identical to oversight for Transitional Aid recipients.

Significant Language Changes

Meadowlands Adjustment Payment Aid	
Deletion	2015 Handbook: p. B-25 2016 Budget: –

~~The amount hereinabove appropriated for Meadowlands Adjustment Payment Aid shall be paid in two equal installments on August 15, 2014 and November 15, 2014 to the New Jersey Meadowlands Commission for deposit in the intermunicipal account established pursuant to section 64 of P.L.1968, c.404 (C.13:17-66) and shall be credited to the amount payable by each constituent municipality to that account for adjustment year 2014, in proportion to the amount certified by the commission for payment pursuant to subsection (a) of section 72 of P.L.1968, c.404 (C.13:17-74). To the extent that the amount paid to the intermunicipal account by ay constituent municipality for adjustment year 2014 exceeds the amount required after application of credits pursuant to this provision, the commission shall refund the amount of overpayment.~~

Explanation

This language provision prescribed the formula used to determine the distribution of $7.318 million in Meadowlands Adjustment Payment Aid. A legislative initiative, Meadowlands Adjustment Payment Aid provided State funding to support municipalities' inter-municipal tax sharing account liabilities in Calendar Year 2014. Both State funding and this language are discontinued because the "New Jersey Meadowlands Tax Relief Act," sections 82 through 85 of P.L.2015, c.19 (C.5:10A-82 through C.5:10A-85) established a hotel use assessment to provide a permanent source of funding for payments into the inter-municipal tax sharing account. Direct municipal contributions to the inter-municipal tax sharing account are eliminated. Subsection d. of section 85 of P.L.2015, c.19 (C.5:10A-85) requires that if the hotel use assessment does not raise sufficient revenue to pay the full amount into the inter-municipal tax sharing account, the State Treasurer is to provide the Meadowlands Regional Commission with such amounts as may necessary to make full payments to municipalities that receive inter-municipal tax sharing funds. The OLS notes that despite this section of law, there is no provision in the Governor's budget that will appropriate State funds to the inter-municipal tax sharing account if the hotel-use assessment revenues are insufficient to fully fund payments.

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

Significant Language Changes (Cont'd)

The Inter-Municipal Tax Sharing Program was created in 1972 in order to establish a method of distributing the costs and benefits of economic development and land use decisions made by the New Jersey Meadowlands Commission (NJMC) among the 14 municipalities Meadowlands District. The Meadowlands Tax Sharing Payment Schedule indicates that seven municipalities (Carlstadt Borough, Little Ferry Borough, Lyndhurst Township, Moonachie Borough, North Bergen Township, Secaucus Town, and South Hackensack Township) provided payments into the inter-municipal account while six municipalities (East Rutherford Borough, the City of Jersey City, Kearny Town, North Arlington Borough, Ridgefield Borough, and Rutherford Borough) receive funds from the inter-municipal tax sharing account. One municipality, Teterboro Borough, is exempt from participating in the tax sharing program. The NJMC retained no money from the inter-municipal account and serves as the routing agent for monies distributed to Meadowlands District municipalities.

Distribution and Transfer of Consolidated Municipal Property Tax Relief Aid

2015 Handbook: p. B-27
2016 Budget: p. D-56

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Consolidated Municipal Property Tax Relief Aid shall be distributed in the same amounts, and to the same municipalities that received funding pursuant to the previous fiscal year's annual appropriations act; provided, however, that from the amount hereinabove appropriated there are transferred to the Energy Tax Receipts Property Tax Relief Fund account such sums as were determined for fiscal year 2003, fiscal year 2006, fiscal year 2007, fiscal year 2008, fiscal year 2009, fiscal year 2010, fiscal year 2012, fiscal year 2013, fiscal year 2014, ~~and~~ fiscal year 2015 <u>and fiscal year 2016</u> pursuant to subsection e. of section 2 of P.L.1997, c.167 (C.52:27D-439), as amended by P.L.1999, c.168; and except that the amount of Consolidated Municipal Property Tax Relief Aid received by a municipality shall be increased by such amounts of Transitional Aid to Localities deemed to constitute Consolidated Municipal Property Tax Relief Aid by the Director of the Division of Local Government Services in the previous fiscal year.

<u>Explanation</u>

As was the case in Fiscal Year 2003, Fiscal Years 2006 to 2010, and Fiscal Years 2012 to 2015, the proposed budget provides that the annual inflation adjustment to the Energy Tax Receipts Property Tax Relief Fund ($16.708 million or 1.5%) be funded by reallocating Consolidated Municipal Property Tax Relief Aid (CMPTRA) rather than by appropriating additional State funds. Municipalities will receive no inflation-based municipal aid increases in Fiscal Year 2016.

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

Significant Language Changes (Cont'd)

Compliance with the Best Practices Inventory

Revision

2015 Handbook: p. B-27
2016 Budget: p. D-56

Notwithstanding the provisions of any law or regulation to the contrary, the release of the final 5% or $500, whichever is greater, of the total annual amount due for the current fiscal year from Consolidated Municipal Property Tax Relief Aid to municipalities is subject to the following condition: the municipality shall submit to the Director of the Division of Local Government Services a report describing the municipality's compliance with the "Best Practices Inventory" established by the Director of the Division of Local Government Services and shall receive at least a minimum score on such inventory as determined by the Director of the Division of Local Government Services; provided, however, that the Director may take into account the particular circumstances of a municipality, in determining the minimum score acceptable for the release of the final 5% or $500, whichever is greater, of the total annual amount due for the current fiscal year, but in no event shall amounts be withheld with respect to municipal practices occurring prior to the issuance of the Best Practices Inventory unless related to a municipal practice identified in the Best Practices Inventory established in the previous fiscal year <u>or related to compliance with a statute, regulation, or Executive Order in effect prior to the commencement of the previous fiscal year</u>.

<u>Explanation</u>

This language provision sets the terms and conditions for the municipal Best Practices Inventory established in Fiscal Year 2011. As revised, the language would required the Director of the Division of Local Government Services to take into account a municipality's compliance with statutes, regulations, and Executive Orders in effect prior to the commencement of the previous fiscal year when computing its compliance rating with the Best Practices Inventory. This language change was proposed by the department during the Fiscal Year 2015 budget process. It was not included in the annual appropriations act enacted by the Legislature. During the Fiscal Year 2015 budget process, the department indicated that the amended language clarifies that withholding penalties are applicable to noncompliance with requirements in longstanding law (i.e., the filing of collective bargaining agreements with the Public Employment Relations Commission and deadlines related to the adoption of the municipal budget and financial reporting).

The State is permitted to withhold the final 5% or $500, whichever is greater, of the total amount of Consolidated Municipal Property Tax Relief Aid due to municipalities that do not receive a minimum score indicating compliance with the Best Practices Inventory. The Director may take into account the particular circumstances of a municipality in computing its compliance rating. Municipalities may not be penalized for engaging in practices occurring prior to the issuance of the Best Practices Inventory, unless a particular practice is related to municipal practices identified in the Best Practices Inventory for the previous fiscal year. A

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

Significant Language Changes (Cont'd)

similar in the Department of the Treasury budget (Page D-404) provides for the withholding of the same percentage or amount of the Energy Tax Receipts Property Tax Relief payment from municipalities that do not meet the minimum best practices standards.

The Fiscal Year 2015 Best Practices Inventory was released on September 10, 2014. Municipalities operating on a Calendar Year or Transition Fiscal Year were required to return their completed inventories by October 17, 2014; municipalities operating on the State Fiscal Year calendar were required to meet a deadline of April 2, 2015. The Director of the Division of Local Government Services is charged with identifying best municipal practices in the areas of general administration, fiscal management, and operational activities. For the current fiscal year, municipalities were required to answer 50 questions covering the areas of general management, financial and auditing procedures, procurement, budget preparation & presentation, health insurance, and personnel.

Background Paper: A Community Development Block Grant - Disaster Recovery Funding Update

New Jersey has been awarded a total allocation of $4.174 billion in federal assistance through the Community Development Block Grant – Disaster Recovery (CDBG-DR) program. Of that amount, the New Jersey has received and is authorized to spend $3.293 billion in accordance with federal regulations and its CDBG-DR Action Plan and subsequent amendments. That Department of Community Affairs (DCA) has signed grant agreements that provide for the expenditure of approximately $1.506 billion of the first and second tranches of CDBG-DR funds. CDBG-DR funds are expended for a variety of purposes: economic revitalization, homeowner housing, infrastructure repairs, rental housing, support for governmental entities, and supportive services. CDBG-DR programs are managed by the DCA, the Department of Environmental Protection, the New Jersey Economic Development Authority, the New Jersey Housing and Mortgage Finance Agency, and the New Jersey Redevelopment Authority. This backgrounder will explain the methodology used to determine the second allocation of CDBG-DR Funds among six grantees: Connecticut, Maryland, New Jersey, New York, New York City and Rhode Island. It will also provide an updated allocation of federal funds to various CDBG-DR programs.

As noted during the Fiscal Year 2015 budget process, there is very little information in the Governor's detailed budget document regarding the expenditure of these monies. There are several sources, some Internet-based, that provide varying levels of data regarding the allocation of CDBG-DR funds. Interested parties can access information regarding the expenditure of CDBG-DR funds through the "Superstorm Sandy CDBG-DR Dashboard" created by the DCA, the State of New Jersey Open Data Center (https://data.nj.gov/), and the website of the federal Recovery Accountability and Transparency Board, www.recovery.gov. Federal regulations require the State to submit a quarterly performance report no later than 30 days following the end of each calendar quarter. The quarterly performance reports provide narrative descriptions of program progress and the total amount expended through each CDBG-DR program for all purposes.

The Disaster Relief Appropriations Act

The "Disaster Relief Appropriations Act, 2013" (Pub.L.113-2) ("Act") appropriated $16 billion to the federal Department of Housing and Urban Development 's (HUD) Community Development Fund, for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure, housing, and economic revitalization in the areas most impacted and distressed by Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013 for activities authorized under Title I of the "Housing and Community Development Act of 1974" (42 U.S.C. 5301 et seq.) to address unmet needs. These funds are awarded to eligible state and local governments as Community Development Block Grant – Disaster Recovery (CDBG-DR) grants.

Background Paper: A Community Development Block Grant - Disaster Recovery Funding Update (Cont'd)

On March 1, 2013, the President issued a sequestration order pursuant to section 251A of the "Balanced Budget and Emergency Deficit Control Act of 1985" and reduced the amount of funding for CDBG-DR grants under the Act to $15.18 billion. To date, all CDBG-DR funds have been allocated as follows: $13 billion in response to Hurricane Sandy, $514 million in response to disasters occurring in 2011 or 2012, $655 million in response to disasters occurring in 2013, and $1 billion for the National Disaster Resilience Competition. These funds are to remain available for these purposes until September 30, 2017. The total allocations for New Jersey, approximately $4.174 billion, account for about 27.4% of all CDBG-DR funding authorized by the Act and about 32.1% of all CDBG-DR funds reserved for Hurricane Sandy recovery efforts.

<u>New Jersey's Allocation of the Second Tranche CDBG-DR Funds</u>

New Jersey received $1.829 billion from the first tranche of CDBG-DR funds.[1] New Jersey received a second round CDBG-DR funding award of $1.463 billion. At least 80% of the second tranche of federal CDBG-DR funds must address unmet needs within those counties "most impacted and distressed" by Hurricane Sandy. In New Jersey these counties are Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union. Funds obligated under the second round grant agreement must be expended within two years. If the two year expenditure deadline occurs before September 30, 2017, unexpended funds must be returned to HUD and may be reallocated. After September 30, 2017, any unexpended funds must be returned to the federal Department of the Treasury.

The allocation of the second tranche of CDBG-DR funding was announced in a Federal Register Notice (FRN) issued on November 8, 2013. According to the FRN the first allocation of $5.4 billion in federal assistance for disaster recovery needs was based on preliminary data associated with unmet housing and business needs. The second allocation of CDBG-DR funds, totaling $5.1 billion, reflects updated unmet housing and business unmet needs with more complete information on insurance coverage, infrastructure data from the Federal Emergency Management Agency (FEMA), the federal Department of Transportation, and the U.S. Army Corps of Engineers. Unmet needs represent the total amount of financial resources necessary for recovery from a disaster that are not satisfied by other public or private funding sources, such as FEMA Individual Assistance, Small Business Administration disaster loans, or private insurance.

The second round allocation was calculated based on the relative share of needs HUD has estimated are required to rebuild to higher standards consistent with CDBG program requirements and the goals set forth in the Hurricane Rebuilding Strategy. The FRN notes that HUD calculates the cost to rebuild the most impact and distressed homes, businesses, and infrastructure back to pre-disaster conditions. HUD then calculates the amount not covered by insurance and other federal sources to rebuild back to pre-disaster conditions and a "resiliency" amount estimated at 30 percent of the total basic cost to rebuild back to pre-storm conditions. The unmet repair needs are combined with the resiliency needs to determine the total severe

[1] For more information on the allocation of the first tranche of federal CDBG-DR funds, please see the OLS Fiscal Year 2014-2015 Background Paper, "An Overview of Community Development-Disaster Recovery (CDBG-DR) Funding."

Background Paper: A Community Development Block Grant - Disaster Recovery Funding Update (Cont'd)

unmet needs that must be fulfilled to achieve long-term recovery. The allocation of CDBG-DR funds is made proportional to the calculated severe unmet needs.

Due to time constraints, HUD did not use data on infrastructure need for the first allocation of CDBG-DR funds. For the second allocation of CDBG-DR funds, HUD used data from the state match requirement for the FEMA Public Assistance Program. HUD relied upon a subset of Public Assistance damage estimates reflecting the categories of activities most likely to require CBDG-DR funding above the Public Assistance and state match requirement. The activities are roads and bridges, water control facilities, public buildings, public utilities, & recreational and other. HUD also included $250,000 per U.S. Army Corps of Engineers project (where the local match is higher than that amount), an estimate of the local cost share for projects funded by the Federal Highway Administration Sandy Recovery Grants – Emergency Relief program, and 10% of the local cost share for projects supported by Federal Transit Administration Transit Emergency Transit Relief.

Table 1 shows the current allocation of the first and second tranches of CDBG-DR funds, based on the State's CDBG-DR Action Plan, through Action Plan Amendment No. 7.

Background Paper: A Community Development Block Grant - Disaster Recovery Funding Update (Cont'd)

Table 1: CBDG-DR Allocations by Program, Tranches 1 and 2

Category	Program	Allocation Level
Homeowner Assistance Programs	Reconstruction, Rehabilitation, Elevation, and Mitigation	$1,100,000,000
	Housing Resettlement Program	$215,000,000
	Blue Acres Buyout Program	$100,000,000
	Low & Moderate Income Homeowners Rebuilding Program	$40,000,000
Subtotal		**$1,455,000,000**
Rental Housing and Renter Programs	Fund for the Restoration of Large Multi-Family Housing	$379,520,000
	Landlord Rental Repair Program	$70,000,000
	Predevelopment Fund	$10,000,000
	Neighborhood Enhancement Program	$50,000,000
	Incentives for Landlords	$18,000,000
	Sandy Homebuyer Assistance Program	$25,000,000
	Sandy Special Needs Housing Fund	$50,000,000
	Tenant-Based Rental Assistance	$17,000,000
Subtotal		**$619,520,000**
Economic Revitalization	Grants/Forgivable Loans to Small Businesses	$100,000,000
	Direct Loans for Small Businesses	$100,000,000
	Neighborhood and Community Revitalization	$75,000,000
	Tourism Marketing	$30,000,000
Subtotal		**$305,000,000**
Infrastructure Programs	New Jersey Energy Resilience Bank	$200,000,000
	Flood Hazard Risk Reduction Program	$100,000,000
	Non-Federal Cost Share (Match) Program	$250,000,000
Subtotal		**$550,000,000**
Support for Governmental Entities	Continuation and Enhancement of Essential Public Services	$145,000,000
	Zoning/Code Enforcement	$11,000,000
	Unsafe Structure Demolition Program	$25,000,000
Subtotal		**$181,000,000**
Supportive Services Programs	Supportive Services Program	$10,000,000
	Lead Hazard Reduction Program	$5,000,000
Subtotal		**$15,000,000**
Planning, Oversight, and Monitoring	Administration	$152,000,000
	Post Sandy Planning Assistance Grants	$15,000,000
Subtotal		**$167,000,000**
TOTAL		**$3,292,520,000**

Background Paper: A Community Development Block Grant - Disaster Recovery Funding Update (Cont'd)

The Third Allocation of CDBG-DR Funds

On October 16, 2014, HUD announced that New Jersey would receive a third and final allocation of CDBG-DR funds totaling $881.909 billion. Of that amount the State intends to spend $501.909 million for homeowner assistance, rental housing and renter programs, and tenant-based rental assistance. The remaining $380 million is reserved for projects selected through the Rebuild by Design (RED) program. The RBD program is a planning and design competition to increase resilience in the counties most impacted and distressed by Hurricane Sandy. New Jersey's portion of RBD funds will support two projects, one in the New Jersey Meadowlands District and another in Hoboken City, the City of Jersey City, and Weehawken Township.

On January 15, 2015 New Jersey submitted Action Plan Amendment No. 11, which outlines the program-level allocation of the second tranche of CDBG-DR funds. HUD has 60 days to review and approve the State plan. As shown in Table 2, the non-RBD funds have been allocated to support 5 CDBG-DR initiatives and program administration.

Table 2: Proposed CDBG-DR Allocations by Program, Tranche 3

Program	**Proposed Allocation**
Rebuild by Design Program	$380,000,000
Reconstruction, Rehabilitation, Elevation & Mitigation	$225,000,000
Fund for Restoration of Multi-Family Housing	$215,000,000
Sandy Special Needs Housing Fund	$10,000,000
Tenant-Based Rental Assistance	$15,000,000
Administration	$36,909,000
TOTAL	**$881,909,000**

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates

New Jersey has allocated $3.293 billion in federal Community Disaster Block Grant – Disaster Recovery (CDBG-DR) funds to 25 programs intended to support the State's Hurricane Sandy recovery and rebuilding efforts. This backgrounder will provide an update regarding the status of five CDBG-DR programs: the Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM); Fund for the Restoration of Multi-Family Housing (FRM); Landlord Rental Repair Program (LRRP); Sandy Special Needs Housing Fund; and the Continuation and Enhancement of Essential Public Services Grant Program. These programs are managed by the Department of Community Affairs (DCA) and the New Jersey Housing and Mortgage Finance Agency (NJHMFA). The total amount allotted for these programs, approximately $1.74 billion, represents about 56% of all CDBG-DR funds allocated from the first and second tranches of federal assistance, excluding planning and administration.

Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM)

The RREM Program is the State's primary source of assistance to homeowners affected by Hurricane Sandy. At a funding level of $1.1 billion, the RREM has received the largest allocation of CDBG-DR funding. The State initially allocated $600 million to the RREM program. An additional $110 million was transferred from funds allocated for grants and loans to small businesses to the RREM program because the demand for assistance exceeded available funding. $390 million was allocated for RREM from the second tranche of CDBG-DR funding. The RREM provides grants in amounts not to exceed $150,000 to eligible homeowners to repair, elevate, or reconstruct their homes. The grant funds are intended to fill the gap between total costs and other funds the homeowner has received to repair the structure from insurance payments, FEMA the Small Business Administration or nonprofit foundations. According to the RREM Program Policies and Procedures, 70% of program funding is reserved for low-to moderate-income applicants and 30% is reserved for all other eligible applicants.

According to the "Superstorm Sandy CDBG-DR Dashboard" (last updated April 17, 2015), approximately $828.9 million has been obligated and $435.2 million has been disbursed through the RREM Program. The table below shows the amount obligated and disbursed, and the number of units to be supported, through the RREM program, by county.

County	Units Funded	Obligated	Disbursed
Atlantic County	1,071	$115,523,129	$48,405,600
Bergen County	221	$16,600,399	$6,567,210
Cape May County	235	$27,459,629	$15,793,827
Essex County	23	$1,729,662	$476,060
Hudson County	121	$5,924,044	$2,652,824
Middlesex County	105	$8,506,476	$3,198,711
Monmouth County	1,770	$186,806,050	$98,332,595
Ocean County	3,947	$463,781,921	$258,930,868
Union County	29	$2,540,787	$829,771
Total	**7,522**	**$828,872,097**	**$435,187,466**

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

According to the CDBG-DR Performance Report for the fourth quarter of 2014, 5,800 eligible homeowners had executed a grant agreement. The department also completed 1,700 initial site inspections. Initial site inspections are utilized to determine the scope of work for impacted homeowners and allow them to move forward with grant calculation and construction. In mid-2014, the federal Department of Housing and Urban Development changed its reimbursement guidance to allow CDBG-DR funds to support reimbursements to homeowners for eligible construction costs incurred after the completion of a federally-required environmental review. The report also notes that the DCA has "ramped up" the environmental review process for remaining applicants in order to accelerate the RREM review process and encourage pre-grant construction without risking reimbursement.

The State proposes allocating an additional $225 million for the RREM from the third round of CDBG-DR funding and transferring $30 million to RREM from two other CDBG-DR initiatives (Tourism Marketing & the Non-Federal Cost Share Match). If the Action Plan Amendment No. 11 and the proposed transfer of funds are approved, the total program allocation will increase to $1.355 billion. The DCA has indicated that all low-to-moderate income households selected for RREM were supported through the first two funding rounds. Applicants funded by the third round of CDBG-DR funding are non-low and moderate-income households and owned homes that sustained "severe" or "major," but not substantial, damage due to Hurricane Sandy. Although these homes suffered a lesser amount of physical damage, any reductions in renovation costs will likely be offset by rising costs associated with home elevation. The State noted that the average grant award as of October 2014, $124,000, is $20,000 more than the average grant award as of January 2014.

CDBG-DR Action Plan Amendment No. 11, the State's proposal for the allocation of the third tranche of federal assistance, includes an updated impact and unmet homeowner needs assessment. The amendment indicates an unmet homeowner need of $251.844 million (2,031 remaining RREM applicants on the RREM waitlist multiplied by an average grant award of $124,000). The DCA noted that calculating unmet need based on program demand may undervalue the reconstruction and rehabilitation needs of homeowners because it excludes the needs of RREM applicants who could not be funded because they did not meet the eligibility criteria. Unmet need also does not account for situations where rehabilitation or reconstruction needs exceed the $150,000 RREM grant ceiling and other recovery funding resources available to a homeowner. When a homeowner's reconstruction needs exceed the maximum grant award, the homeowner must identify funding to cover the difference before CDBG-DR funds will be invested in the project.

<u>Fund for the Restoration of Multi-Family Housing – First Round Allocation</u>

The Fund for the Restoration of Multi-Family Housing (FRM) is intended to facilitate the construction of affordable housing in the nine counties most impacted and distressed by Hurricane Sandy. The State has allocated $379.52 million to the FRM. The FRM received $179.520 million from the first tranche of CDBG-DR funding and $200 million from the second round of federal assistance. $30 million from the FRM is reserved to support the recovery of public housing authorities.

FRM loans are available to projects that receive 9% and 4% federal Low-Income Housing Tax Credits allocated by the NJHMFA, multi-family revenue bonds, conduit bonds,

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

and financing from other CDBG-DR programs. Private for-profit and nonprofit housing developers and public housing authorities capable of developing large multi-family housing developments are eligible to apply for FRM loans. The FRM Program Guidelines require eligible projects to provide rental housing in which some or all of the units are affordable to low- and moderate-income households. Developments may include new construction, conversion of vacant/commercial/industrial buildings, or the substantial rehabilitation of uninhabitable dwellings.

There have been two separate rounds of FRM funding. According to the "Superstorm Sandy CDBG-DR Dashboard", approximately $158.1 million has been awarded and $86.6 million has been disbursed through the FRM. Funds awarded and disbursed to date support first-round FRM projects. The table below shows the amount awarded and disbursed, and the number of units to be supported through the FRM, by county.

County	Units Funded	Awarded	Disbursed
Atlantic County	523	$34,840,465	$23,437,493
Bergen County	154	$9,398,978	$5,477,486
Cape May County	159	$10,189,009	$7,588,258
Essex County	340	$25,763,728	$9,309,735
Hudson County	248	$19,079,400	$7,467,808
Middlesex County	300	$22,497,551	$16,823,758
Monmouth County	228	$22,308,666	$8,155,587
Ocean County	148	$12,297,970	$6,636,405
Delivery Costs		$1,702,897	$1,702,897
Total	**2,100**	**$158,078,664**	**$86,599,427**

Fund for the Restoration of Multi-Family Housing – Second Round Allocation

The second round allocation of FRM funds was determined in accordance with the Voluntary Compliance and Conciliation Agreement (VCA). In April 2013, the Latino Action Network, New Jersey State Conference of the National Association for the Advancement of Colored People, and Fair Share Housing Center ("complainants") filed a complaint with the federal Department of Housing and Urban Development (HUD) alleging that the State of New Jersey had engaged in discriminatory housing practices with respect to the provision of services under Title VI of the "Civil Rights Act of 1964," (Pub.L.88-352), Title VIII of the "Civil Rights Act of 1968," (Pub.L.90-284), and Section 109 of Title I of the "Housing and Community Development Act of 1974," (Pub.L.93-383) and failed to affirmatively further fair housing through the allocation of Community Disaster Block Grant-Disaster Recovery (CDBG-DR) funding. On May 30, 2014, the State entered into a Voluntary Compliance Agreement (VCA) with HUD and the complainants regarding the allocation of the second and third rounds of CDBG-DR funding awarded to New Jersey.

The terms of the VCA require the DCA to allocate an additional $215 million to the FRM from the third tranche of CDBG-DR funds. FRM funds, including those already allocated, must be distributed by county in accordance with percentages that are generally proportionate to the amount of damage experienced in each of the nine counties most impacted and distressed by Hurricane Sandy. The State has also agreed to set aside 52% of all FRM funds for Monmouth and Ocean Counties and 20% of all FRM funds for Atlantic County. Preference

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

must be awarded to the most impacted municipalities based on the level of severe or major damage to renters. Finally at least 60% of the total amount allocated to the FRM from all CDBG-DR funds must be set-aside for or developments outside Targeted Urban Municipalities (TUMs). The NJHMFA defines "Targeted Urban Municipalities" as "...those Urban Aid Municipalities designated pursuant to N.J.S.A.52:27D-178 plus Atlantic City, with a poverty rate greater than 8.1 percent." The remaining FRM funds are designated for developments inside TUMs.

Applications for funding from the second round of FRM were due to the NJHMFA by January 30, 2015. According to the FRM-Second Round Program Guidelines, eligible projects must: (a) rehabilitate or replace affordable rental units that were damaged as a result of Hurricane Sandy; (b) build new rental housing that addresses an unmet need resulting from the storm, or (c) convert existing structures into affordable housing that addresses an unmet need resulting from the storm. Conversion may include the substantial rehabilitation of a property and the transition of market rate units to affordable housing, changing a property that was not used for rental housing to permanent, affordable rental housing, or rehabilitating vacant, dilapidated units. Applicants for projects outside of the nine counties most impacted and distressed by Hurricane Sandy must include a narrative of how the hurricane affected the rental population to be served by housing units and why FRM funds are need to serve Sandy-impacted renters in the market area.

The FRM Second Round Program Guidelines state that there is no maximum amount of funding per unit. The amount of the award is based on underwriting the funding gap in the project. According to the NJHMFA "Selection, Underwriting, & Financing Guidelines Policy" for Multifamily Programs and Lending, total development costs for projects seeking CDBG-DR funds shall not exceed: $275,000 per unit for buildings of one to four residential stories; $302,500 per unit for buildings with five or six residential stories; and $330,000 per unit for buildings with over six residential stories, excluding capitalized permanent reserves, non-basis eligible off-site improvements, and any required deferred developer fee. For nonprofit developers, the maximum loan amount may not exceed the lesser of 100% of total project costs or the amount that can be amortized by the project. The maximum loan awarded to for-profit developers may not exceed the lesser of 90% of total project costs, the actual appraised value of the project at completion, or the amount that can be amortized by the project.

On April 16, 2015, the NJHMFA announced more than $186.5 million in second round FRM funds was awarded to 18 projects to create about 1,500 affordable housing units. The NJHMFA press release indicates that the total development costs for these projects is estimated at $13 million and that they will generate an estimated 1,740 direct and indirect full-time jobs during construction. The table below shows the amount of second round FRM funds awarded, and the number of units to be supported, by county.

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

County	Second Round Award	CDBG-DR Units	Total Project Units
Atlantic County	$51,916,045	324	524
Essex County	$3,400,000	47	87
Hudson County	$13,920,000	116	126
Monmouth County	$68,346,722	400	425
Ocean County	$48,871,076	320	322
Total	**$186,453,843**	**1,207**	**1,484**

The FRM Second Round Program Guidelines indicate that these projects were awarded based on selection criteria that are more complex that the standards used to determine first round funding. Funds were awarded to the highest ranking eligible applicants based on the scoring system shown in the table on the table below.

Criteria	Number of Points
Proximity to Municipality that Sustained Major or Severe Renter Damage	Maximum of 22 points (Based on Location)
Impact of First Round FRM Funding	Maximum of 20 Points (Based on Location)
Provide 5 Units or 5% of Total Project Units as Supportive Housing	Maximum of 10 Points
Ability to Leverage Other Funding Sources	Maximum of 10 Points (Based on non-CDBG-DR funds)
CDBG-DR Cost per Unit	Up to 9 Points
Project is Located in a "Higher Opportunity Area"	Maximum of 9 Points
Provision of up to 3 Social Services	Maximum of 6 Points
Accept HUD Section 11 Supportive Housing for Persons with Disabilities Project-Based Assistance	5 Points
Housing Type	Maximum of 4 Points
Readiness to Proceed	5 Points
Maximum Score	**100 Points**

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

The table below shows by county, the total amount of FRM funding awarded, the percentage of total funding, the number of units funded, and the percentage of units funded. As noted above, 52% of all FRM funds must be set-aside for Monmouth and Ocean Counties and 20% of all FRM funds must be set-aside for Atlantic County.

County	Total FRM Awards	% of Total Funding	Units Funded	% of Units Funded
Atlantic County	$86,756,510	25%	847	24%
Bergen County	$9,398,978	3%	154	4%
Cape May County	$10,189,009	3%	159	5%
Essex County	$29,163,728	8%	387	11%
Hudson County	$32,999,400	10%	364	10%
Middlesex County	$22,497,551	7%	300	9%
Monmouth County	$90,655,388	26%	628	18%
Ocean County	$61,690,046	18%	668	19%
Total	**$343,350,610**	**100%**	**3,507**	**100%**

In accordance with the terms of the VCA, the State proposed to reserve $215 million from the third tranche of CDBG-DR funds for the FRM. Action Plan Amendment No. 11, the State's plan for the allocation of the third round of CDBG-DR assistance notes that the real estate database company Zillow reported year-to-year increases in rental rates between 1% and 5% for some of the nine most-impacted counties. This increase was confirmed by the most recent Fair Market Rent tables released by HUD. The unmet needs assessment in Amendment No. 11 indicates that as of October 2014, that funding requests for 40 projects totaling $380.6 million in the FRM pipeline. The program "pipeline" is defined as funding requests in excess of dollars allocated to the FRM from first and second round CDBG-DR funds. If fully funded, these projects would create 2,722 affordable housing units and 3,336 total housing units.

Landlord Rental Repair Program

The CDBG-DR Action Plan allocated $70 million to the Fund for the Rehabilitation of Small Rental Properties, also known as the Landlord Rental Repair Program (LRRP). The LRRP provides zero-interest, forgivable loans to "original" and new owners of small rental properties (25 units or less) that sustained significant damage during Hurricane Sandy. LRRP loans are intended to fill the gap between the cost to repair the units and other sources of funding the landlord may have received. Any amounts the landlord received for repairs from private insurance, the National Flood Insurance Program, and the Small Business Administration are subtracted from the total cost of repairs to determine the award amount. Any funds received from a non-profit agency are subtracted from the total cost of repairs to determine the award amount only if they are dedicated for repair work and result in a duplication of benefits. The maximum LRRP award is $50,000. If the total amount of funds available is not sufficient to complete the repairs, the landlord is required to identify additional sources of support. Of the total amount allocated, 70% of program funds must benefit rental units in the nine counties most impacted by Hurricane Sandy. The LRRP did not receive any additional allocations of funding from the second tranche of CDBG-DR assistance.

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

According to the "Superstorm Sandy CDBG-DR Dashboard" (last updated April 17, 2015), approximately $45.1 million has been awarded and $12.4 million has been disbursed through the LRRP Program. The table below shows the amount awarded and disbursed, and the number of units to be supported, through the LRRP program, by county.

County	Units Funded	Awarded	Disbursed
Atlantic County	271	$10,007,414	$2,037,043
Bergen County	15	$535,921	$100,000
Camden County	11	$495,000	$0
Cape May County	47	$2,029,862	$301,088
Cumberland County	2	$100,000	$59,681
Essex County	30	$1,310,296	$0
Hudson County	15	$600,716	$54,108
Middlesex County	26	$1,260,000	$0
Monmouth County	282	$12,501,670	$4,623,950
Morris County	1	$45,000	$0
Ocean County	392	$16,208,738	$5,212,874
Somerset County	1	$45,000	$0
Total	**1,093**	**$45,139,617**	**$12,388,744**

Owners must agree to lease assisted units to low- and moderate-income households and charge rents that are limited to the lesser of the market rent for the unit or the rent schedule established by the DCA, which is based on 30% of 80% of the Area Median Income in each of the nine counties most impacted by Hurricane Sandy. Owners of for-profit properties must comply with these limits for the first occupancy of the unit and sign a one-year lease. Nonprofit entities must comply with the unit affordability requirements for five years. If the owner fails to meet these requirements, the loan must be repaid. The loan is forgiven of the occupancy requirements are met. Property owners are permitted to select their own tenants, provided the tenants meet the low- and moderate-income eligibility criteria. Tenant income must be confirmed by the LRRP program before the landlord leases the unit. Landlords of properties with five or more units are required to develop an "Affirmative Fair Housing Marketing Plan"; landlords for properties with one to four units need to comply with State and federal fair housing requirements.

Sandy Special Needs Housing Fund

The State has allocated $50 million in CDBG-DR funds to the Sandy Special Needs Housing Fund (SSNHF). The SSNHF is dedicated to the development of permanent supportive housing located in the nine counties most impacted by Hurricane Sandy. Managed by the NJHMFA, the SSNHF provides capital subsidies in the form of loans to for-profit and nonprofit developers of projects that combine rental housing and supportive services. Eligible applicants must be capable of developing and managing the permanent supportive housing project and providing supportive services, directly or indirectly, with the service provider to the targeted special needs population. Loan funds can be used to develop permanent supportive rental housing projects or community residences in which some or all of the units are affordable to low- and moderate-income special needs populations as defined in Special Needs Housing Trust Fund Guidelines. Developers may apply for stand-alone financing or program funding in

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

conjunction with the Low-Income Housing Tax Credit Program, tax-exempt bonds, or the Fund for the Restoration of Large Multifamily Housing.

According to the "Superstorm Sandy CDBG-DR Dashboard" (last updated April 17, 2015), approximately $15.7 million has been awarded and $10.2 million has been disbursed through the SSNHF. The table below shows the amount awarded and disbursed, and the number of units to be supported, through the SSNHF, by county.

County	Units Funded	Awarded	Disbursed
Atlantic County	4	$398,085	$175,812
Bergen County	19	$3,175,342	$1,256,388
Essex County	12	$1,523,994	$1,274,279
Hudson County	54	$1,440,592	$500,000
Middlesex County	130	$5,400,000	$3,210,652
Ocean County	80	$2,629,468	$2,625,448
Union County	3	$664,433	$664,433
Statewide	2	$447,349	$447,349
Total	**304**	**$15,679,263**	**$10,154,361**

The SSNHF Program Guidelines (last amended July 10, 2014) indicate that there is no cap on the maximum amount that may be provided for a specific special needs housing project so long as the funding meets program guidelines. The maximum subsidy loan amount for any 100% special needs housing project with a total development cost of over $700,000 may not exceed 80% of the total development costs as long as the funding request meets the program guidelines. 100% special needs housing projects with a total development cost of $700,000 or less could receive up to 100% financing through an SSNHF subsidy. The maximum subsidy loan amount per unit for mixed occupancy projects may not exceed $100,000. 75% of SSNHF funding is allocated to households at or below 30% of area median income. 25% of the SSNHF funding is allocated to benefit households with a gross income between 30% and 80% of area median income. The State proposes to allocate an additional $10 million for the SSNHF from the third tranche of CDBG-DR funds. Action Plan Amendment No. 11 indicates that 14 projects requesting approximately $14.8 million remained in the program pipeline.

Continuation and Enhancement of Essential Public Services

Funded at $145 million, the Essential Services Grant Program provides financial assistance to local government entities (boards of education, counties, fire districts, and municipalities) in those instances where federal Community Disaster Loans are either unavailable or insufficient to fund the continuation of eligible essential public services, such as police and fire protection, health and welfare (including public works, garbage collection and disposal, and water/sewer supply), and education. Essential services included services directly necessitated by Hurricane Sandy (i.e., extra police patrols, increased public works efforts, or education services for dislocated students) and basic services that could not continue to be provided absent additional financial assistance. Grant awards can also be utilized toward reimbursing costs related to shared service agreements involving the delivery of essential services. The Essential Services Grant program is administered by the Division of Local Government Services (DLGS).

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

Of the amount allocated from the first two round of CDBG-DR funding, 21 local government entities requested approximately $127.9 million; 14 local government entities received approximately $87.9 million. The table below shows all Essential Services Grant applicants, the amount requested, and the amount of funding awarded, rounded to the nearest dollar.

Local Unit	Total Amount Requested	Total Amount Awarded
Asbury Park City	$350,000	$350,000
Atlantic City	$16,872,707	$14,273,506
Berkeley Township	$10,750,000	$0
Brick Township	$3,750,000	$3,750,000
Brigantine Board of Education	$24,093	$24,093
Downe Township	$32,264	$0
Highlands Borough	$340,000	$0
Keansburg Board of Education	$733,931	$271,413
Lavallette Borough	$42,025	$0
Lavallette Board of Education	$63,000	$63,000
Little Egg Harbor Board of Education	$254,128	$254,128
Moonachie Borough	$391,907	$0
Ocean County	$19,216,702	$16,505,639
Pinelands Regional Board of Education	$84,208	$84,208
Sea Bright Borough	$3,393,564	$2,077,827
Seaside Heights Borough	$2,905,000	$2,905,000
Seaside Park Borough	$1,500,000	$200,489
Seaside Park Board of Education	$194,115	$0
Toms River Township	$40,500,000	$25,605,708
Toms River Board of Education	$24,905,491	$21,500,000
Toms River Fire District No. 1	$1,162,559	$0
Union Beach Borough	$466,500	$0
Total	**$127,932,194**	**$87,865,011**

The DLGS used the same general criteria when considering Essential Services Grant applications during the first two rounds of funding. Applicants were required to demonstrate that, absent a grant award, essential services would not be provided; show that projected revenue losses were reasonably anticipated; and demonstrate actions designed to control costs, such as reductions in nonessential services, freezes in pay increases (where permitted), and the implementation of shared services. Local units were also required to demonstrate actions to facilitate appropriate and timely reconstruction of public and private property and enhance local preparedness for future storms. Federal regulations prohibited the use of CDBG-DR funds to accommodate decreases in local tax rates.

Background Paper: Community Disaster Block Grant-Disaster Recovery (CDBG-DR) Funding - Selected Program Updates (Cont'd)

The receipt of an Essential Services Grant was conditioned on a local unit: (1) Applying for insurance payments for federal assistance through the Community Disaster Loan Program, FEMA Public Assistance, and appropriately utilizing such assistance to the extent available; (2) Demonstrating cost restraints to minimize the need for assistance; (3) Agreeing to allocate Essential Services Grant funds only to essential services in accordance with federal requirements; (4) Updating emergency management plans; and (5) Demonstrating a commitment to, as appropriate, to rebuilding public property, facilitating the construction of ratables in a manner designed to minimize recurring damage, and pursuing efficiencies through consolidation or shared services as deemed appropriate by local officials to address changed populations or service models.

A third round of Essential Services Grant funding, supported by the remaining $57.1 million in CDBG-DR funds was announced on January 9, 2015. The third round of funding is open to authorities, counties, fire districts, municipalities, and school districts that received and will have exhausted Community Disaster Loans by the end of Calendar Year 2015 or Fiscal Year 2016 and demonstrate Calendar Year 2015 or Fiscal Year 2016 financial hardship directly attributable to Hurricane Sandy such that the local government will be unable to provide essential services. Local government entities that intended to apply for a third round Essential Services Grant were required to notify the DLGS of their intent to apply no later than February 6, 2015. Applicants were also required to submit a certified copy of their introduced budget, a 2014 Annual Financial Statement, and the grant application by March 31, 2015.

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Individuals wishing information and committee schedules on the FY 2016 budget are encouraged to contact:

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