Testimony of Charles A. Richman  
Commissioner, Department of Community Affairs  
Hearing of the Assembly Budget Committee  
April 11, 2016  
State House Annex, Committee Room 11, 4th floor, 10:00 AM

Outline for budget testimony

Chairman Schaer, Vice Chair Burzichelli and member of the Budget Committee, thank you for the invitation to appear before you today.

At DCA’s budget hearing last year, I told you that I was looking forward to shaping the Department’s agenda to focus on and support the activities that are central to the Department’s purposes: Housing, community revitalization, and support for local governments. I also spoke about the challenges associated with operating the CDBG-DR programs. Since then, we set out to improve the performance of certain programs where there was both a pressing need and public frustration.

Responsible leadership demands careful examination of actions that have or will have a substantial impact on the public, and communication is vital in that regard. Reaching out to advocates, regulated communities, and experts for input is indispensable; conveying to stakeholders and the interested public the rationale and process behind policy development... is as important as arriving at the right policy. I invite broad discussion and a seek opinions from different perspectives both within and outside of the Department before we introduce a new activity or propose any major shift in policy or procedure and I believe that we have been responsive to comments, new ideas and alternative approaches. This practice has served the Department well; without exception, the changes we have made have been positively received.
In my presentation, I will bring you up to date on several areas this committee asked me about last year and report to you on the meaningful steps we have taken to support individuals with special needs and the homeless.

I would like to begin, however, with a brief overview of the Department budget. The entire budget totals $1.4 billion. Of that amount, $460 million is derived from federal funds not including the $4.2 billion Sandy CDBG- DR grant. The largest cost centers in the Department, the Divisions of Codes and Standards and Fire Safety, are almost exclusively supported by fees, totaling $84 million. The Division of Housing and Community Resources is the sole recipient of the $460 million in federal dollars. The Division receives $25 million in grants in aid offset from realty transfer fees. The Division of Community Resources receives only $1.1 million in State funded appropriations. The Department’s FY17 budget recommendation of $823 million includes $745 million in local property tax relief. The activities in the Department supported exclusively by the General Fund total only $10.1 million or 1.2% and are largely comprised of central and Local Government Services administrative functions and Community Resource grants.

Sandy recovery will remain a central focus of DCA’s mission in 2017. Since we took over the day-to-day administration of housing recovery programs, we have seen an exponential increase in the number of families that have finished rebuilding and moved back into their homes – 1,000 just in the last five months. We have been successful in addressing rental assistance needs and in supporting the few communities that still face Sandy induced budget challenges.

I will get into some of those details below. But the bottom line is that we are completing projects, we are disbursing funds, we are working closely with stakeholders to identify challenges, and we are finding ways to meet those challenges. HUD has been closely following our management of each of our
recovery programs and has officially recognized how effectively we are managing federal funds. Of the three major Sandy grantees, only New Jersey has been moved from quarterly to annual monitoring because of HUD’s comfort with our responsible fiscal and program management. I, therefore, welcome the opportunity to provide you with an update on the status of the CDBG DR grant activities. We have made significant strides in every component of the grant.

But before I begin, I want to be clear. Recovery on this scale is tough on everyone. No recovery project is easy and some are very hard. Most fall somewhere in between. Our goal every day is to help everyone successfully navigate our programs so that they can move on with their lives. We strive every day to do the best that we can. Since I was last before you, we were able to achieve a great deal to help both individual residents and communities across the State and we expect to achieve the same in the future.

RREM
The Reconstruction, Rehabilitation, Elevation and Mitigation Program provides a grant up to $150,000 to homeowners whose primary residence was damaged by Superstorm Sandy. The grant is intended to fund the portion of the cost of rebuilding that is not covered by insurance, FEMA, SBA or a non-profit organization. When all is said and done approximately $1 billion will be distributed to homeowners. It is the largest single allocation of funds under the CDBG-DR umbrella grant. Approximately 7,800 households will be served by the program. In fact, 97% of RREM participants have made draw down funds against their grant. Over $763 million has been disbursed to homeowners representing 76% of the total grant dollars. Currently, over 3,000 homeowners have completed construction. Nearly all the rest have started construction. While staff is focused on managing construction issues, many are not within the control of the program. The majority of RREM participants have hired their own contractors and the State is not party to the contract. However, homeowners who need help at any point in their
project can get the assistance they need. Their Housing Advisors can explain the program process and protocols for any question a homeowner might have; project managers assigned to homeowners assist them with construction matters during the building phase- they are responsible for inspections, scope adjustments and payment processing; RREM participants can also call Constituent Services at DCA here in Trenton to get high level attention from program management to work through a problem.

Fund for Restoration of Multifamily Housing (FRM)
FRM is the State’s largest affordable rental housing recovery program. A total of $579M was allocated to make zero percent and low interest loans to developers to rehabilitate or replace affordable rental units damaged as a result of Superstorm Sandy. Thus far, financing has been authorized for 4,344 units. There will be one more round of funding awarded for FRM units. The applications were due to the Housing Mortgage Finance Agency on April 8 and are being reviewed now. The HMFA anticipates that an additional 1,000 units will be developed as a result of this final round of funding.

RREM/LMI Rental Assistance Program
We have submitted an Action Plan Amendment to HUD in order to allocate another $12.5 million to the $19.5 million fund for rental assistance to homeowners in the RREM program who are temporarily out of their homes while rebuilding. These additional funds will be used to extend the rental assistance benefit out to 21 months for those who need it. Notwithstanding the extension, the average length of displacement is 6.4 months and the average rent paid under the program is $1,328.

ESG
The State established the Essential Services Grant program as gap funding to make up for lost ratables in particularly hard hit municipalities just to the extent that essential public services can be maintained. Although some recovery of the tax ratable base has taken place in every affected town, without additional ESG money, continuing tax base losses would necessitate a diminution of services, a tax
increase or both in a small # of towns. To avoid exacerbating the hardship that Sandy damage has already caused the residents of these towns, there will be $14.5M available to municipalities and school districts that apply and meet the eligibility criteria for this next round of funding.

Sandy Community programs: Planning / Resiliency
One of the CDBG-DR programs that the State developed to improve a town’s ability to withstand future storms is the Post Sandy Planning Assistance Grant. 45 towns and 4 counties are making use of that money to rebuild and develop in ways that reduce the risk of future damage and encourage sustainable economic growth – some in ways that have already paid off. Using software funded through a $50,000 planning grant, Rumson was able to develop a GIS model integrating information from 30 different databanks that pinpoints exactly where flooding would occur in the borough in a storm event. The town has already used it for pre-disaster planning in the 48 hours before the arrival of storms Jonas and Joaquin last January and February. Borough officials knew which particular houses would need to be evacuated; which public works water pumping stations could be flooded; and where residents should park their vehicles to leave roads empty to facilitate snow removal.

We have made enormous progress. We are monitored regularly and intensively by HUD. The HUD team was here in early March for a technical assistance visit. They are pleased with the headway we’ve made and equally satisfied that we are doing an exemplary job of managing the $4.1 billion granted to the State. For those reasons New Jersey is now what HUD considers a “low risk” grantee. We are the only one of the major Superstorm Sandy grantees that they will drop down to one monitoring visit a year from here on out.
I am particularly pleased to report on our work in the area of housing for those who have special needs but do not have the resources to cope with them.

Governor Christie made a commitment to the State’s most vulnerable citizens when he created the Interagency Council on Homelessness in 2012 and charged the Council with drafting a ten-year plan to end homelessness. The Council presented its plan to the Governor in December 2014. The most significant recommendation focused on moving individuals and families to housing as quickly as possible and providing the necessary services and support to keep them stably housed. Almost immediately, DCA began to adapt its housing voucher programs to integrate primary health care and behavioral health services with immediate access to housing for the chronically homeless; provide rapid access to housing for families experiencing short term homelessness and collaborating with our sister agencies to focus on specific populations experiencing homelessness for particular reasons.

In the last year, we have targeted four hard-to-serve populations to receive customized supportive services along with permanent housing in order to combat homelessness among some of our most vulnerable residents. The four groups are high utilizers of hospital services, homeless veterans, families in danger of separation because they don’t have permanent housing, and youth who are homeless or at risk of homelessness.

When I spoke to you last year we were just getting these initiatives underway. Now I can report that our first demonstration program to place 50 chronically homeless high utilizers of hospital services in Camden County has identified 43 households for this project. So far, 11 are in their new homes and another 18 will be in their homes soon.
The other demonstration programs have taken off as well: 273 vouchers are dedicated to homeless or otherwise at risk veterans; 25 vouchers, with another 25 in the works, are going to serve families who have been separated or are determined to be at risk of separation by the Department of Children and Families; 100 vouchers have been committed to assist DCF to provide housing and services to youth at risk of homelessness.

As these innovative programs and other similarly designed programs around the country are showing clear signs of success, we are preparing to expand the number of vouchers that we commit to the Housing First pool. Several weeks ago, the Governor announced that we are adding 500 State Rental Assistance Program (SRAP) vouchers to provide supportive housing to 400 families and another 100 for homeless veterans.

With respect to veterans, DCA also has received a separate allocation of 810 Veterans Affairs Supportive Housing (VASH) vouchers from HUD that supplements the state’s federal Housing Choice Voucher, or Section 8 program.

In addition, DCA is providing vouchers to some recipients of DHS’s expired housing assistance program. The first 488 of DHS’s SSI recipients have been transferred to DCA’s SRAP program.

Finally, DCA has contributed 40 vouchers to the State’s Section 811 initiative, which will create opportunities for people with disabilities to live in community integrated settings rather than institutional facilities.

In total, DCA has committed to devoting at least 1,000 of its federal and state vouchers to special needs populations in the coming months.
Over the past year, we have committed nearly 3,000 housing choice vouchers to aid those with special needs and veterans.

Also related to special needs populations, the DCA is working with the Department of Health to transfer boarding homes for residents with dementia to their jurisdiction, per L. 2015, c. 125. (A 1102). And DCA is working with DHS to expand the assessment of and access to supportive services for residents of boarding homes and through service providers under contract with DHS.

When the housing that is produced as a result of HMFA financing is factored into the mix, the number of affordable units that have been created by the State since January 2010 is sizable. Not including special needs beds, the New Jersey Housing and Mortgage Finance Agency has committed to fund 19,842 multifamily rental units, of which 18,884 units are affordable to low- and moderate-income households.

In the last calendar year alone, construction was completed on 90 projects, which includes 680 market and 6,745 affordable apartments. Additionally, at this time, 35 housing projects are under construction, which includes 400 market rate and 1,085 affordable apartments. HMFA expects construction to start on another 40 projects containing 4,300 affordable and 300 market apartments this year.

Of the nearly 20,000 multifamily housing units committed since 2010, close to 13,100 are set-aside for families, and 6,742 are reserved for seniors, which translates into a 66% - 34% family/senior split. The urban/suburban split of newly constructed units is nearly 50-50. A further measure of our success is in constructing affordable housing in places with better schools, nearer to job opportunities and closer to transit. A recent study by the US Department of Housing and Urban Development compared the
allocation of low income housing tax credits in the years 2003-2005 and 2011 to 2013. “NJ showed the greatest increase of all states in (the) share of units sited in neighborhoods with less than 10% poverty.”

Together these units not only provide needed affordable housing opportunities for families, seniors and individuals with special needs, but they also are a source of employment and income for workers and businesses alike. The total construction value of the development of these units was more than $4.1 billion, which has had a significant impact on New Jersey’s economy and growth.

These are but a few of significant advancements the staffs of the Department of Community Affairs and the Housing and Mortgage Finance Agency have been able to effectuate for the citizens of our State. I would be pleased to answer your questions.