Discussion Points

1. Since October 2010, the City of Atlantic City has been under State financial oversight pursuant to the “Local Government Supervision Act (1947),” P.L.1947, c.151 (C.52:27BB-1 et seq.). Pursuant to a resolution adopted by the Local Finance Board (“Board”) Atlantic City was placed under State supervision following a judicial determination of gross failure to comply with the provisions of the “Local Budget Law” which substantially jeopardizes the fiscal integrity of the municipality. The “Local Government Supervision Act” allows the Board, through the Division of Local Government Services, to exercise greater control over the finances of a county or municipality declared to be in “unsound financial condition.” For example, the Board may require State approval of the issuance of debt and collective bargaining agreements, and authorize direct State control over specific functions related to the fiscal affairs of the municipality, such as revenue administration and budget preparation. The Board may require the appointment of a fiscal control officer to serve as the director’s agent with respect to the performance of duties related to the fiscal affairs of the municipality.

Atlantic City’s finances have been affected by the decline in the value of casino gaming property and the closure of casinos. From 2008 to 2015, the equalized value of all taxable property in Atlantic City has declined by 59%, from $20.4 billion to $8.4 billion. Declines in property values affect the amount of revenue a municipality may be able to raise through the property tax levy, which, in turn, affects municipal cash flow. Property owners have also filed successful assessment appeals and Atlantic City has issued $153.7 million in “Tax Appeal Bonds” to pay amounts owed to property owners for property tax overpayments following successful assessment appeals or the settlement of property tax appeals.

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that it has worked with the City since January 2014 to identify budget savings. Over that time the City’s employee headcount has been reduced from 1,359 to 1,214, the City Departments of Health and Human Services and Licenses and Inspections have been merged, shared services agreements between Atlantic City and the Casino Reinvestment Development Authority and the Atlantic County Improvement Authority have been executed, and Atlantic City is foreclosing and selling unneeded property. The State has also provided direct financial assistance to Atlantic City. Atlantic City was awarded $13 million in Transitional Aid to Localities in 2014 and 2015, respectively. The State also provided Atlantic City with a short-term loan $40 million at an interest rate of 0.75%.

• Question: Please describe the State’s current role in monitoring the finances of Atlantic City. What is Atlantic City’s projected budget deficit for Calendar Year 2016? Please describe any additional ameliorative actions Atlantic City has taken to close its budget deficit. What effects have these actions had on city services? Is the division confident that Atlantic City will have enough cash on hand to make all scheduled debt payments? Please explain the logic of charging interest on a cash-flow loan provided to a municipality that is experiencing cash-flow difficulties.

The department has placed a fiscal monitor in Atlantic City, whose primary functions are to provide technical assistance to the municipality and ensure compliance with the Memorandum of Understanding executed by municipal officials in return for Transitional Aid. The monitor is supported by subject matter Departmental staff experts. The projected deficit for Calendar Year 2016 is $105.5 million.
To date, the city has only taken limited steps to reduce the 2016 projected shortfall. Without passage of remedial legislation, there is no guarantee essential services can be maintained. Without additional financial assistance, it is likely the City will not have enough cash to make debt service payments and other statutory and required payments.

Consistent with prior practice, the City was charged the same interest rate that the State pays on its short term debt.
2. Section 20 of P.L.1981, c.211 (C.52:27BB-66.1) allows the Local Finance Board to require collective bargaining agreements entered into while a municipality is under State financial oversight to be subject to review and approval of the director. That section of law also provides that if negotiations on a collective bargaining agreement have reached an impasse and the matter has been submitted to an arbitrator, any arbitration award shall be binding without the approval of the director. The director is required to provide the arbitrator with a statement of the financial condition and capacity of the municipality.

According to financial data and operating information released by the City of Atlantic City through the Municipal Securities Rulemaking Board, Atlantic City employees are organized into eight collective bargaining units. Labor contract data indicate that collective bargaining agreements for all collective bargaining units have now expired. The agreement for the beach patrol expired on December 31, 2012; agreements for uniformed firefighters, blue collar workers, supervisors, white collar workers, and construction inspectors expired on December 31, 2014; and agreements with uniformed police and superior officers expired on December 31, 2015. Atlantic City notes, “Under the terms of the Local Government Supervision Act, the Local Finance Board has the ability to be involved in the City’s collective bargaining agreements, but has yet to exercise such powers.”

**Question:** Please identify each collective bargaining agreement approved since Atlantic City was placed under State supervision and the annual impact on the city’s budget that result from each. Why has the State decided not to exercise its power to negotiate collective bargaining agreements with collective bargaining units representing Atlantic City employees?

DCA disagrees with the premise of this question, which implies that the Supervision Act bestows on the State greater authority than to review or approve final contracts (except for those that go to Interest Arbitration, in which case the Department has no say in the final decision).

Division staff has assisted the City in the collective bargaining process, including testifying in the International Association of Fire Fighters (IAFF) Arbitration Hearing.

The only collective bargaining agreement that has been completed is IAFF. The contract is a result of a PERC arbitration hearing and an award issued by a PERC-appointed arbitrator. The result of the award was a three-year contract with:

- 0% in Calendar Year 2015;
- $1,000 flat annual increase for each firefighter effective in July 2016 (this adds $115,000 to the Calendar Year 2016 budget and $235,000 to the Calendar Year 2017 budget); and
- 0% in 2017.

In addition to the above, the award also established a new salary scale for new hires that will lower the cost for the City in the future. It also froze and/or eliminated other financial stipends such as longevity, education, sick leave buyout, etc.
Discussion Points (Cont’d)

3. As noted above, the City of Atlantic City is under State financial oversight pursuant to the “Local Government Supervision Act (1947), P.L.1947, c.151 (C.52:27BB-1 et seq.). The “Local Government Supervision Act” allows the Local Finance Board to assume the management of a municipality’s fiscal affairs. In 2014 and 2015, Atlantic City was awarded Transitional Aid to Localities. Subsection a. of section 1 of P.L.2011, c.144 (C.52:27D-118.42a) allows the Director of Local Government Services to determine conditions, requirements, orders, and oversight for the receipt of any amount of grants, loans, or any combination thereof, provided to any municipality through the Transitional Aid to Localities program, or any successor discretionary aid programs for municipalities in fiscal distress. The prerequisites for the receipt of Transitional Aid to Localities are established in a Memorandum of Understanding (MOU) between the Division of Local Government Services and the municipality. The MOU requires State approval of personnel actions, professional services and related contracts, payment in lieu of tax agreements, acceptance of State, federal or other organizations, and the creation of new or expanded public services. When necessary, the MOU will include provisions specific to a particular municipality.

The Executive has requested that the Legislature enact a law providing the State with greater authority to manage the day-to-day operations of Atlantic City’s municipal government. The “Municipal Stabilization and Recovery Act,” (“bill”) (Senate Bill No. 1711 of the 217th Legislature), authorizes the State to assist a municipality experiencing several fiscal distress by developing and implementing a comprehensive rehabilitation plan on its behalf. The bill authorizes the Local Finance Board (“Board”) to assume, reallocate to, and vest in the Director of Local Government Services (or his designee) any power, function privilege, and immunity vested in the municipal governing body by statute, regulation, ordinance, resolution, charter, or contract substantially related to the fiscal condition or financial rehabilitation and recovery of that municipality. The duration of the transfer of municipal powers and functions shall not exceed five consecutive years.

The bill allows the Board to grant the director unprecedented powers to oversee manage the fiscal and personnel operations of the municipality. For example, the director may dissolve local departments and agencies, dispose of municipal assets, amend or terminate existing contracts (excluding financial instruments), hire, terminate and transfer, personnel, enter into shared services agreements, and modify the terms of collective negotiations agreements to which the municipality is a party. The bill suspends municipal participation in any impasse procedures established by the “New Jersey Employer-Employee Relations Act,” P.L.1944, c.100 (C.34:13A-1 et seq.) and provides that the municipality is not subject to the Public Employment Relation’s Commission’s authority to prevent unfair practices. The Board may require that any interest arbitration award be subject to review and approval of the director and that no such award is binding without the approval of the director. Finally, the bill permits the director to utilize a retirement incentive program, permitted under P.L.1999, c.59 (C.43:8C-1 et seq.), to assist in the stabilization of the municipality’s finances.

• **Question:** Why has the Executive concluded that the “Local Government Supervision Act” and the Transitional Aid Memorandum of Understanding do not provide the Board and division with sufficient authority to stabilize Atlantic City’s finances and impose necessary efficiency measures? How will providing the State with additional authority to manage Atlantic City’s government will result in better outcomes and better fulfill the State’s goals for Atlantic City and its residents?
Discussion Points (Cont’d)

- **Question:** If Senate Bill No. 1711 is enacted into law, how long would it take to adopt a comprehensive plan for the rehabilitation and recovery of Atlantic City’s finances? Does the budget make adequate provision for the division to increase its involvement in the management and direction of city affairs, including the development of that plan? If Senate Bill No. 1711 is not enacted into law will the State use authority provided under current law to achieve its goals for Atlantic City? Will the State use authority provided under current law to force Atlantic City to engage in a more thorough restructuring of municipal operations and services? Will the Transitional Aid Memorandum of Understanding be revised?

The Local Government Supervision Act provides authority for the Division of Local Government Services to oversee actions of a municipal government by preventing or limiting local officials from taking actions. Such actions may include hiring, promoting staff, awarding contracts, etc. However, only in very limited ways does the Act provide the authority to compel action and it does not provide the State Government the ability to compel a municipal Council to act. For example, in the case of Atlantic City, the Emergency Manager’s Report recommended the dissolution of the Municipal Utilities Authority (MUA) and other significant actions that would have realized significant savings for the City. Such actions would require the Council to adopt a resolution and/or ordinance. Current statutory authority does not authorize the State to act in place of the municipal Council.

Should S1711 become law, the initial focus will be to stabilize the City’s cash flow. Only after a complete analysis of all sources and expenditures of funds can an estimate be made regarding when a comprehensive plan of rehabilitation will be finalized.

Absent passage of S1711, there is no clear path to stabilize the City’s finances.
4. The “Local Budget Law,” (N.J.S.40A:4-1 et seq.) is a cornerstone of New Jersey’s municipal finance system. Local units (counties and municipalities) are required to adopt annually a cash basis budget in the form required by the Division of Local Government Services (DLGS). Certain items of revenue and appropriation are regulated by law and the proposed operating budget must be certified as approved by the Director of Local Government Services prior to its final adoption. The “Local Budget Law” requires each local unit to appropriate sufficient funds for the payment of debt service and the DLGS may review the adequacy of such appropriations. The DLGS is also permitted to examine the proposed budget with respect to all estimates of revenue and the following appropriations: payment of interest and debt redemption charges, deferred charges and statutory expenditures, cash deficit of the preceding year, reserve for uncollected taxes, and other reserves and non-disbursement items. The DLGS review is intended to protect the public fisc and the solvency of local units.

Section 87 of P.L.1947, c.151 (C.52:27BB-87) requires the Local Finance Board approve the annual budget for a municipality under State supervision. On September 22, 2015 the Local Finance Board adopted a Calendar Year 2015 budget for the City of Atlantic City. Although the “Local Budget Law” requires municipalities to include separate appropriations for statutory expenditures (i.e. Social Security payments and pension contributions), the State-approved budget makes no appropriation for contributions to the Public Employees’ Retirement System and makes a nominal contribution to the Police and Firemen’s Retirement System. The budget appropriates approximately one-third of Atlantic City’s payment for employee group insurance (State Health Benefits). The State also permitted Atlantic City to anticipate $33 million in “Casino Redirected Anticipated Payments” even through the receipt of those revenues was dependent on action by the State Legislature and the Governor. In sum, total appropriations reduced by $2.76 million from 2014 to 2015 while anticipated property tax revenue collections are down $70 million from 2014 to 2015.

• **Question:** What additional actions has the Local Finance Board allowed Atlantic City to take regarding its municipal budget that are contrary to standard budgeting practices and would not otherwise be permitted if Atlantic City was not under State supervision? What additional actions has the State taken to provide the City with relief necessary set an acceptable municipal property tax levy? What directives did the Board issue to the City in order to produce a balanced budget for Calendar Year 2015? How do these actions help Atlantic City achieve fiscal solvency?

• **Question:** Under what terms was Atlantic City permitted to make no appropriation for the Public Employees’ Retirement System and a nominal contribution to the Police and Firemen’s Retirement System? Is Atlantic City required to repay these contributions over a set period of time? At what rate of interest? Under what terms was the Atlantic City was permitted to reduce its State Health Benefit Program contribution by about two-thirds of required amount? If the amount appropriated for 2015 was the full contribution, what accounts for a $20 million decrease in employee group insurance costs?

No such actions have been taken by the Local Finance Board (LFB) relative to the City’s budget that are contrary to standard budgeting practices.

The monitor assigned by the Division provides guidance and oversight to the City such that the Division is confident that the most prudent budget was adopted for Calendar Year 2015.
The City failed to formulate a budget that was balanced, thus requiring the LFB to adopt the municipal budget. The failure of the City to enact a budget within the time period prescribed by law limited the LFB’s ability to identify significant reductions in spending as only months of the municipal fiscal year remained at the time of the LFB’s action. A chart summarizing the Calendar Year 2015 municipal budget for Atlantic City is attached.

The City failed to make a payment for the Public Employees’ Retirement System (PERS) and made only a nominal contribution to Police and Firemen’s Retirement Systems (PFRS). The failure to make the required payments was solely based upon the City having no funds to make the payment. The City is obligated to make the contribution, and an interest rate of 10% is accrued to the unpaid balance pursuant to State law.

The City reduced the State Health Benefit Program (SHBP) contribution for the same reason previously cited: no funds were available to make the payment. The Calendar Year 2015 employee group insurance obligation did not decrease by $20 million. However, the budget appropriation appears low because, although the City made a payment to SHBP early in the year, it then made the decision to defer remaining payments for the year and eliminated those obligations from the 2015 budget.
5. On January 22, 2015, Governor Christie issued Executive Order No. 171 (E.O.171). E.O. 171 established an Emergency Manager for Atlantic City in the Division of Local Government Services in the Department of Community Affairs. The Emergency Manager was authorized and directed to analyze and assess the financial condition of Atlantic City and prepare and recommend, within 60 days of appointment, a plan to stabilize the City’s finances over the long-term “...by any and all lawful means, including the restructuring of municipal operations and the adjustment of the debts of Atlantic City pursuant to law.” E.O. 171 authorized the Emergency Manager to negotiate with the parties affected by the recommended plan for an adjustment of Atlantic City’s debts and the restructuring of municipal operations. The Emergency Manager was authorized to recommend modifications to the plan following any negotiations. The Emergency Manager was authorized to consult with elected officials, representatives of municipal collective bargaining units, and “such other persons and parties necessary to secure the long-term financial stability and viability of Atlantic City and its economy.”

The Emergency Manager’s first report was released to the public on March 23, 2015. The report summarized Atlantic City’s current financial condition and outlined potential options for stabilizing the municipality’s finances in the near and long-term, but did not make any specific recommendations for revenue enhancements or cost reductions. The Emergency Manager was scheduled to release a second report June 30, 2015 that would contain a detailed plan to: (1) propose appropriate restructuring options for Atlantic City; (2) execute cash conservation strategies and cost saving opportunities; (3) conduct full departmental reviews to identify potential revenue enhancements, cost savings, and outsourcing or consolidation opportunities; (4) understand future debt capacity, potential future borrowing options, and long-term debt alternatives; (5) evaluate additional cost saving initiatives related to labor, vendors and City operations, and (6) negotiate with creditors, labor unions, and other key stakeholders.

The Emergency Manager’s second report was not released to the public until January 15, 2016. The report concluded that Atlantic City will need to continue to seek ways to continue to improve its budget situation through further downsizing of operations, alternative service delivery options, privatization of operations, establishing new or improved revenue sources, and the potential monetization of assets. The Emergency Manager encouraged Atlantic County to work with Atlantic City to consider how it can help Atlantic City reduce its budget while continuing to provide necessary services, such as assuming responsibility for certain public safety and health functions, and property assessment. The inability of Atlantic City to access the capital markets will require the owners of casino gaming property to work with Atlantic City to negotiate appropriate schedules for the repayment of property tax overpayments. The Emergency Manager called on the State to continue to provide financial aid and assistance to Atlantic City at current levels “...until such time as the City can create budget surpluses.”

**Question:** Please explain why it took six additional months for the Emergency Manager to complete his second report. What specific recommendations from the Emergency Manager have been implemented by Atlantic City? What specific recommendations will be implemented in 2016? Which of the Emergency Manager’s recommendations will require the enactment of new legislation in order to be implemented? Have there been any discussions regarding the assumption of City services by Atlantic County? Please discuss the efforts of the Emergency Manager
and Atlantic City to reach an agreement with casino gaming property owners to establish a repayment schedule for property tax overpayments.

The Emergency Manager was charged with developing a comprehensive detailed analysis of the City’s financial situation. The first priority was to develop an accurate analysis of the City’s fiscal condition in the face of a continuously declining ratable base and the accelerating rate of successful tax appeals. When the Emergency Manager was appointed and began his work, the ratable base was $11.4 billion. By the time of the final report, the City’s ratable base had dropped to $6.5 billion. Complicating the analysis, Borgata was awarded a final judgement in a tax appeal case for approximately $150 million, which was not figured into the City’s bonded debt service payment. Further complicating the analysis was the steady erosion of the City’s bond rating, culminating in the reduction of the City’s rating to “non-investment” grade by multiple rating agencies. Sufficient time was needed to ensure the analysis took into consideration all aspects of the constantly changing fiscal environment. Additionally, as the fiscal condition of the City deteriorated, possible solutions had to be constantly reevaluated.

The City has thus far failed to embrace the majority of actions recommended in the Emergency Manager’s report. Largely through attrition, the number of uniformed personnel has been reduced. However, the vast majority of the set of actions recommended in the Emergency Manager’s “Roadmap to Financial Recovery” have not been acted upon.

In addition to the redirection of Atlantic City Alliance Funds and Casino Investment Alternative Tax Proceeds, which are currently pending in the legislature, the most notable recommendation that will require legislation is the need to reform lifeguard pensions. The City currently pays approximately $1 million in lifeguard pension payments and only collects $90,000 in lifeguard contributions. Though the Emergency Manager identified the dissolution of the Municipal Utilities Authority as a means to provide revenue for the municipality, the City has so far failed to take such action.

Representatives of the Division have not had substantive discussions with the County regarding the assumption of City services.

The only remaining outstanding property tax appeal with casino gaming property owners that is unresolved is with Borgata.
6. The Governor appointed Mr. Kevin Lavin as the Emergency Manager for Atlantic City and Mr. Kevyn Orr as counsel to the Emergency Manager. On January 28, 2015, the Associated Press reported that Mr. Lavin would earn an annual salary of $135,000. The Associated Press article also reported that information on Mr. Orr’s salary “will be made available soon.” On March 20, 2015, Reuters reported that the State will pay the accounting firm Ernst & Young $250,000 for its “work in analyzing Atlantic City’s financial problems.” According to a copy of the retention agreement between the State and Ernst & Young reviewed by Reuters, the accounting firm will also bill $455 per hour for “longer-term services” including liquidity forecasting, cash-flow, debt, and revenue analysis and the development of a restructuring plan.

On May 6, 2015, the Philadelphia Inquirer reported that Mr. Orr billed the State at a rate of $950 per hour for his services and was paid about $70,000 for three months work. The Philadelphia Inquirer also reported that Mr. Orr’s hourly rate would be reduced by 25 percent, to $712.50 per hour, if he was paid in accordance with the “New Jersey Prompt Payment Act,” P.L.1987, c.184 (C.52:32-32 et seq.). Mr. Orr was permitted to apply for reimbursement for mileage, copying, telephone calls, and other expenses, but not for meals. The Philadelphia Inquirer also reported that Mr. Donald Steckroth, a retired U.S. bankruptcy judge had been engaged as a consultant to the Emergency Manager to act as a mediator as Atlantic City attempted to restructure its debt. Judge Steckroth was to be paid $425 per hour for his services. On June 25, 2015, the Press of Atlantic City reported that Atlantic City hired Mr. William Nowling of the public relations firm Finn Partners to provide “strategic communication consulting and services to the City of Atlantic City as part of its ongoing financial restructuring.” The Press of Atlantic City article noted that Mr. Dowling was retained on a limited capacity through July 31, 2015 and would be paid a maximum of $17,500.

On February 6, 2016, Reuters reported that New Jersey extended its contract with Ernst & Young through the end of 2016. The reported indicated that in 2015 Ernst & Young billed the State for $2 million for “restructuring services.” The report also noted that a total of $3.34 million had been paid to Ernst & Young, Mr. Lavin, the law firm of Skadden, Arps, Slate, Meagher, & Flom, and other professionals for work related to Atlantic City. Reuters reported that in 2016 Ernst & Young will charge the State $470 per hour for its services, an increase from the hourly rate of $455 charged in 2015. Information available through the New Jersey Comprehensive Financial System indicates that Ernst & Young was paid $250,000 in Fiscal Year 2015 and has $1 million in outstanding Fiscal Year 2016 claims for “Professional Services – Atlantic City.”

Finally, on April 6, 2015, the State issued a Request for Proposals (RFP) for Special Counsel “seeking a law firm with expertise with in negotiating and restructuring debts, as well as handling litigation related thereto.” Proposals in response to the RFP were due to the State on April 13, 2015. As of June 3, 2015, Special Counsel had not yet been retained.

**Question:** What is the total amount paid to Mr. Lavin, Mr. Nowling, Mr. Orr, and Judge Steckroth, respectively, for services provided to the State and Atlantic City? Please provide a copy of the contracts between the State and to Mr. Lavin, Mr. Nowling, Mr. Orr, and Judge Steckroth, respectively. Why was it necessary to hire a communications consultant for one month in 2015? What special services did Mr. Nowling provide to the State and Atlantic City that could not already be provided by State and local staff?
Discussion Points (Cont’d)

- **Question:** As the Emergency Manager’s term has ended, is Judge Steckroth still being retained by the State? Please discuss Judge Steckroth’s efforts to restructure Atlantic City’s debt and mediate an appropriate payment schedule. How many proposals were submitted in response to the RFP for Special Counsel? Has Special Counsel been retained? If so, which firm has been selected? What is term of their contract? What amount has been paid to the Special Counsel to date?

- **Question:** What amount was paid to Ernest & Young for services related to Atlantic City in 2015? How much has been paid so far in 2016? What is the total amount of outstanding claims submitted by Ernest & Young? What special services are being provided by Ernst & Young that required its contract to be extended beyond the term of the Emergency Manager? Please provide a copy of each contract between the State and Ernst & Young.

Mr. Lavin was a state employee and was paid $123,881.22. As a state employee, no contract was required. With the exception of Mr. Nowling, the other professionals referenced above were retained by the Department of Law and Public Safety. Questions regarding their contracts or amounts should be directed to that Department. Mr. Nowling was hired by the City of Atlantic City.
Discussion Points (Cont’d)

7. The Fiscal Year 2017 budget recommendation for Transitional Aid to Localities is $107.350 million, which is unchanged from the Fiscal Year 2016 adjusted appropriation. Information available through the New Jersey Comprehensive Financial System (NJCFs) indicates that in Fiscal Year 2016, 13 local units have been awarded $108.730 million in Transitional Aid. Those recipients are Asbury Park City, Atlantic City, the Atlantic City School District, Camden City, Harrison Town, Kearny Town, Newark City, Nutley Borough, Paterson City, Penns Grove Borough, Salem City, Trenton City and Union City. The Fiscal Year 2016 appropriation was supplemented by a transfer $22.5 million from the Department of Education; $20 million supported the award to the Atlantic City School District.

Since Fiscal Year 2012, budget language has permitted the Director of the Division of Local Government Services (DLGS) to transfer a portion of a municipality’s Transitional Aid from the prior fiscal year to its allocation of CMPTRA for the next fiscal year. During the Fiscal Year 2012 budget process, the department noted that this authority allows the director the flexibility to provide increased formula aid to municipalities that, despite having received large amounts of discretionary aid for a long period of time, and having implemented cost reductions or local revenue options, continue to have large structural imbalances. Eleven municipalities now receive a portion of their Transitional Aid funding as CMPTRA in the following amounts: Asbury Park ($6 million), Atlantic City ($10 million), Beverly City ($280,000), Camden City ($54.5 million), Chelihurst Borough ($150,000), Harrison Town ($1.5 million) Lawnside Borough ($550,000), Maurice River Township ($265,000), Newark City ($10 million), Penns Grove Borough ($590,000), and Trenton City ($4.860 million).

According to the Calendar Year 2016/Fiscal Year 2017 Certifications of State Aid release by the DLGS on February 26, 2016, the following municipalities would be permitted to receive a portion of their Fiscal Year 2016 Transitional Aid to Localities Award as CMPTRA in Fiscal Year 2017: Atlantic City ($10 million), Trenton City ($10 million), and Union City ($9 million). These amounts would be in addition to any Transitional Aid transferred to CMPTRA in previous fiscal years. Any municipality that receives all or a portion of its Transitional Aid as CMPTRA is permitted to apply for additional State financial assistance. Because of these shifts, the Fiscal Year 2017 spending level for Transitional Aid to Localities is in effect an increase of $29 million above Fiscal Year 2016.

Local Finance Notice No. 2016-4 indicates that calendar year municipalities were required to notify the DLGS of their intent to apply for Transitional Aid no later than February 19, 2016; applications are due March 21, 2016. Applicants are required to meet minimum eligibility requirements and explain the circumstances in their municipality resulted in a need for Transitional Aid. Municipalities are required to transmit information about their financial practices, and provide substantial background information, including organizational charts, debt service schedules, and salary and wage data for individual employees. Transitional Aid recipients must submit to rigorous State oversight, including broad State controls over hiring, procurement, and other matters.

• Question: Please identify each municipality that has notified the Division of its intent to apply for the Calendar Year 2016 round of Transitional Aid to Localities and the amount of funding that each has requested. Is an effective increase in Transitional Aid recommended because the department anticipates higher awards to current recipients, an increase in the number of recipients or both? Have any
municipalities that received Transitional Aid in Calendar Year 2015 been granted early termination of their memorandum of understanding?

The following municipalities have applied for the Calendar Year 2016 round of Transitional Aid to Localities with requests for the following respective amounts:

- Asbury Park - $1,275,000
- Atlantic City - $40,000,000
- Harrison - $1,360,000
- Lake Como - $442,000
- Manville Borough - $1,178,250
- Penns Grove - $518,000
- Salem - $1,200,000
- Seaside Heights - $2,702,000

Newark has requested an extension of time to submit an application. Likewise, the Division has been in discussions with and is expecting a request for Transitional Aid from Nutley Township.

Municipalities not previously in the Transitional Aid program are expected to apply during Fiscal Year 2017. The Transitional Aid program requires that recipients develop a plan to eliminate the need for Transitional Aid. As per the Transitional Aid application, requesting level or increased funding will be viewed as a failure to acknowledge the need to reduce reliance on Transitional Aid. Applicants seeking level or increased funding must include a letter from the Mayor addressing why they failed to reduce their need for funding.

As per the Calendar Year 2016 Transitional Aid application, municipalities that received Transitional Aid in Calendar Year 2015 and are operating under a Memorandum of Understanding (MOU) through the end of 2015 will be eligible for early termination of the terms of the MOU if they make application for early termination and sign an agreement not to apply for additional aid for Calendar Year 2016 and for the next two budget years. The MOU further clarifies that if a municipality adopts a budget for Calendar Year 2016 that leaves a structural imbalance heading into 2017 that is greater than 5% of its levy as determined by the Director, the MOU shall remain in force and effect until such time as a budget is adopted for 2017 or a subsequent year that is free of such a structural imbalance in the sole discretion of the Director. If the municipality adopts a budget for Fiscal Year 2016 that does not rely on Transitional Aid, the State may offer early termination.

As of this date, no municipalities that received Transitional Aid in Calendar Year 2015 have requested early termination of their MOU.
Discussions Points (Cont'd)

8. The Fiscal Year 2016 Appropriations Act reauthorized a budget language provision that permits the allocation of Transitional Aid to local government units that are experiencing financial distress caused by the destruction or loss of a “major local business ratable,” defined as one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which comprised the largest assessed valuation of any one or more line items of taxable property in a municipality, or generated an annual payment in-lieu of taxes in excess of 10% of the total municipal levy, or is otherwise determined by the Director of Local Government Services to be of such significance to a municipality that its destruction or loss has resulted in financial distress.

In response to a Fiscal Year 2016 OLS Discussion Point, the department stated, “The Division of Local Government Services determined that any municipality experiencing fiscal distress due to the permanent loss of a major business ratable that equaled or exceeded 10% of its ratable base would be permitted to apply for Transitional Aid.” The department also noted that Nutley Township received $2,750,153 in Fiscal Year 2015 Transitional Aid following the departure of the Hoffman-LaRoche pharmaceutical company. The ratable loss due to the closure of the Hoffman-LaRoche property has accelerated as demolition and clearance of the site continued. Nutley Township also received $5.5 million in Fiscal Year 2016 Transitional Aid.

- **Question:** Please identify each local unit of government, other than Nutley Township that applied for Transitional Aid to Localities, and the amount of funding requested in Fiscal Year 2016 due to the loss or destruction of a major business ratable. What additional criteria, assumptions, and projections did the Division use when evaluating Transitional Aid applications submitted by local units experiencing fiscal distress due to the loss or destruction of significant tax ratables? What factors justify doubling the amount of Transitional Aid awarded to Nutley Township? Does the division consider Transitional Aid a long-term solution for Nutley? If not, is the division providing any assistance in developing a budget for Nutley Township that allows Transitional Aid to be phased out over time?

No additional municipalities applied for Transitional Aid based solely on the loss or destruction of a major business ratable.

When reviewing an application for Transitional Aid due to the loss or destruction of significant tax ratables, the Division:

- Analyzes the decline in the assessment of the lost ratables;
- Calculates the amount of tax loss associated with the lost ratables to determine the severity of the budget imbalance; and
- As with all Transitional Aid applicants, ensures that the municipality has taken steps to increase revenues and reduce costs to mitigate the effects of the lost ratables.

The amount of Transitional Aid awarded to Nutley Township in Calendar Year 2015 resulted from an increase in the amount of the municipal ratable loss. Nutley experienced a more significant ratable loss in 2015 than 2014 because the owner of the Hoffman-LaRoche property demolished additional structures on the property, which further diminished the property’s assessed value. The Division does not consider Transitional Aid a long-term solution for Nutley. It is anticipated that long-term redevelopment of the site will help rebuild
Nutley’s ratable base. These redevelopment efforts, in conjunction with budget cuts that the Township has already taken, will help stabilize the Township’s budget with time.
9. Since 2011, the State has taken an expanded role in monitoring the finances of the City of Newark. The Division of Local Government Services initially increased its oversight under the terms of a Memorandum of Understanding signed as a condition of the receipt of $32 million State aid. The department also assigned two employees with municipal finance and management experience to serve as Newark’s fiscal monitors. During the Fiscal Year 2013 budget process, the department estimated that Newark’s structural deficit for Calendar Year 2013 would be $20 million to $50 million. In 2014 the division noted that particular attention was being paid to Newark because the City failed to comply with State budget laws and the size of its structural imbalance was large and appeared to be increasing.

October 8, 2014, the Local Finance Board approved a resolution to place the City of Newark under State financial supervision pursuant to the “Local Government Supervision Act (1947),” P.L.1947, c.151 (C.52:27BB-1 et seq.). Newark was also awarded $10 million in Transitional Aid for Calendar Year 2014. The division also assigned a fiscal monitor to the City of Newark and hired an independent auditor to oversee the City Finance Department. The auditing firm was supervising finance staff and working with them to improve capacity and performance. The auditing firm was also overseeing preparation of the Annual Financial Statement and monitoring the reconciliation of all funds to ensure that cash and general ledgers are balanced. The division noted that it is working with Newark to maximize City revenue collections and reduce payroll expenses and departmental budgets.

In response to a Fiscal Year 2016 OLS Discussion Point, the division noted that the Transitional Aid Memorandum of Understanding for the City of Newark contained the following provisions specific to that municipality: (1) New City Councilors are permitted to have three aides (rather than five); (2) Take-home vehicles for members of the governing body, council aides, and employees of the Office of the City Clerk were to be reduced; (3) The use of City credit cards was prohibited; and (4) “In Lieu Funds” provided to City Councilors were reduced and a portion of those funds were inserted into a specific budget line-item as dedicated funds. The Memorandum of Understanding also requires the retention of the independent auditor.

On September 22, 2015, the Local Finance Board adopted Newark’s municipal budget for Calendar Year 2015. In testimony before the Board, Newark’s Business Administrator, Mr. Jack Kelly noted that the City has a structural imbalance of $44 million and that assessment appeals filed by Prudential and Budweiser may cost the Newark $20 million in property tax refunds. Mr. Kelly also noted the City’s difficulties in collecting its employer payroll tax noted that State assistance may be required to assist Newark in maximizing these revenues. Newark was awarded $10 million in calendar year 2015 Transitional Aid.
Discussion Points (Cont’d)

- **Question:** Please describe any specific ameliorative actions taken by the City of Newark to close its Calendar Year 2015 budget deficit. What effects did those actions have on City services? What specific actions has Newark taken to increase its revenue collections? Please describe any assistance provided to Newark by the Division of Taxation in the area of employer payroll tax collections. Have the assessment appeals filed by Budweiser and Prudential been resolved? If so, what is the total amount of refunds, if any, the City was required to pay? Has the City of Newark introduced and submitted a Calendar Year 2016 budget for State review? What is the projected amount of Newark’s structural deficit for the current year?

The City of Newark took various steps to close its Calendar Year 2015 budget deficit both at the time of preparation of the budget and throughout the year. These steps included the following:

- Increased the tax levy to the maximum levy cap
- Refinanced debt service therefore reducing the amount required to be budgeted
- Ensured all employees were paying the proper Chapter 78 health insurance contribution
- Reviewed all Trust Fund balances and offset 2015 operations where appropriate
- Realized revenues outstanding from Federal and State grant funds
- Renegotiated ambulance contract ($2 million savings)
- Planned on-line accelerated tax sale to reach largest audience
- Canceled 2015 appropriations prior to the end of the fiscal year (unexpended balances) in the amount of $12 million
- Aggressively managed special taxes, parking tax and employer payroll tax, realizing more than anticipated -- $2 million and $7 million, respectively
- Consistently mailed delinquency notices
- Installed solar-powered counting devices at paid parking lot entrances
- Moved certain firefighter and police staff positions back to line positions
- Utilized Class 1 police officers where regular sworn officers were used in the Municipal Court
- Utilized VoIP for certain phone service
- Participated in the third-party billing for Municipal Court debt

These initiatives should reduce costs to the municipality by approximately $20 million. DLGS is not aware that these actions had any effect on City services as these represented efficiency, accounting, or revenue enhancement measures rather than reduction of services.

DLGS is working with the City and the Division of Taxation to secure an MOU to allow the City to have access to certain State data to assist in recovering additional employer tax funds from Newark businesses registered to do business in the State. The MOU regarding the sharing of data should be implemented in May of 2016.

The Budweiser assessment appeal has been resolved with a refund due in the amount of $2,366,198. Budweiser has agreed to take the refund as a credit against future taxes. Regarding Prudential and its three properties under appeal, the City has not yet settled the appeals.
Discussion Points (Cont’d)

The City of Newark has not yet introduced or submitted a Calendar Year 2016 budget for DLGS review. Therefore, the Division is unable to provide the anticipated structural deficit at this time.
Discussion Points (Cont’d)

10. The “Local Authorities Fiscal Control Law,” P.L.1983, c.313 (C.40A:5A-1 et seq.) established a comprehensive framework for State oversight of the fiscal affairs of local authorities and fire districts. P.L.1983, c.313 assigned fiscal control responsibilities over local authorities and special districts to the Local Finance Board ("Board") and the Director of the Division of Local Government Services. The Board reviews, conducts hearings, and issues findings and recommendations on any project financing proposed by an authority or special district and on any proposed project financing agreement between a local government and an authority or special district. The Director of Local Government Services reviews and approves annual budgets of local authorities and special districts. P.L.1983, c.313 also provides a mechanism for meeting unsound financial conditions of local authorities and procedures for dissolving an existing a local authority. The Board has also adopted regulations prescribing minimum accounting and auditing standards for local authorities and special districts.

The “Division of Local Government Services Modernization and Mandate Relief Act of 2015,” P.L.2015, c.95, made two notable changes to State oversight of local authority finances. Current law requires the Board to approve the issuance of all refunding bonds by local authorities. Section 17 of P.L.2015, c.95 amended section 6 of P.L.1983, c.313 (C.40A:5A-6) to allow the Board to adopt rules and regulations to permit local authorities to issue refunding bonds without State approval if the refinancing will result in debt service savings. The OLS notes that the Local Finance Board has adopted rules allowing municipalities, counties and school districts to issue refunding bonds without State approval under certain conditions (i.e., present value savings are at least three percent and debt savings are substantially level during the term of the refunding bonds).

The Director of Local Government Services is required to annually review and approve all local authority budgets prior to their adoption. Section 18 of P.L.2015, c.95 amended section 10 of P.L.1983, c.313 (C.40A:5A-1) to permit the Board to exempt certain local authorities from annual budget review and provide for a system of local budget examination and approval by certain local authorities. The director must: (1) find that the authorities are fiscally sound and that their fiscal practices are conducted in accordance with the law and sound administrative practice; (2) examine the budgets of all local authorities at least one every three years; (3) the governing body and chief financial officer of each local authority must certify to the director they have examined the budget and determined that it complies with State law and regulations; (4) all budget documents required by State statute or regulation are filed with the director on a timely basis; and (5) the local authority has complied with any other criteria adopted by the Local Finance Board.

• **Question:** Has the Board adopted regulations allowing local authorities to issue refunding bonds without State approval? If not, when does the Board anticipate adopting these regulations? Under what conditions will a local authority be permitted to issue refunding bonds without State approval? Has the Board adopted regulations establishing a system of local authority budget self-examination? If not, when does the Board anticipate adopting these regulations? Under what conditions will a local authority be permitted to adopt an annual budget without State review and approval? How will the division reallocate staff time currently devoted to budget examination and refunding bond requests if the workload is lessened by these regulations?
Discussion Points (Cont’d)

The Local Finance Board (LFB) has not yet adopted regulations allowing local authorities to issue refunding bonds without State approval; however, the changes are in process. At its March 9, 2016 meeting, the LFB voted to issue proposed new rules that would allow local authorities to issue refunding bonds without prior LFB approval under certain conditions. The rule proposal has been filed with the Office of Administrative Law for publication in the April 18, 2016 New Jersey Register.

The proposed new rules would permit a local authority to issue refunding bonds without prior LFB approval under the same conditions as municipalities, counties, and school districts. These conditions are as follows: 1) the present value savings shall be at least three percent; 2) the new debt service shall be structured such that no annual payment is more than it was under the original debt service schedule; 3) the final maturity of the refunding bond shall not extend the maturity date of the refunded debt; 4) the debt savings must be substantially level across the life of the refunding; and 5) the resolution allowing for the refunding shall be adopted by at least a two-thirds vote of the full membership of the governing body.

Within 10 days of the closing on the refunding bond sale, authorities issuing refunding bonds subject to the above-referenced conditions would be required to file the following documents with the LFB:

- A comparison of the initial and refunding debt service schedule showing annual present value savings;
- A summary of the refunding;
- An itemized accounting of all costs of issuance;
- A certification from the chief financial officer or equivalent for the local unit that all of the conditions of N.J.A.C. 5:30-8.1 have been met; and
- A resolution that has been passed by at least two-thirds of the full membership of the governing body allowing for the refunding.

The LFB has not set a timeframe for promulgation of regulations establishing a system of local authority budget self-examination. Any conditions (over and above those conditions set by statute) pursuant to which a local authority may be permitted to conduct budget self-examination have not been determined. The Division intends to reallocate staff accordingly to provide additional proactive assistance to local government units in lieu of the compliance duties eliminated.
Established in 1974 and managed by the Federal Emergency Management Agency (FEMA), the Community Disaster Loan (CDL) program provides loans to local governments that are having difficulty providing government services because of a loss of taxes or other revenues following a disaster. Pub.L113-2, the “Disaster Relief Appropriations Act, 2013,” appropriated $300 million for the cost of direct loans to governments throughout the United States affected by disasters.

FEMA has set the interest rates for all CDL program loans at the rate for five-year maturities determined by the Secretary of the Treasury on the date of the promissory note. FEMA may consider requests for extensions of loans based on the financial condition of the local unit. The maximum loan amount is the lesser of: 1) 25% of the applicant’s operating budget for the fiscal year of the disaster (or 50% of the operating budget if the revenue loss totals at least 75% of the applicant’s operating budget); OR 2) the cumulative estimated revenue loss for the fiscal year of the disaster and the subsequent three fiscal years, plus any estimated unreimbursed disaster-related expenditures. Counties, municipalities, fire districts, and local authorities were permitted to apply for a Community Disaster Loan.

In a series of Local Finance Notices issued January-March 2013, the Division of Local Government Services (DLGS) advised all local units of the existence of the CDL program and encouraged all local governments experiencing or projected to experience revenue losses greater than 5% of annual collections due to the impact of Hurricane Sandy to apply for federal assistance through the CDL program. Information provided by the DLGS during the Fiscal Year 2016 budget process shows that as of April 9, 2015, approximately $174 million has been obligated to support 60 CDL recipients and $101 million had been drawn down.

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that it did not anticipate that every local unit will need to draw down the full amount of its loan and that some local units would not need to utilize any loan funds. The department also noted that while CDL recipients are making progress in recovering revenues lost due to Superstorm Sandy enhanced property tax collections have been negatively affected by an increase in local assessment appeals. It was anticipated that residential assessments would exceed pre-storm values as homeowners rebuilt the properties. The department also noted, “For those CDL recipients that need additional funds to ameliorate substantial Sandy-related revenue losses, remaining CDL balances may be sufficient to continue funding critical services in 2015.” If a local unit exhausted its CDL, it was permitted to apply for additional financial assistance through the Essential Services Grant Program.

**Question:** Please provide an updated list of all local units that were awarded a federal Community Disaster Loan, and the amount awarded. How much has been disbursed to each local unit? Please identify which municipalities have applied to FEMA for cancellation of their loan balance, whether the application has been approved, and the amount cancelled. What progress have Community Disaster Loan recipients made in recovering any revenues lost due to the impact of Superstorm Sandy?

An updated list from FEMA of all Community Disaster Loan awardees is attached.

At the present time, no municipalities that have drawn down loan proceeds have applied to FEMA for cancellation (i.e. forgiveness) of their loan balance. However, three awardees
(City of Brigantine, Brick Township Municipal Utilities Authority, and Manasquan Fire District 1) are asking FEMA to close out their loans, as they have not drawn down any loan proceeds over the life of the loan and do not anticipate drawing down any proceeds before the loan term concludes. Representatives from FEMA will conduct a workshop on the loan cancellation process on April 14, 2016. It is anticipated that FEMA will conduct all interviews this September with awardees applying for cancellation of their Community Disaster Loans.

Many storm-affected communities have seen their ratable bases largely recover and, in some cases, exceed pre-Sandy levels. After analyzing tax ratable data for the 57 municipalities along the shore or bayshore it was found that 20 of them (just over a third) have a larger ratable base today than they did pre-Sandy, which demonstrates tremendous recovery progress considering the scale of damage inflicted by Sandy. This progress demonstrates the dedication of government, non-profit organizations, philanthropic groups, volunteers and other stakeholders. Additionally, in 2015, the issuance of construction permits reached a level not seen since 2006.
12. New Jersey’s Community Development Block Grant Disaster Recovery (CDBG-DR) Action Plan allocated $136 million from the State’s allocation of CDBG-DR funds for the Essential Services Grant Program. The Essential Services Grant Program provides financial assistance to local government entities where Community Disaster Loans are either unable or insufficient to fund the continuation of essential public services, such as police and fire protection, health and welfare, (including public works, garbage collection, and health and social services), and education-related services (teachers, school psychologists, and paraprofessionals). Grant awards can also be utilized toward reimbursing costs related to a shared service agreement involving the delivery of essential services. 24 local units requested approximately $177.2 million from the Essential Services Grant Program; 20 local units were awarded approximately $132.5 million.

On September 21, 2015, the department announced the awarding of approximately $44.5 million through the third round of Essential Services Grant funding. In order to be considered for an Essential Services Grant, applicants were required to: (1) exhaust any Community Disaster Loan balance by the conclusion of Calendar Year 2015/Fiscal Year 2016; (2) seek all available funds that could obviate the need for an Essential Services Grant; (3) identify which essential services would be negatively impacted if a grant is not approved and which essential services would be support by Grant funds; (4) demonstrate that Superstorm Sandy’s direct impact on revenues and/or expenditures is the reason for the local government or the school district’s inability to support the cost of essential services; (5) discuss efforts to contain personnel costs, reduce nonessential services, and implement cost-saving procurement initiatives; and (6) explain efforts to identify opportunities to share services or capital assets with neighboring communities.

Essential Services Grants were awarded through an application process conducted by the Division of Local Government Services (DLGS). The DLGS review team determined whether an applicant’s revenue losses and unreimbursed storm-related expenditures through 2015 exceeded the Community Disaster Loan received by each applicant. This amount, termed the “Residual Sandy Budgetary Impact,” was the starting point for determining a “reasonable and appropriate award.” The DLGS also determined that an applicant’s “Maximum Grant Eligibility” should be no greater than either 75% of the “Residual Sandy Budgetary Impact” or 85% of the “Residual Sandy Budgetary Impact” if the applicant is classified as a low-to-moderate income area. The DLGS also evaluated each applicant’s management and budgeting actions to minimize future grant requests and preparation for the end of the Essential Services Grant Program (“Substantive Grant Eligibility”). Where a local unit’s actions were found to be “Reasonably in Need of Improvement,” 5% was deducted from the maximum grant eligibility, with a floor of no less than 50% of the “Residual Sandy Budgetary Impact.” Each local unit’s grant award was the lowest of the following three amounts: (1) the amount requested in the initial application; (2) the local unit’s “Substantive Grant Eligibility”; or (3) the local unit’s maximum grant eligibility.

On March 8, 2016, the department released CDBG-DR Action Plan Amendment No. 18, which proposes to transfer a total of $14.5 million from two other Superstorm Sandy relief programs (the Sandy Homebuyer Assistance Program and the Unsafe Structures Demolition Program) to support a fourth round of Essential Services Grant funding. The amendment noted that several communities hard hit by Superstorm Sandy continue to face significant budget challenges and residents of these communities, still affected by the financial strain of storm-related expenses, would experience significant property tax increases to address budget
shortfalls if additional financial assistance is not provided. If approved by the federal
Department of Housing and Urban Development, Action Plan Amendment No. 18 would
increase total program funding to $150.5 million.

- **Question:** Please provide a chart showing the Residual Sandy Budgetary Impact,
  Maximum Grant Eligibility, and Substantive Grant Eligibility for each local unit that
  submitted an application for a Third Round Essential Services Grant. How did this
  method of evaluating Essential Services Grant applications differ from the
  assumptions, projections, and criteria used to evaluate Essential Services Grant
  applications? What specific actions have Essential Services Grant recipients taken to
  constrain personnel and non-personnel costs, advance shared services, and pursue
  local revenue enhancements?

The analysis for determining a Round 3 Essential Services Grant award was similar to that
for Round 2, except:

- For Round 3, the "Maximum Grant Eligibility" was capped at 75% of the Sandy
  Budgetary Impact (or 85% if the applicant is classified as a low- to moderate-income
  area), whereas in Round 2 (2014) the cap was 90% of Sandy Budgetary Impact.
- For Round 3, the 5% deductions made to determine the “Substantive Grant
  Eligibility” were based on the “Maximum Grant Eligibility” rather than on the “Sandy
  Budgetary Impact” as was done in Round 2 (2014).
The above-referenced changes were made in response to HUD’s comments that eligibility criteria be progressively more restrictive for each successive year the program is in place.

In addition to reviewing existing fee structures, Essential Services Grant recipients have undertaken a variety of cost-reduction measures, examples of which include:

- Consolidation of administrative departments and existing positions;
- Sharing services in areas such as, but not limited to, municipal courts and public safety dispatch;
- Reassignment of existing employees in lieu of new hires;
- Reduction of certain staff from full to part time;
- Not filling certain vacant positions;
- Privatization of services such as custodial/janitorial and animal control; and
- Reduction in professional services-related expenses.
Discussion Points (Cont’d)

13. Established in 1917, as the Department of Municipal Accounts, the Division of Local Government Services (DLGS) provides assistance to local governments and authorities in developing and strengthening managerial, planning, and financial competence. Most notably, the DLGS oversees and monitors compliance with local budgeting, debt, ethics, and finance laws, administers State Aid programs, assists fiscally distressed municipalities with financial and managerial support, and assists local governments and schools with procurement regulation. The DLGS also assists with shared services efforts, administers certification programs for local officials (municipal clerks, finance officers, tax collectors, etc.) and oversees local government deferred compensation programs, and length of service award programs to volunteer fire and rescue organizations.

The size of the division’s staff peaked at 104 full-time employees in Fiscal Year 1988 and then steadily declined (due to attrition, layoffs, and retirements) to 42 full-time employees in Fiscal Year 2015. The Executive’s Fiscal Year 2016 Budget recommended 53 State-supported positions for the DLGS in Fiscal Year 2016, an increase of 26% from Fiscal Year 2015. The Executive also recommended a 6.4% increase in the line-item for DLGS Salaries and Wages, from an adjusted Fiscal Year 2015 appropriation for $3.896 million to $4.146 million for Fiscal Year 2016. In response to a Fiscal Year 2016 OLS Discussion Point, the department that while funds for additional staff was recommended, the number of new employees to be hired was not yet determined. The department noted that the division’s current staffing plan was below the level needed to execute the Division’s statutory responsibilities, particularly in the area of Transitional Aid oversight. The department reasoned that additional staff capacity would allow the DLGS to provide assistance on a broad range of municipal issues, particularly in the areas of procurement and shared services.

The Legislature accepted the Governor’s recommended and included additional funds for DLGS Salaries Wages in the Fiscal Year 2016 Appropriations Act. However, the Fiscal Year 2017 Budget shows that the number of State-supported DLGS positions decreased from Fiscal Year 2015 to Fiscal Year 2016, from 43 to 39, although adjusted appropriations for DLGS Salaries and Wages remained at the full amount provided by the Legislature ($4.146 million). For Fiscal Year 2017, the Executive recommends 53 State-supported DLGS positions but no increase in DLGS Salaries and Wages. Although DLGS staff levels have decreased, neither the division’s responsibilities nor the number of municipalities requiring additional State oversight through the Transitional Aid to Localities program have changed significantly.

Question: Does the department intend to hire additional staff in Fiscal Year 2017? If not, why not? How has the reduction in staffing affected the DLGS? What strategies has the division employed to deal with staff reductions? What projects, work products, or functions has the department discontinued or deferred because of staffing levels? To what extent has the DLGS been permitted to use Transitional Aid to Localities funds hire additional oversight staff?

In Fiscal Year 2017, the Division of Local Government Services (DLGS) anticipates hiring at least six full-time staff and one part-time staff. DLGS has recently experienced some staff turnover as well as retirements. These new hires will provide additional manpower to provide more proactive assistance to municipalities.

To deal with staff reduction, DLGS has implemented strategies to ensure a more efficient workforce without sacrificing the level of service provided to constituents. Some specific
improvements include automation of certain oversight functions, including the submission of annual debt statements and authority budget amendments. In addition, the Division rolled out an online Financial Disclosure Statement system that has helped to improve compliance and reduce Local Government Ethics complaints. Further, the Division hired several part-time, experienced staff to assist with seasonal budget reviews as well as to provide monitoring services to Transitional Aid municipalities.

DLGS has not utilized Transitional Aid to Localities funds to hire oversight staff. All Transitional Aid funds have been provided directly to recipient municipalities to provide stabilization of their budget imbalances. A small portion of Transitional Aid funds has been successfully deployed in Newark to procure a financial improvement consultant to work side by side with the City finance department. This has helped to identify and correct deficiencies in the City’s financial administration and to achieve budget savings as a result of these often long-ignored deficiencies. Similarly, DLGS intends to dedicate a small portion of Transitional Aid funds in Paterson for financial improvement consultants as well.
14. Section 239 of the “Consolidated and Further Continuing Appropriations Act, 2012” (Pub.L.112-55) appropriated $400 million to the Community Development Block-Disaster Recovery (CDBG-DR) Program in the federal Department of Housing and Urban Development (HUD) for “necessary expenses for activities related to disaster relief, long-term recovery, restoration of infrastructure, and housing and economic revitalization in the most impacted and distressed areas resulting from major disaster...” According to information obtained from the HUD website, the funds were allocated to States or units of general local government “based on its estimate of the total unmet needs for infrastructure and the unmet needs for severe damage to businesses and housing that remain to be addressed in the most impacted counties after taking into account December 2011 data on insurance, Federal Emergency Management Agency assistance, and Small Business Administration disaster loans.”

New Jersey received an allocation of $15,598,506 in CDBG-DR funds for the purpose of assisting the communities most impacted and distressed by Hurricane Sandy. The “New Jersey Community Development Block Grant Disaster Recovery Program Action Plan for State Fiscal Year 2013” identified Passaic County as the eligible entity and recipient of 80% of the CDBG-DR funds. The remaining 20% was available, through a competitive application process, for recovery efforts in all other counties that received presidential disaster declarations following Hurricane Irene (all other New Jersey counties). A maximum of 5% of the funds may be used for administration and technical activities. In response to a Fiscal Year 2016 OLS Discussion Point, the department provided the following summary table showing the distribution and use of CDBG-DR Funds by activity and county

<table>
<thead>
<tr>
<th>Grant Activity</th>
<th>Passaic</th>
<th>Atlantic</th>
<th>Cumberland</th>
<th>Salem</th>
<th>Union</th>
<th>Total</th>
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<tr>
<td>Clearance</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ 34,807</td>
<td>$ 34,807</td>
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<td>$ -</td>
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<td>$ 936</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Housing Rehabilitation</td>
<td>$ 7,012</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 65,000</td>
<td>$ 72,012</td>
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<tr>
<td>Home Buyouts &amp; FEMA</td>
<td>$ 1,173,998</td>
<td>$ 197,941</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 261,996</td>
<td>$ 1,833,935</td>
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<td>Infrastructure Improvements</td>
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<td>$ 11,940</td>
<td>$ 277,486</td>
<td>$299,286</td>
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<td>$ 1,031,951</td>
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<td>$ -</td>
<td>$ -</td>
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<td>Resettlement Incentives</td>
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<td>$ 25,000</td>
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<td>TOTAL</td>
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<td>$ 252,369</td>
<td>$ 298,146</td>
<td>$321,569</td>
<td>$ 795,882</td>
<td>$ 3,957,255</td>
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The department noted that 6 homes have been rehabilitated, 17 homes have been purchased through the Housing Buyout Program, and 2 homeowners received resettlement incentives. There is no date by which all funds must be expended but the CDBG-DR Action Plan for Hurricane Irene reflects an end date of December 31. That date may be extended if all funds are not expended. According to the CDBG-DR (Irene) Performance Report for the third quarter of 2015, that has expended approximately $5.2 million (33%) in federal assistance through September 30, 2015. The performance report notes, “Housing buyout programs have been problematic due to home mortgages being upside down and banks are hesitant to release liens.” The report also states that the next revision to the Action Plan will include new completion dates for most activities.

**Question:** For Passaic County, and all other counties, respectively, what amount of funds has been disbursed for each grant activity? How many housing units were...
Discussion Points (Cont’d)

rehabilitated with these funds? What is the average amount awarded to each eligible household for housing rehabilitation? How many homes have been purchased through the Housing Buyout Program, and at what average cost? How many homeowners have received resettlement incentives? Please discuss further the State’s difficulties in completing home buyouts. What other factors account for the slow pace of recovery fund expenditures?

As a point of clarification, the CDBG-DR allocation in question was a result of Hurricane Irene, not Superstorm Sandy. The chart below shows the expenditures for Passaic County and all other counties for each grant activity as of March 23, 2016:

<table>
<thead>
<tr>
<th>Grant Activity</th>
<th>Passaic</th>
<th>Atlantic</th>
<th>Cumberland</th>
<th>Salem</th>
<th>Union</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Housing Rehabilitation</td>
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<td>$0</td>
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<td>$72,012</td>
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<td>Home Buyouts &amp; FEMA Match</td>
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<td>$0</td>
<td>$256,088</td>
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<td>Relocation</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$94,617</td>
<td>$94,617</td>
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<tr>
<td>Resettlement Incentives</td>
<td>$90,000</td>
<td>$25,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$115,000</td>
</tr>
<tr>
<td>To be Reallocated</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$4,976,330</strong></td>
<td><strong>$249,053</strong></td>
<td><strong>$360,490</strong></td>
<td><strong>$333,278</strong></td>
<td><strong>$1,087,922</strong></td>
<td><strong>$7,007,073</strong></td>
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<tr>
<td>State Administration</td>
<td>$598,894</td>
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<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>$748,618</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$5,575,224</strong></td>
<td><strong>$249,053</strong></td>
<td><strong>$360,490</strong></td>
<td><strong>$333,278</strong></td>
<td><strong>$1,087,922</strong></td>
<td><strong>$7,755,691</strong></td>
</tr>
</tbody>
</table>

No housing rehabilitation projects were completed with CDBG-DR funds in Passaic County. Pompton Lakes elected to use the funds initially awarded to them for housing rehabilitation for property acquisition.

Only the Rahway City Housing Authority used CDBG-DR funds for housing rehabilitation. The City renovated six senior rental apartments for $65,000, an average of $10,833 per unit.

Thirty-six homes have been purchased through the Housing Buyout Program at a total cost of $4,334,831, with an average cost per home of $129,185.

Twenty-one homeowners have received resettlement incentives in the following municipalities:

- Buena Borough (Atlantic County) – 1
- Little Falls Borough – 11
- Wayne Township – 5
- Woodland Park Borough – 4

Grantees in the CDBG-DR program experience difficulties and delays in acquiring properties that are short sales or in foreclosure because the banks and/or mortgage companies that own the properties are often uncooperative. The primary factor accounting for the slow pace of expenditure by most grantees was the inability to hire consultants and manage staff
to complete activities. Staffing issues have now been resolved and projects are moving forward.
15. Many federal programs that support New Jersey’s disaster recovery efforts required a non-federal cost share, also known as a “match” or “local share obligation.” The match portion of the project is the total cost of a project or program that must be satisfied by the State, local government, or entity benefitting from the project or program. The “Housing and Community Development Act of 1974,” (Pub.L.93-383) and federal regulations provide that Community Development Block Grant – Disaster Recovery (CDBG-DR funds) may be used “…as a matching requirement, share, or contribution for any other Federal program when used to carry out an eligible CDBG-DR activity.” To that end, the State allocated $50 million from the first tranche of CDBG-DR funding for the “FEMA Match for Public Assistance Program” or “FEMA Match Program.” The FEMA Match program provides funding support to State and local governmental entities that received FEMA Public Assistance or are responsible for a cost-share required for a FEMA-funded recovery project. These funds were used to address non-federal cost shares associated with projects undertaken in the immediate aftermath of Hurricane Sandy.

New Jersey allocated $225 million in Community Development Block Grant – Disaster Recovery (CDBG-DR) funds for “State and Local Non-Federal Cost Shares” to support State and local matching obligations for projects associated with long-term recovery efforts. According to CDBG-DR Action Plan Amendment No. 7, the State looked at existing recovery commitments that require a match and other federal funding (provided by the U.S. Army Corps of Engineers, Environmental Protection Agency, Federal Highway Administration, and FEMA) reasonably expected to be used in the State’s recovery that will require a match. The amendment noted that the State’s analysis included estimates of unmet needs that may understate or overstate New Jersey’s actual non-federal cost share needs as the recovery progresses.

The State may use CDBG-DR funds as a match to repair or construct a wide range of eligible infrastructure projects, including: emergency protective measures (demolition and the removal of health and safety hazards) roads and bridges; dams, reservoirs, and levees; debris removal; public buildings, water treatment plants and delivery systems, power generation and distribution facilities, sewerage collection systems and treatment plants; water lines and systems; telecommunications systems; and parks, beaches, and recreational facilities. There is no maximum award limit and the applicant is required to show that the Public Assistance project or other recovery program requires a cost share that may be covered by CDBG-DR. According to the CDBG-DR Performance Report for the fourth quarter of 2015, the State has disbursed $24.6 million through the FEMA Match Program.

In response to a Fiscal Year 2015 OLS Discussion Point, the department noted that that FEMA Match Program has been incorporated into the Non-Federal Cost Share Program. 51 project worksheets submitted by 13 State departments and agencies had either been approved for payment or were under review. The department also stated that FEMA Match Program funds were provided to support the required State match associated with federally-supported repairs to Route 35 and funding from the Environmental Protection Agency to enhance the resiliency of water and wastewater treatment facilities damaged by Superstorm Sandy. The department projected that the State would require $60 million to $75 million in Fiscal Year 2016 for the FEMA Match Program, depending how quickly participating agencies and their federal partners complete projects and submit invoices for payment. The department noted that the Office of Management and Budget in the Department of the Treasury submitted an application on behalf of all State agencies to provide the FEMA Public Assistance Match. Other
government entities are permitted to apply for assistance through the FEMA Match Program at any time if funds are still available after the State’s obligation is satisfied.

- **Question:** Please provide updated information regarding the total amount of CDBG-DR fund expended through the State and Local Non-Federal Cost Shares Program. Please identify each State agency for which CDBG-DR funds have been used to cover federal cost share requirements and the amount provided, respectively. What amount does the department anticipate will be expended for these purposes in Fiscal Year 2016 and Fiscal Year 2017, respectively? Have all State match obligations been satisfied? If so, what amount is available to support the match obligations of other governmental entities? If not, what is the total outstanding State match obligation?

The table below provides the Non-Federal Cost Share Program’s implementing agency, current allocation, and expended funds as of March 18, 2016. Please note that an additional $10 million was allocated from the FEMA Match Program to the Federal Highway Administration (FHWA) Match Program to cover eligible costs.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Program</th>
<th>Allocation</th>
<th>Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCA</td>
<td>FEMA Match</td>
<td>$101.0</td>
<td>$24.5</td>
</tr>
<tr>
<td>DOT</td>
<td>Federal Highway Administration (FHWA) Match</td>
<td>$76.0</td>
<td>$46.4</td>
</tr>
<tr>
<td>DEP</td>
<td>EPA Water/Wastewater Match</td>
<td>$48.0</td>
<td>$0.0</td>
</tr>
</tbody>
</table>

(in millions)
Discussion Points (Cont’d)

The tables below provide a listing of the State agencies and the amount provided for the Non-Federal Cost Share Programs as of March 18, 2016.

**FEMA Match Program**
**As of March 18, 2016**

<table>
<thead>
<tr>
<th>State Agency</th>
<th>Amount</th>
<th># of Project Worksheets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children &amp; Families</td>
<td>$4,759</td>
<td>2</td>
</tr>
<tr>
<td>Community Affairs</td>
<td>$66,258</td>
<td>1</td>
</tr>
<tr>
<td>Corrections</td>
<td>$123,515</td>
<td>2</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>$13,334,346</td>
<td>24</td>
</tr>
<tr>
<td>Homeland Security &amp; Protection</td>
<td>$57,151</td>
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</tr>
<tr>
<td>Human Services</td>
<td>$1,220,667</td>
<td>7</td>
</tr>
<tr>
<td>Labor</td>
<td>$450</td>
<td>1</td>
</tr>
<tr>
<td>Military Affairs</td>
<td>$757,305</td>
<td>3</td>
</tr>
<tr>
<td>Motor Vehicle Commission</td>
<td>$534</td>
<td>2</td>
</tr>
<tr>
<td>NJ Juvenile Justice Commissioner</td>
<td>$7,097</td>
<td>2</td>
</tr>
<tr>
<td>State Police</td>
<td>$2,018,832</td>
<td>21</td>
</tr>
<tr>
<td>Transitional Sheltering Assistance (TSA)</td>
<td>$3,611,911</td>
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<tr>
<td>Transportation</td>
<td>$2,514,890</td>
<td>16</td>
</tr>
<tr>
<td>Treasury</td>
<td>$67,381</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$23,785,097</td>
<td>86</td>
</tr>
</tbody>
</table>

**FHWA Match Program**
**As of March 18, 2016**

<table>
<thead>
<tr>
<th>State Agency</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOT</td>
<td>$46,409,007</td>
</tr>
</tbody>
</table>

DCA anticipates expending up to approximately $75 million in both Fiscal Year 2016 and Fiscal Year 2017.

The State match obligation has not yet been satisfied, and as such, the final State match obligation requirement is not yet finalized. Each project must provide appropriate documentation to show that the project meets the FEMA Public Assistance (PA) program eligibility criteria. Each project is documented on a Project Worksheet (PW) that captures a detailed scope of work and an accurate cost estimate, thereby becoming the basis of the grant for both the FEMA PA program and the FEMA Match program (CDBG-DR funded). FEMA PA Program projects are categorized as large or small, based on the estimated cost of eligible damages.

- **Small Projects** - Cost is less than or equal to $67,500, is based on estimate written in PW, and is paid upon PW approval by FEMA (Categories A-G).
Discussion Points (Cont’d)

- **Large Projects - Cost is greater than $67,500**, paid based on percent completed (Advance, one Interim Payment and Final Claim Payment); final payment based on actual documented approved costs.

Payment to sub-grantees (State Agencies and Local Government entities) of the non-federal share is based on eligible and funded projects under the FEMA PA program and must be an eligible activity under CDBG-DR.

To date, 17 State PWs have been finalized and closed out. There are approximately 150 PWs in various stages of completion that have not been closed out, which makes it difficult to know at this point what amount if any is available to support the match obligations of other governmental entities.

As of March 18, based on the FEMA Match Program, the FHWA Match Program, and the EPA Match Program, the total outstanding State match obligation is $85 million. The FEMA Match Program has PWs in varying stages, including a number of PWs currently under appeal and in final close out. The FHWA Match Program has received change orders that will potentially increase the State match obligations. Lastly, the EPA Match program is in the project selection process; however, the State must first meet the 20% match before accessing the EPA funds. Once the project(s) are identified the match obligation will be determined.
Discussion Points (Cont’d)

16. The Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program is the State’s primary source of assistance to homeowners affected by Superstorm Sandy. The RREM program 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 the first round funding was reserved for low-to-moderate income applicants and 30% was reserved for all other applicants. CDBG-DR Action Plan Amendment No. 7 indicates that 50% of the funds allocated from the second tranche of federal assistance were reserved for low-to-moderate income households. Total funding for the RREM Program is $1.356 billion.

RREM applicants were required to meet six eligibility requirements: (1) the home must have been owner-occupied at the time of the storm; (2) the home must have served as the primary residence; (3) the home must have been in one of the nine most impact and distressed counties; (4) the homeowner must have been registered with FEMA; (5) the homeowner must have an adjusted household gross income of less than $250,000; and (6) the residence must have sustained damage as a result of Superstorm Sandy with a full verified loss of at least $8,000 or had more than one foot of water as determined by FEMA. Funding requests were prioritized as follows: (1) homes with “substantial damage” as determined by New Jersey floodplain managers, regardless of zone; (2) homes with severe/major damage only in A/V flood zones established by FEMA (if demand for funds remained after priority 1); and (3) homes with severe/major damage in all other zones (if demand and funds remained after priority 2).

The “Superstorm Sandy CDBG-DR Dashboard” indicates that $1.148 billion has been obligated to support 7,860 homeowners through the RREM Program. Of that amount, $917.9 million has been disbursed. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that 2,300 projects completed construction in 2015 and that the State would have less than 100 grant agreements left to sign by the end of January 2016. The State reports 6,373 projects are in construction and 1,258 projects are preparing to start construction activities. Forecasts available through www.renewjerseystronger.org indicate that the State projects RREM expenditures totaling $291.6 million in the second half of Fiscal Year 2016 and $137.9 million in Fiscal Year 2017.

• **Question:** Please provide an update on the total amount of funding awarded and disbursed through the RREM Program. Please provide updated expenditure forecasts for Fiscal Year 2016 and Fiscal Year 2017, respectively. What is the average RREM grant award? How many grant agreements have been signed? How many homes are under construction? How many participants have completed the RREM Program? How many program participants have received a certificate of occupancy? How many participants have completed the grant closeout process, thereby ending their participation in the RREM program?

Nearly 75% of all RREM funds awarded to homeowners have been disbursed to date. Overall, $1.032 billion has been awarded to homeowners, and $761.1 million has been disbursed to homeowners. The Department projects RREM expenditures totaling $154.8 million in the second half of Fiscal Year 2016 and $165.3 million in Fiscal Year 2017. The average RREM grant award is $132,900. A total of 7,768 grant agreements have been signed, of which 7,528 homeowners have received a payment. More than 3,000 have
completed their project, while approximately 4,500 remain under construction. More than 3,000 homeowners have completed construction in the RREM Program by obtaining a certificate of occupancy. A total of 2,086 projects have received their RREM Program Final Inspection to confirm construction meets RREM Program Standards. More than 3,000 applicants have submitted a certificate of occupancy. DCA has completed review of 94 applicants through final close out.
17. The Superstorm Sandy Housing Incentive Program (SSHIP) consists of three programs: the Reconstruction, Rehabilitation, Elevation, and Mitigation Program (RREM), the Homeowner Resettlement Program, and the Landlord Rental Repair Program (LRRP). The combined amount of funding allocated to these three programs totals $1.631 billion, approximately 43% of all federal assistance awarded to New Jersey through all three rounds of Community Development Block Grant – Disaster Recovery (CDBG-DR) funding. On April 17, 2013, the Division of Purchase and Property in the Department of the Treasury issued a Request for Quotation (RFQ) for the “Management and Other Related Services of the Superstorm Sandy Housing Incentive Program (SSHIP) for the State of New Jersey Department of Community Affairs.” According to the RFQ, the winning contractor would be responsible for a wide array of activities related to the SSHIP, including the development of an intake and application process, eligibility determinations, loan changes, disbursing of funds, monitoring and compliance, and close-out of the program. On May 9, 2013, Hammerman & Gainer, Inc. (HGI), a firm based on New Orleans, LA was awarded a contract (#A83958) in the amount of $85,956,848. The contract was set to expire on May 7, 2016.

Amendment #1 to contract #A83958 indicates that an interim agreement between the State and HGI was executed on December 6, 2013 providing for early termination of the contract, a means to resolve outstanding invoices, and the beginning of a transition period in anticipation of the termination by mutual agreement. HGI’s contract would be terminated effective January 6, 2014, unless the State exercised an option to extend the contract for 14 days. On December 31, 2013, the State chose to extend HGI’s contract until January 20, 2014. Amendment #1 also required the State to make interim payments totaling $9 million; $7 million to be paid on or before December 31, 2013 and $2 million to be paid on or before December 26, 2013. Correspondence between the Office of the Attorney General and HGI indicates that these payments were to satisfy outstanding invoices. As interim compensation for work performed during the transitional period, the State was required to pay HGI interim payments of $1 million on December 20, 2013 and $500,000 on December 27, 2013.

In response to a Fiscal Year 2014 OLS Discussion Point on this matter, the department noted that the termination of the contract allowed DCA to take full control of the functions performed by HGI. The department now manages the nine Housing Recovery Centers, the application, grant award, and construction processes, and supervises housing advisers and call center specialists. DCA staff was augmented by contractor staffing through existing vendors, such as Acro, Atrium, CBI/Shaw, CGI, Gilbane, NJ 2-1-1, URS, and ICF. In April 2014, the Philadelphia Inquirer reported that ICF had entered into an agreement to take over some of the work performed by DCA, not to exceed $36.5 million.

The department also noted that HGI had submitted invoices totaling $58,343,149.86 and that the DCA had paid a total of $35,910,449.02 of that amount. A review of supporting documentation for all invoices for HGI was ongoing. In February 2014, HGI filed a demand for arbitration but then put that demand on hold to allow for the review of their invoices and to allow for informal negotiations, reconciliation, and adjustments. Because the State had not yet had sufficient time to complete its review of the HGI documentation, and both parties, through counsel were in discussions about completing that review, it was not possible to state the total amount that would be paid to HGI. On April 15, 2014, HGI submitted an amended demand for arbitration, to which the State responded May 9, 2014.
Discussion Points (Cont’d)

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that it finished reconciling and determining the amount due to HGI under submitted invoices in spring 2014. No additional payments beyond the $35,910,449 had been made to HGI. At that point (April 2015) the arbitration proceeding was on hold as settlement discussions continued. The DCA could not comment on the substance of the settlement negotiations but noted, “...the Division of Law and outside counsel are vigorously pursuing the State’s interests.”

- **Question:** Please provide an update regarding the status of the arbitration process and settlement discussions between the State and HGI. If the arbitration process is still ongoing, when does the State anticipate that it will be completed? If the arbitration process has completed, has the arbitrator rendered a decision? Please summarize the arbitrator’s findings. Was the State required to make additional payments to HGI, over the amount already paid, for services rendered prior to the termination of contract #A83958? If the dispute between the State and HGI was resolved through settlement discussions, please discuss the terms of the settlement.

In the arbitration proceeding, HGI sought $21,762,815. A settlement was reached and an agreement executed on May 21, 2015. Pursuant to its terms, the State agreed to pay HGI $7.625 million, or 35% of the amount sought. The settlement payment was $1.8 million less than the invoiced amount that DCA found to be accurate and supported and $14 million less than HGI claimed was due. The Settlement Agreement also requires HGI to repay any amounts HUD or any other Federal agency subsequently finds ineligible or non-allowable.
18. In response to previous OLS Discussion Points regarding staffing levels for the SSHIP, the departed noted that at the end of the HGI contract period, there were approximately 450 full-time staff with various responsibilities associated with application processing. With the phase-out of HGI, the DCA move into a more direct management role over the SSHIP with approximately 200 full-time staff dedicated to RREM application processing. Of the total staff, approximately 30 were State employees, with the balance hired through approved contractor staff augmentation. During the Fiscal Year 2016 budget process, the department state than total full-time equivalent RREM employees was approximately 195 in March 2014 and was about 185 (in Spring 2015). Staffing levels are expected to decrease as the program draws toward conclusion.

**Question:** Is ICF still under contract for the management of the RREM program? What amount has been paid to ICF services related to the RREM program? Please specify the level of human resources, expressed in average full-time employees, involved in administering the RREM program by all State and private workforces while ICF was under contract, the level involved for the month of March 2016, and the level the department plans to provide for the duration of the program. For each of these levels, what percentage comprises work by private employees and what percentage comprises work by State employees?

The State, not ICF, took over the management of RREM from HGI in January 2014. At that time, ICF had already been contracted by the State to provide consulting services to assist with recovery efforts (May 2013). At the time of the phase–out of HGI, ICF provided additional staff augmentation and agreed to manage some of the leases for the Housing Recovery Centers. ICF has been paid $22 million for services related to the RREM program.

In March of 2014, the administration of the RREM program involved 174 full time contractor/staff augmentation employees (94%) and 11 full time state employees (6%).

In March of 2016, program administration involved 125 full time contractor/staff augmentation employees (89%) and 15 full time state employees (11%).

RREM staffing levels will continue to be reviewed and adjusted accordingly as the program progresses.
19. New Jersey has allocated $69 million in federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds for the Low-to-Moderate Income (LMI) Homeowners Rebuilding Program. The initial funding level for the LMI Homeowners Rebuilding Program was $40 million. CDBG-DR Action Plan Amendment No. 16 transferred a total of $29 million from three other Superstorm Sandy recovery programs in order to increase total program funding to $69 million. The Action Plan Amendment noted that the reallocation of funds to the LMI Homeowners Rebuilding Program was necessary in order to avoid having to create a program waitlist. Of the $69 million set aside for the LMI Homeowners Rebuilding Program, a minimum of $10 million is reserved for owners of manufacture housing whose homes were damaged by Superstorm Sandy. Funding not needed for the manufactured housing component of the LMI Homeowners Rebuilding Program will be distributed to homeowners not previously served by the Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) program whose homes suffered major or severe damage due to Superstorm Sandy.

To be eligible for assistance under the LMI Homeowners Rebuilding Program, an applicant: (1) must have registered with the Federal Emergency Management Agency; (2) must have owned and occupied the damaged home at the time of the storm; (3) the damaged home must have served as the homeowner’s primary residence; (4) the damaged home must be located in one of the nine counties most impacted by Superstorm Sandy; (5) the damaged home must have sustained Superstorm Sandy-related damage of at least $8,000 or had more than one foot of water on the first floor; (6) a homeowner who received federal disaster recovery assistance for a previous federally declared flood disaster by law must have continuously maintained flood insurance since receiving federal disaster recovery assistance; and (7) must qualify as low-to-moderate income based on the household adjusted gross annual income at the time the application is submitted. The maximum assistance award is $150,000.

Applications for assistance under the LMI Homeowners Rebuilding Program were accepted from January 5, 2015 through March 21, 2015. According to CDBG-DR Action Plan Amendment No. 7, after the application closed, a computer randomization will determine the priority of grant eligibility. Homes that were substantially damaged by Superstorm Sandy (the dollar value of the damage is greater than 50 percent of the pre-storm value of the home) would be given greater priority. In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that the computer randomization sequence applied to all applications and was completed prior to making eligibility determinations. After a random number was assigned, applications were further prioritized according to structure type and damage.

The department stated that there were 1,005 applications for the LMI Homeowner Rebuilding Program. The department anticipated that available funding would support 200 households, including manufactured housing units. According to Action Plan Amendment No. 16, 535 applicants were determined to be preliminarily eligible based on the program criteria and information provided by the applicants. The “Superstorm Sandy CDBG-DR Dashboard” indicates that approximately $8.2 million has been expended to support 192 housing units. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that 451 applicants were determined to be eligible for assistance and 220 homeowners have signed a grant agreement. Forecasts available through www.renewjerseystronger.org indicate that the State projects LMI Homeowners Rebuilding Program expenditures totaling $26.445 million in the second half of Fiscal Year 2016 and $11.252 million in Fiscal Year 2017.
Discussion Points (Cont’d)

• **Question:** Please provide an update on the total amount of funds awarded and disbursed through the LMI Homeowners Rebuilding Program. Please provide updated expenditure forecasts for the second half of Fiscal Year 2016 and Fiscal Year 2017, respectively. How many grants agreements have not yet been signed? How many awards does the State expect to support based on the new funding level of $69 million? How many grants have been awarded, and what amount of funding has been disbursed to the owners of standard-construction homes and manufactured housing units, respectively?

To date, $40.1 million has been awarded to homeowners, and $16.7 million has been disbursed to homeowners through the LMI Homeowners Rebuilding Program. Of the amount disbursed, $13.8 million represents standard-construction homes, and $2.9 million represents manufactured housing units. The State projects Program expenditures totaling $17.9 million in the second half of Fiscal Year 2016 and $18.8 million in Fiscal Year 2017. As of March 22, 2016, 286 grants have been awarded to homeowners, and up to 40 outstanding grant agreements remain to be signed.
20. On February 26, 2015, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) announced the transfer of $9.5 million in Social Services Block Grant funds from the Department of Human Services to support the Rental Assistance Program. The Rental Assistance Program provides short-term grants to homeowners participating in the Rehabilitation, Reconstruction, Elevation, and Mitigation (RREM) Program and the Low-to-Moderate Income Homeowners Rebuilding (LMI) Program. Eligible homeowners who have signed a grant agreement and are displaced due to the construction, elevation, or rehabilitation of their home may receive up to $1,300 per month for up to 21 months of rental assistance. Rental Assistance Program funds are only available to assist with rent going forward and may not be used as a reimbursement for rent previously paid or incurred. Applicants must be able to provide a validity executed lease for a New Jersey rental property during the construction, elevation, or rehabilitation period; proof of a current mortgage payment on their primary residence (dated within the last 30 days); and a valid identification for each homeowner.

Initially, all program funds were to be expended by September 30, 2015. On September 1, 2015 the NJHMFA announced that the federal Department of Health and Human Services approved an extension of the deadline until September 30, 2017. Applicants to the Rental Assistance Program are also no longer required to have an outstanding mortgage on their primary residence to qualify for assistance. The State also transferred an additional $10 million in SSBG funds to support the program. Of the $19.5 million allocated for the Rental Assistance Program, $15.6 million is reserved for homeowners in the RREM program and $2.5 million is reserved for homeowners in the LMI program.

The Rental Assistance Program first offered three months rental assistance, and then up to six additional months of rental assistance if an extension was necessary and program funds were available. On March 3, 2016, NJHMFA board voted to extend the Rental Assistance for an additional year, thereby permitting eligible applicants to receive 21 months of aid. The NJHMFA will contact all eligible Rental Assistance applicants that have already exhausted all months of rental assistance to inform them of the available extension and review process. On March 8, 2016, the department released CDBG-DR Action Plan Amendment No. 18, which proposes the transfer of $12.5 million from the RREM program to the Rental Assistance Program. If approved, Rental Assistance Program from all sources would total $32.5 million.

In response to a Fiscal Year 2016 OLS Discussion Point the department noted that 491 RREM applicants submitted Rental Assistance Program applicants as of April 10, 2015. No LMI applications had been received because the application period for program had just closed and no grant agreements had been executed. The execution of an RREM or LMI grant agreement is a Rental Assistance Program eligibility requirement. The first rental assistance payments were to be disbursed on May 1, 2015. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that 1,600 Rental Assistance Applications have been received; 1,475 have been approved. $7.2 million has been expended.

• **Question:** How many RREM and LMI Program participants, respectively, have submitted Rental Assistance Program applications? What amount of rental assistance has been disbursed to RREM and LMI Program participants, respectively? How many Rental Assistance Program participants who exhausted their funding have been re-enrolled in the program? What amount of rental assistance does the State expect to be expended in Fiscal Year 2016 and Fiscal Year 2017, respectively?
As of March 15, 2016, 1,839 RREM participants and 54 LMI Program participants have submitted applications for the Rental Assistance Program (RAP). RREM participants have received $9,207,229 in RAP funding, while LMI participants have received $49,093.

Authorization to extend assistance to 21 months was approved by the NJHMFA Board on March 3, 2016, and notification was sent to all RAP applicants who are eligible to re-enroll in the RAP program on March 17, 2016. To date, HMFA has made payments to 101 reenrolled participants and will make payments to an additional 28 participants on April 15th.

The State expects to expend approximately $18 million in rental assistance payments during Fiscal Year 2016. A similar expenditure is anticipated for Fiscal Year 2017.
21. The New Jersey Affordable Housing Trust Fund is a non-lapsing revolving fund that subsidizes the construction and rehabilitation of affordable housing, with funds targeted to each region of the State based on that region’s percentage of the State’s low- and moderate-income housing need. The trust fund is supported by revenues generated by the additional fee segment of the realty transfer fee, monies transferred from municipal affordable housing trust funds, and other monies as may be dedicated by the Legislature for the purposes of the fund. Revenues generated by the collection of non-residential development fees in municipalities that have not received substantive certification from the Council on Affordable Housing are also deposited into the trust fund. This funding also supports the Council on Affordable Housing are also deposited to the trust fund. This funding also supports the Council on Affordable Housing, affordable housing administration, shelter assistance, the Prevention of Homelessness Program, and the State Rental Assistance Program.

During the Fiscal Year 2016 budget process, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) anticipated the following sources of funds to support affordable housing in Fiscal Year 2016: (1) $6.1 million from the New Jersey Affordable Housing Trust Fund; (2) $10 million the agency’s general fund to finance the creation of 224 affordable housing units through the Choices in Home Ownership Incentives Created for Everyone (CHOICE) program; (3) funds raised by the issuance of mortgage revenue bonds or the sale of mortgage backed securities would support 504 mortgages offered through the Home Buyer Program; (4) the issuance of $400 million in housing revenue bonds would support the creation of approximately 4,200 housing units; (5) approximately $20.5 million in 9% Low Income Housing Tax Credits would support 1,000 housing units; (6) $14.7 million in State and local funds would support the creation of 29 supportive housing units through the Special Needs Housing Partnership Loan Program; and (7) $1.5 million in Community Development Special Needs Funds would support the creation of 10 supportive housing units.

• Question: What level of non-CDBG-DR funding from the department and the NJHMFA respectively will be available in Fiscal Year 2017 for affordable housing and from what sources? How many affordable housing opportunities will be provided by this funding? What number of affordable housing units will be funded in Fiscal Year 2016 and Fiscal Year 2017 respectively, with State funds, NJHMFA funds, Low Income Housing Tax Credits NOT supported by CDBG-DR funds, and all other sources, respectively? What amount of State revenue was been generated by the non-residential development fee in Fiscal Year 2015? What amount has been generated in Fiscal Year 2016 to date, and what is the full-year projection? What amount of State non-residential development fee collections is projected for Fiscal Year 2017?
Discussion Points (Cont’d)

FISCAL YEAR 2017 NJHMFA NON-CDBG-DR FUNDING

Homeownership
CHOICE (Choices in Homeownership Incentives Created for Everyone) - $10 million of NJHMFA General Funds; 270 units (provided sufficient applications are submitted).

Home Buyer Program - The issuance of Mortgage Revenue Bonds (MRB) and/or the sale of Mortgage Backed Securities (MBS) as needed to support the program; approximately 250 mortgages.

Multifamily Rental
Housing Revenue Bonds (including Conduit Housing Bonds) – Approximately $400 million, assuming the volume cap awarded to NJHMFA from Treasury remains consistent with 2016; approximately 2,200 units.

Low-Income Housing Tax Credits (LIHTC) - Approximately $21 million in federal 9% LIHTCs will be allocated to NJHMFA; approximately 1,000 units.

Supportive Housing
Partnership Loan Program (PLP) - Approximately $10.4 million in combined funding from municipal Affordable Housing Trust Funds, NJHMFA, and DCA; approximately 10 units/40 beds.

Money Follows the Person Housing Partnership Program (MFPHPP) - Approximately $2.4 million from the Department of Human Services, Division of Senior Services; approximately 31 units.

Affordable Housing Trust Fund - Approximately $5 million to support rehabilitation of substandard housing units.

National Affordable Housing Trust Fund - Approximately $3 million, the use of which is yet to be determined.

FISCAL YEAR 2016 NJHMFA NON-CDBG-DR FUNDING UNITS

Homeownership
CHOICE - approximately 270 units (provided sufficient applications are submitted).

Home Buyer Program (MRB and MBS) - 200 units.

Multifamily Rental
Housing Revenue Bonds (including Conduit Housing Bonds) - Approximately 2,472 units.

LIHTC - 1,000 units.

Supportive Housing
PLP - Approximately 8 units with 32 beds.
To date, the state has collected $196,968 in revenue from the Non-Residential Development Fee. Payment of the fee is collected from developers at time of issuance of certificates of occupancy. The Department does not have the ability forecast the completion of state-wide non-residential construction; therefore, no forecast exists for Fiscal Years 2016 and 2017.
22. According to New Jersey’s Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, 27% of all housing damage caused by Hurricane Sandy was inflicted upon rental housing. The State has allocated $594.5 million in CDBG-DR funds to the Fund for the Restoration of Multi-Family Housing (FRM) to facilitate the creation of affordable housing in the nine counties most impacted and distressed by Superstorm Sandy. FRM loans are available to projects that receive 9% and 4% federal Low-Income Housing Tax Credits allocated by the New Jersey Housing and Mortgage Finance Agency (NJHMFA), as well as multifamily revenue bonds, conduit bonds, and financing from other CDBG-DR programs.

Private for profit and non-profit housing developers and public housing authorities capable of developing large multi-family housing developments are eligible to apply for FRM loans.

The FRM received $179.520 million from the first tranche of CDBG-DR funding. Data reported in the CDBG-DR Performance Report for the fourth quarter of 2015 indicates that 33 projects have received $151.9 million and expended $133.6 million to support the construction of approximately 2,100 housing units. The report indicates that 24 projects have completed construction and 9 projects are still under construction. $30 million in FRM funding is reserved to support the recovery of public housing authorities. Three projects – two in Jersey City and one Keyport - have been awarded $15 million.

The FRM received $200 million from the second round of federal assistance. 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 needed 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 $183.1 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
Discussion Points (Cont’d)

at $13 million and that they will generate an estimated 1,740 direct and indirect full-time jobs during construction. The CDBG-DR Performance Report for the fourth quarter of 2015 does not provide any data for projects that received second round FRM Funds. Forecasts available through www.renewjerseystronger.org indicate that the State projects FRM expenditures totaling $117.2 million in the second half of Fiscal Year 2016 and $116.2 million in Fiscal Year 2017. The FRM Program is anticipated to continue through Fiscal Year 2019.

• **Question:** Please provide updated expenditure forecasts for Fiscal Year 2016 and Fiscal Year 2017, respectively. How many first round FRM units are occupied by low-to-moderate income households and households on a fixed income? What amount has been expended for the 18 projects that received second round FRM funding? How many second round FRM projects are under construction? Has construction begun on any of these projects? Please provide an update of the number of affordable housing opportunities supported by FRM loan subsidies in Fiscal Years 2015 and 2016, respectively. How many FRM loan subsidies will be supported by FRM loan subsidies in Fiscal Year 2017?

Updated Fiscal Year 2016 and Fiscal Year 2017 FRM expenditure forecasts are as follows:

**Fiscal Year 2016**
- FRM 1 - $43 million
- FRM 2 - $92 million
- FRM 3A - $50 million
**TOTAL: $185 million**

**Fiscal Year 2017**
- FRM 2 - $90 million
- FRM 3A - $24 million
- FRM 3B - $90 million
**TOTAL: $204 million**

As of March 24, 2016, 1,290 FRM units are occupied by low- to moderate-income (LMI) households.
$3.5 million has been expended for the 18 projects that received second round FRM funding. Six of the 18 projects are under construction.

In 2015, NJHMFA committed 24 projects / 1,655 LMI units that were supported by FRM funds.

In 2016, NJHMFA is projected to commit approximately 12 projects / 900 LMI units that will be supported by FRM funds.

It is anticipated that all FRM funds will be committed by the end of Fiscal Year 2016; therefore, no FRM funds are expected to be available for commitment in Fiscal Year 2017.
23. The Internal Revenue Code of 1986 authorizes state and local government entities to issue tax-exempt private activity bonds for qualified purposes on behalf of entities other than the governmental agency issuing the debt. These bonds are known as “Tax-Exempt Private Activity Bonds” or “private activity bonds”. Private activity bonds are issued to finance uses that benefit private persons, but also serve a significant public benefit, such as affordable housing, student loans, and privately operated transportation facilities. A bond is classified as a private activity bond if more than 10% of its proceeds are used by a private party and more than 10% of the debt service is backed by private resources. Interest on private activity bonds is generally taxable, except when the bonds are used to finance certain types of projects.

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

The issuance of private activity bonds by states is formulaically limited to a defined maximum amount during a calendar year. This limit is known as the volume cap limit. Under Section 146 of the Internal Revenue Code, the established federal formula for determining New Jersey’s volume cap limit is an amount equal to $75 per capita, plus an annual cost of living adjustment, multiplied by the State population according the U.S. Census Bureau. New Jersey’s volume cap limit for calendar year 2014 (the most recent year for which complete data are available) was $893.8 million. Private activity bonding authority was allocated to 8 State and local agencies.

In response to a previous request for information, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) has indicated that its total volume cap allocation for 2016 is $614.2 million; $480 million in new 2016 volume cap and $134.2 million in carry forward volume cap. Of the total volume cap, the NJHMFA has indicated that approximately $418 million is reserved for Superstorm Sandy-related projects. The balance, $196.2 million, has been committed to non-Superstorm Sandy projects that received, or were scheduled to receive, a financing commitment in 2015.

Information available through the NJHMFA website notes that due to overwhelming demand for 2016 volume cap, project applications were prioritized as follows: (1) Superstorm Sandy projects receiving financial support through the Funds for the Restoration of Multifamily Housing, the Sandy Special Needs Housing Fund, or both; (2) Non-Superstorm Sandy projects that receive a financing commitment, or those previously scheduled to receive a NJHMFA financing commitment; and (3) NJHMFA portfolio workout projects. The NJHMFA further notes, “Based on these priorities, the Agency anticipates that the 2016 volume cap may be fully

1 These agencies are: the New Jersey Housing and Mortgage Finance Agency, New Jersey Economic Development Authority, Higher Education Student Assistance Authority, Heath Care Facilities Financing Authority, Environmental Infrastructure Trust, Gloucester County Pollution Control Financing Authority, Salem County Pollution Control Financing Authority, and the Essex County Improvement Authority.
Discussion Points (Cont’d)

exhausted. Applicants that do not meet a listed priority should be aware that the first availability for a firm commitment may be delayed until 2017."

• **Question:** What assumptions and projections does the NJHMFA use when preparing its request to the Treasury Department for a volume cap allocation? What is the total amount of volume cap requested and allocated for 2015 and 2016, respectively? What is the total amount of private activity bonds issued in 2015? What amount of private activity bonds does the NJHMFA anticipate will be issued in 2016? What is the total amount of 2016 volume cap requested by affordable housing developers? How many eligible projects does the NJHMFA anticipate will not receive private activity bond financing in 2016?

• **Question:** What assumptions, projections, and criteria does the NJHMFA use when evaluating whether a project should be supported by private activity bonds? To what degree is the ability of an affordable housing developer to obtain other types of financing considered in the evaluation process? Why has the NJHMFA decided to allocate over two-thirds of its available volume cap to Superstorm Sandy-related projects? Is the size of this allocation indicative of an inability of affordable housing developers to obtain financing from other public and private entities for these projects in particular?

In preparing the volume cap request, the Agency utilizes its Multifamily program’s current application pipeline inclusive of pooled and conduit bond projects requesting tax-exempt financing for the calendar year. The total pipeline of requests minus any approved and unused carry forward volume cap equals the new volume cap request for the upcoming calendar year.

Total volume cap requested and allocated for Calendar Year 2015 is $608.5 million -- $250 million in new Calendar Year 2015 volume cap and $358.5 million in carry forward volume cap.

Total volume cap requested and allocated for Calendar Year 2016 is $614.2 million -- $480 million in new Calendar Year 2016 volume cap and $134.2 million in carry forward volume cap.

The total amount of private activity bonds issued in 2015 was $474.3 million. In 2016, NJHMFA anticipates issuing $614.2 million in private activity bonds, thereby exhausting the entire Calendar Year 2016 volume cap allocation. Depending on the timing of project readiness for the remaining pipeline, and subject to availability, an additional request for volume cap may be submitted to the Treasurer’s Office later this year.

The total amount of Calendar Year 2016 volume cap requested by projects currently in the Multifamily pipeline is approximately $1.43 billion. Applications are in various stages of readiness to proceed; therefore, the request is not restricted to only 2016 volume cap.

Since applications are in various stages of readiness to proceed, NJHMFA is unable to determine which projects will ultimately be deemed eligible for private activity bond financing. However, based on the current Multifamily pipeline of all applications, 24 projects would potentially not receive private activity bond financing in 2016.
For a project to be eligible for private activity bonds, it must adhere to all applicable requirements under the Multifamily Rental Financing Program Selection, Underwriting and Financing Guidelines and Policy. In addition, due to the overwhelming demand for 2016 volume cap, additional priorities have been established as follows:

- Superstorm Sandy projects receiving Fund for the Restoration of Multifamily Housing (FRM) and/or Sandy Special Needs Housing Fund (SSNHF) funds;
- Non-Sandy projects that have received a commitment; and
- Agency portfolio workout projects.

As part of the Guidelines referenced above, a project must demonstrate financial feasibility in order to be eligible for an allocation of private activity bonds. Evidence of firm commitments for all identified funding sources is required in order to be considered for an NJHMFA mortgage commitment.

CDBG-DR funds are required to be obligated by September 2017 and expended by 2019, and any funds undisbursed at that time are subject to recapture by the federal government. To ensure the timely expenditure of CDBG-DR funds, and the construction of much-needed affordable housing in the counties most impacted by Superstorm Sandy, NJHMFA has deemed it appropriate to prioritize the leveraging of this federal resource in the volume cap selection process.

The size of this allocation is a function of a number of factors, including but not limited to:
- the amount of debt that can be supported by project operations,
- the amount of tax exempt financing necessary for projects to qualify for 4% LIHTCs, and
- the scarcity of other public and private resources available to finance the development of affordable housing.
24. P.L.2004, c.140 established the State Rental Assistance Program (SRAP) to be patterned after the federal Section 8 Housing Choice Voucher Program for low-income individuals and households. Pursuant to N.J.A.C.5:42-1.2 et seq., tenant-based rental assistance grants are awarded through a lottery-type process open only to applicants on the department’s existing Section 8 Housing Choice Voucher Program waiting list. Project-based rental assistance is also a component of the program, whereby payments are allocated to new or rehabilitated housing units for 15 years, and paid when qualified tenants occupy those units. Program regulations also reserve 35% of the rental assistance to persons currently on the SRAP waiting list.

The Fiscal Year 2017 budget recommends a Grants-in-Aid appropriation of $18.5 million for SRAP, which is unchanged from the current fiscal year. Budget language continues to reserve at least $20 million from the New Jersey Affordable Housing Trust Fund for the State Rental Assistance Program. In response to a Fiscal Year 2016 OLS Discussion Point, the department provided the following information regarding the sources and uses of funds available for SRAP in Fiscal Year 2016:

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount</th>
<th>Uses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing Trust Fund</td>
<td>$23,500,000</td>
<td>Tenant-Based Vouchers</td>
<td>$30,780,000</td>
</tr>
<tr>
<td>Grants-in-Aid Appropriation</td>
<td>18,500,000</td>
<td>Project-Based Vouchers</td>
<td>9,616,440</td>
</tr>
<tr>
<td>Administration</td>
<td>1,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$42,000,000</td>
<td>TOTAL</td>
<td>$41,896,440</td>
</tr>
</tbody>
</table>

According to information posted on the New Jersey Comprehensive Financial System, SRAP has been supported thus far in Fiscal Year 2016 by the Grants-in-Aid appropriation, SRAP carry forward of $1.8 million, and a transfer of $10.2 million for the New Jersey Affordable Housing Trust Fund into the SRAP account. Thus far, the State has spent or committed $24.158 million and has an uncommitted balance of $5.734 million. These data indicate a difference of $12.108 million between the anticipated amount of SRAP expenditures and the resources available for the program in the current fiscal year.

**Question:** Please provide an updated Fiscal Year 2016 spending plan and a projected Fiscal Year 2017 spending plan for the State Rental Assistance Program, specifying administrative costs, tenant-based vouchers, (number and amount by fiscal quarter), and project-based rental assistance (including number of projects, units per project, and amount by fiscal quarter). What level of State funding will be available in Fiscal Year 2017 for the State Rental Assistance Program, and from what sources? How many households are on the State’s SRAP waiting list?

Below is the State Rental Assistance Program (SRAP) Fiscal Year 2016 spending plan:
Below is the SRAP Fiscal Year 2017 projected spending plan:

### Fiscal 2016 SRAP Spending Plan

<table>
<thead>
<tr>
<th>Category</th>
<th># of Vouchers</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant-based</td>
<td>2,838</td>
<td>$30,650,400</td>
</tr>
<tr>
<td>Project-based</td>
<td>1,068</td>
<td>$7,369,200</td>
</tr>
<tr>
<td>Sub-total Vouchers</td>
<td>3,906</td>
<td>$38,019,600</td>
</tr>
<tr>
<td>Administrative</td>
<td></td>
<td>$1,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$39,519,600</strong></td>
</tr>
</tbody>
</table>

**Fiscal 2017 Projected Spending Plan**

<table>
<thead>
<tr>
<th>Category</th>
<th>Qtr. 1 (Aug-Oct.)</th>
<th>Qtr. 2 (Nov.-Jan.)</th>
<th>Qtr. 3 (Feb.-April)</th>
<th>Qtr. 4 (May-July)</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant-based</td>
<td>3,038</td>
<td>$8,202,600</td>
<td>3,138</td>
<td>$8,472,600</td>
<td>3,238</td>
</tr>
<tr>
<td>Project-based (under contract)</td>
<td>1,068</td>
<td>$1,842,300</td>
<td>1,068</td>
<td>$1,842,300</td>
<td>1,068</td>
</tr>
<tr>
<td>Sub-total</td>
<td>4,106</td>
<td>$10,044,900</td>
<td>4,206</td>
<td>$10,314,900</td>
<td>4,306</td>
</tr>
<tr>
<td>Administrative</td>
<td>$375,000</td>
<td>$375,000</td>
<td>$375,000</td>
<td>$375,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,106</td>
<td>$10,419,900</td>
<td>4,206</td>
<td>$10,689,900</td>
<td>4,306</td>
</tr>
</tbody>
</table>

Projected SRAP sources for Fiscal Year 2017 are as follows:

<table>
<thead>
<tr>
<th>Fiscal 2017</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant-in-Aid Appropriation</td>
<td>$18,500,000</td>
</tr>
<tr>
<td>Affordable Housing Trust Fund</td>
<td>$24,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$43,000,000</strong></td>
</tr>
</tbody>
</table>

There are currently 1,231 households on the State’s SRAP waiting lists: 180 households on the Homeless waiting list, and 1,051 on the Elderly waiting list. There are currently no households on the Disabled waiting list, which was recently exhausted.
25. During the Fiscal Year 2016 budget process, the department noted that SRAP would support 3,000 tenant-based vouchers and 1,262 project-based vouchers. A review of the department’s responses to OLS Discussion Points regarding the State Rental Assistance Program from Fiscal Year 2012 to Fiscal Year 2016 indicates that the number of tenant-based vouchers has remained at about 3,000 per year. The number of project-based vouchers has increased by 62%, from 778 to 1,262 during the same time period.

In spring 2015, the department issued a Request for Proposals (RFP) for SRAP project-based assistance. The RFP announced the availability of 300 project-based vouchers for “very-low income family and disabled households.” Eligible applicants included nonprofit or for-profit owners of existing rental housing who have a proven record of successfully managing affordable housing projects. These vouchers could be used for existing rental housing located in areas with poverty rates under 10%. The RFP noted that more than 25% of the units in a development may have project-based assistance from a federal or State funding source, but that this limit may be waived by the department with substantial justification from a rental housing owner. Assistance would be provided for a term of 10 years, depending on continued funding availability. All RFPs were due by June 30, 2015.

- **Question:** Please explain why the department has decided to increase the number of project-based vouchers instead of increasing the level of direct assistance through tenant-based vouchers. How does increasing project-based vouchers produce better outcomes and better fulfill the State’s affordable housing goals? Has the department issued the 300 additional project-based rental assistance vouchers? How many RFPs were submitted to the department? How many housing providers were chosen? Does the budget provide adequate funding to support these vouchers in Fiscal Year 2017?

In the State’s Analysis of Impediments to Fair Housing Choice, conducted in 2015, one of the impediments identified was a concentration of subsidized housing in neighborhoods with relatively high levels of poverty. In order to address this impediment quickly, DCA issued an RFP for up to 300 10-year, project-based vouchers for existing units located in municipalities with poverty rates under 10%. These project-based vouchers will offer tenants housing choices in areas of higher opportunity, which have been linked to better household outcomes in areas such as health, education, and employment.

DCA received 78 applications from housing providers representing 448 vouchers and approved 31 applications. Based on the responses, DCA awarded 106 project-based rental assistance vouchers. The remaining 194 vouchers will be utilized for tenant-based initiatives.

DCA recently sent notice to 143 households from the SRAP Disabled waiting list for tenant-based vouchers, exhausting that waiting list. DCA is also providing tenant-based rental assistance vouchers for 40 households as part of the required match for the State’s federal Section 811 Project-Based Rental Assistance Demonstration Program award. This program will provide rental assistance to extremely low-income people with disabilities. In addition, DCA will issue an RFP for tenant-based rental assistance vouchers for a Housing First Initiative that will serve 400 chronically homeless households and 100 homeless veteran households that are frequent users of public systems.
As demonstrated by the spending plan chart provided above, the SRAP budget will provide adequate funding to support these vouchers in Fiscal Year 2017.
26. On May 18, 2015, the department announced the availability of 100 15-year project-based vouchers for veterans and their families who are confronting homelessness or are residing in unsafe housing. This initiative targeted very-low income households or individuals where a veteran is the head of household. Eligible request for proposal applicants were government entities or a for-profit or nonprofit organization registered to conduct business with the State of New Jersey that have an established track record of successfully providing housing and supportive services to veterans. Applicants were required have site control of existing market rate rental housing units that would be available for occupancy within 3 months. Program participants are required to pay no more than 30% of their adjusted annual income towards their housing cost. The deadline for the submission of proposals was June 19, 2015 and proposal awards were to be announced on July 20, 2015. These housing vouchers are being awarded through the Section 8 Housing Choice Voucher Program.

**Question:** How many eligible applicants submitted a proposal for the veterans' housing component of the State's Section 8 Housing Program? Has the department selected applicants through which project-based vouchers will be provided? How many applicants were chosen? How many project-based vouchers have been awarded to families and individuals, respectively? If there are vouchers that have not been awarded, when does the department expect them to be made available to program participants? Are these vouchers supported by new federal funding or existing Section 8 funds? What is the total dollar value of these vouchers?

DCA issued an RFP for 100 project-based vouchers on May 18, 2015. Fourteen proposals were submitted, and DCA awarded project-based vouchers to 12 applicants on July 20, 2015. To date, 26 families and 2 individuals have leased up units through this program. The applicants awarded through the RFP refer identified households to DCA, and the project-based vouchers are made available to the households as soon as they demonstrate eligibility for the program according to federal regulation. These vouchers are supported by existing Housing Choice Voucher/Section 8 funds. The approximate annual value of these vouchers is $665,664.

DCA issued a second RFP for project-based Housing Choice Voucher/Section 8 rental assistance for veterans on September 10, 2015. DCA received 32 applications and awarded vouchers to 29 projects totaling 173 project-based vouchers. Successful applicants were notified on November 9, 2015. These projects must enter into a contract for their vouchers within two years (this provision allows projects that are under construction to benefit from these vouchers, adding to the stock of affordable housing). To date, two individuals and one family have leased up units through this program. The approximate annual value of these vouchers is $1,197,270.
27. The Camden County Housing First Pilot Program was established on February 25, 2015. In the “Housing First” model, homeless individuals and families are provided with permanent affordable housing as quickly as possible and then with case management and social services as needed. Once an individual or family obtains permanent housing, it allows other services, such as medical care, drug treatment, and job training to be provided in a coordinated manner. The Fiscal Year 2016 Appropriations Act provided a $250,000 grant for the Camden County Housing First Pilot Program. The New Jersey Comprehensive Financial System indicates that $125,000 has been expended and $125,000 has been encumbered. The Fiscal Year 2017 Budget does not recommend the continuation of this funding.

In December 2015, the Department of Community Affairs announced that the State would allocate 50 project-based Section 8 Housing Choice Vouchers to support affordable housing opportunities for Camden residents that are chronically homeless and are “super-utilizers” of the health care system. According to The Star-Ledger, the vouchers will subsidize the full cost of monthly rent for each of the residents because most homeless persons have no income. State and federal housing voucher programs generally require residents to pay 30% of their income towards rent.

The Fiscal Year 2016 Administrative State Plan for the Section 8 Housing Choice Voucher Program defines “chronically homeless” to mean that a person is living on the street, in a temporary or emergency shelter, an abandoned building, tent, a place not intended for human habitation, or moving frequently between temporary lodging locations. “Super-utilizers” are individuals that have at least two chronic conditions, as well as two inpatient hospitalizations within the past six months. The chronic condition could involve medical or behavioral issues or substance abuse. Information available through the department’s website states that a data-based approach will guide the selection of voucher recipients.

On December 10, 2015, www.njspotlight.com reported Housing First is one part of a variety of State programs intended to reduce homelessness. Other programs provide housing vouchers to 18-year olds aging out of the foster care system; a federally supported effort to end homelessness among veterans; and an effort to increase the number of housing vouchers to enable families of children with special needs to move into communities with fewer low-income residents. In the article, the Commissioner of Community Affairs noted that high turnover among Section 8 Housing Choice Voucher recipients and an increase in federal funding will allow New Jersey to commit at least 1,000 vouchers for special needs families. On December 15, 2015, The Star-Ledger reported, “And sometime in 2016, the state Department of Community Affairs will distribute 1,000 new Section 8 housing vouchers to reduce long waiting lists.”

**Question:** For what purposes was the Fiscal Year 2016 Camden County Housing First Pilot Program appropriation used? How many project-based housing vouchers have been awarded to Camden residents through the Camden County Housing First Pilot Program? Please describe the process used to select voucher recipients. Are these vouchers supported by new federal funds or were they redirected from other components of the State’s Section 8 Housing Choice Voucher Program? For how long is the voucher valid? What metrics and benchmarks will the department use to determine whether the Housing First Pilot Program should be expanded Statewide?
Discussion Points (Cont'd)

- **Question:** Has the State committed an additional 1,000 Section 8 Housing Choice Vouchers to special needs families? Has the department allocated these vouchers to specific components of the State’s Section 8 Program? If so, how many vouchers were allocated to each component? How many of these vouchers have been awarded to eligible program participants? If not, when does the department anticipate the first vouchers will be awarded? How many vouchers does the department anticipate will be awarded in Fiscal Years 2016 and 2017, respectively?

The Camden County Housing First Pilot Program utilizes Fiscal Year 2016 funds for staff and consultant costs to provide outreach, case management, and housing support with wrap-around services and linkages to permanent housing for 50 people who are homeless and frequent utilizers of the healthcare system. Wrap-around services include rehabilitation counseling, nursing services, and mental health services. This grant was executed on February 10, 2016, and a 50% advance was provided. DCA anticipates all funds will be utilized prior to the end of the contract period.

The Camden County Housing First Pilot Program has identified 43 potential households for these vouchers. To date, 11 households have moved into their new housing, and an additional 17 are in the process of eligibility determination and housing search. The Camden County Housing First Pilot Program identifies potential recipients through its data-driven Health Information Exchange, which allows the Program to identify chronically homeless individuals and families who are “super-utilizers” of hospitals and who face the greatest barriers to housing. When program staff identifies a potential recipient through this process, they assist the individual in submitting a housing voucher application to DCA. DCA then determines the household’s eligibility according to federal regulations and approves eligible voucher recipients.

These vouchers are supported through the State’s existing Section 8 Housing Choice Voucher Program funds. By regulation, DCA may commit up to 20% of its voucher authority to project-based vouchers. Currently, DCA has committed approximately 9% of its voucher authority to project-based vouchers, and the remaining 91% is tenant-based. The initial term of the voucher is 15 years, and it may be renewed at the end of the term. Housing First is nationally recognized as an evidence-based best practice. Specific metrics and benchmarks for the success of the Camden Housing First Pilot Program include housing retention, reduced usage of health systems (such as emergency room visits and inpatient hospitalizations), and improved health outcomes and quality of life for voucher recipients.

The State has made a commitment to serve 1,000 new households with special needs from its Section 8 Housing Choice Voucher waiting lists. These households will receive tenant-based vouchers. DCA has not allocated vouchers to specific components of the State’s program but will serve eligible households from the waiting lists for tenant-based Section 8 Housing Choice Vouchers. Currently, DCA has sent notice to 1,192 households with special needs from its waiting lists in order to meet this commitment. This notice begins the process of determining a household’s eligibility and issuing a voucher.

To date, 92 new households with special needs have leased up and are utilizing Section 8 Housing Choice Vouchers, and an additional 168 households with special needs have been issued vouchers and are in the housing search process. DCA anticipates that approximately 400 households with special needs will be added to the program and will utilize Section 8 Housing Choice Vouchers by the end of Fiscal Year 2016. DCA also
discussion points (cont’d)

anticipates that an additional 600 households with special needs will be added to the program and utilize vouchers in the first six months of fiscal year 2017.
28. CDBG-DR Action Plan Amendment No. 6 authorized the transfer of $17 million originally allocated to the Landlord Incentive Program to the Sandy Tenant-Based Rental Assistance Program (TBRA) in order to provide tenant-based rental assistance vouchers as a means of increasing the provision of affordable housing to low- and moderate-income households. CDBG-DR Action Plan Amendment No. 11, the State’s plan for the allocation of the third round of CDBG-DR funds allocated an additional $15 million to provide additional tenant-based rental assistance for up to two years. According to the program guidelines, eligible households must have an income at or below 80% of the area median income, and lived in one of the nine counties most impacted by Superstorm Sandy, OR were directly impacted by Superstorm Sandy and previously received rental housing assistance from FEMA and the rental subsidy or rental unit are no longer available. The program guidelines require 75% of the third round allocation of $15 million, or $11.250 million, to be reserved for households at or below 30% of area median income.

The TBRA guidelines indicate that all completed applications received by the announced closing date (April 6, 2015) will be entered into the DCA Housing Pro database and a lottery system would be used to select 1,400 eligible applicants. During the Fiscal Year 2016 budget process, the DCA noted that that lottery was conducted on April 20, 2015; 3,177 applicants were entered into the lottery. The number of applicants selected from each of the nine counties most impacted by Superstorm Sandy was determined according to each county’s proportion of the number of housing units that sustained severe damage. For example, data in the TBRA Program Guidelines indicates that 44.3% of the housing units with severe damage are located in Ocean County. Thus, 44.3% of the vouchers will be awarded to applicants from Ocean County. Priority was given to households with incomes at or below 30% of the area median income and households who were displaced by Hurricane Sandy and continue to need rental assistance. Households are required to pay 30% of their adjusted income for rent, minus the applicable utility allowance. The TBRA Program will subsidize the difference between the tenant’s portion of the rent and total unit rent. Total unit rent may not exceed 130% of federal fair market rent for the county in which the unit is located.

In response to a Fiscal Year 2016 OLS Discussion Point the department stated that it anticipated issuing vouchers to qualified applicants in late May or early June 2015. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that 110 vouchers have been approved and an additional 200 households were ready to receive a voucher. TBRA expenditure forecasts through www.renewjerseystronger.org indicate that the State anticipated $7.8 million in program expenditures in the second half of Fiscal Year 2016 and $15.2 million in TBRA expenditures in Fiscal Year 2017.

**Question:** Please provide updated Tenant-Based Rental Assistance expenditure forecasts for Fiscal Year 2016 and Fiscal Year 2017, respectively. What amount of rental assistance has been awarded to households at or below 30% of area median income? How many rental assistance vouchers have been awarded, by county, in Fiscal Year 2016? How many rental assistance vouchers does the department anticipate will be awarded in the remainder of Fiscal Year 2016 and Fiscal Year 2017 respectively? What accounts for the slow pace of rental assistance awards?

The chart below provides tenant-based rental assistance expenditure forecasts for Fiscal Years 2016 and 2017.
55% of the active households are at or below 30% of Area Median Income (AMI). As of March 1, 2016, there were 138 active households on the program.

DCA anticipates that 200 additional households will be leased up by June 30, 2016 and that the program will be fully leased with 900 participants in Fiscal Year 2017.

The program takes time to lease up due to factors that include:

- The applicants cannot provide proof that they resided in one of the nine most impacted counties on October 29, 2012.
- The low-income applicants cannot pay the required security deposit. This program serves an extremely low-income population – 55% of the active participants have incomes at or below 30% of AMI. As a point of comparison, in the State’s Section 8 Housing Choice Voucher Program, which is targeted to very low income individuals, only 26% of participants have income at or below 30% of AMI. In order to address this issue, DCA has proposed a revision to the program guidelines that will allow the program to pay for security deposits for applicants.
- Applicants have faced obstacles in submitting required documentation in a timely fashion and often submit documentation in a piecemeal fashion. Documentation required for the program includes a driver’s license or identification card for all adults in the household; birth certificates and social security cards for all members of the household; proof of current income for the household; and proof that the household was directly impacted by the Superstorm (proof of FEMA registration) or proof that the household resided in one of the nine most impacted counties on October 29,
Discussion Points (Cont’d)

2012 (driver’s license from that time with address, or lease or utility bill from that time with address).

The program sent out applications to 1,900 applicants in May 2015. Of the 892 applications that were returned, more than 500 applications are still missing required documentation. Staff works closely with applicants to advise them of the documents that are still missing. In February 2016, DCA sent out letters to the applicants whose applications were still not complete, reminding them of the outstanding documentation and requesting that all materials be returned to DCA by March 7, 2016. Hundreds of responses to these letters were received, and staff is currently processing this information.
29. New Jersey’s Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan allocated $18 million to the Landlord Incentive Program. Under this program incentive payments are provided to qualified landlords to quickly address the need for affordable housing following Superstorm Sandy and meet the immediate needs of displaced low- and moderate-income households. According to the Landlord Incentive Program guidelines, 75% of program funds are reserved for projects located one of the nine counties most impact by Superstorm Sandy. Priority is given to mixed-income projects in transit-accessible communities and the applicant must have site control prior to applying. Project-based units that are deed restricted affordable housing are not eligible to receive funding. The application period for landlords closed on May 31, 2014.

Unit subsidies are provided based on affordability levels mirroring the methodology used for the federal Section 8 Housing Choice Voucher Program. According to the CDBG-DR Action Plan, funding priority is given to households earning at or below 50% of area median income. Rental payments may not exceed: (1) 30% of income for a household earning 80% of area median income and (2) 30% of income for a household earning 50% of area median income for “deeply affordable units.” Rental property owners receive an amount approximate to the difference between 30 percent of a tenant’s monthly income and federal fair market rents. Grant awards are based on the county, number of bedrooms at the property, and the tenant’s monthly income. Assistance is provided for up to two years.

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that 91 applications to create 576 affordable housing units had been approved. The program had an uncommitted balance of $1.78 million that would support an additional 92 units. The State expected to award these funds by August 2015. According to the “Superstorm Sandy CDBG-DR Dashboard” the State has obligated $15.2 million for landlord incentive payments and disbursed $8.3 million. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that there are 91 projects totaling 603 units.

**Question:** What additional amount of Landlord Incentive Payments were received and approved, respectively? Has the department awarded the balance of Landlord Incentive Program Funds? If not, when will new funding awards be announced? How many units will be supported by these funds?

The Landlord Incentive Program (LIP) has committed $14.2 million to existing projects. The current balance on the RFP is $1.2 million. These funds will be used to increase the funding to existing contracts, on an as-needed basis, to ensure that the contract has sufficient funds to cover LIP subsidies through the remainder of the contract term, which ends August 31, 2017. To date, there are 576 active units in this program; the remaining units were sold and are no longer in the program.
30. New Jersey allocated $70 million from the first tranche of Community Development Block Grant-Disaster Recovery (CDBG-DR) to the Fund for Rehabilitation of Small Rental Properties, also known as the Landlord Rental Repair Program (LRRP). According to the CDBG-DR Action Plan, more than 70% of the rental properties in the areas most impacted by Superstorm Sandy have less than 20 units. The LRRP provides up to $50,000 per storm-damaged unit, or 100% of the estimated cost to repair the property as determined by the State, to assist eligible landlords in repairing their residential rental properties. As a condition of receiving funds, the landlord must rent the units to low-to-moderate income households at approved affordable rents following the completion of repairs. LRRP funds are intended to close the difference between the cost to repair the rental units and other funds the landlords received to repair the structure, including Small Business Administration loan funds.

Eligible property owners must meet a series of qualifications to receive LRRP funds: (1) the property must have 25 or fewer total units; (2) the owner must certify that the property will be used for year-round rental housing, rather than as a second home or seasonal rental property; (3) the housing units must be vacant, or if occupied with tenants, have had repairs completed prior to the LRRP application submission date; (4) housing units must be rented to low-to-moderate income households after project completion; (5) rents may not exceed 30% of monthly income for a household earning 80% of area median income and (6) the property must have sustained damage from Superstorm Sandy and require rehabilitation or construction. Program information indicates that a funding preference will be given to properties with seven or fewer housing units, mold remediation needs, and housing units that will be dedicated for special needs populations. Manufactured homes are not eligible for LRRP funding.

In response to Fiscal Year 2016 OLS Discussion Point, the department responded that the LRRP had awarded $23.6 million, disbursed $12.3 million, and reimbursed landlords $7.0 million for repairs made prior to the application submission deadline. The department anticipated 900 units would be rehabilitated at an average cost of $45,000 per unit. All rehabilitations were expected to be completed in calendar year 2016. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that 508 property owners representing 775 housing unit had signed a LRRP grant agreement. 338 properties were under construction and about 125 housing units were leased at affordable rates to low-to-moderate income tenants. The “Superstorm Sandy CDBG-DR Dashboard” shows that the State has obligated $55.8 million and disbursed $40.8 million to support 844 units at an average cost of $66,156.

**Question:** What amount of LRRP funds have been awarded and disbursed respectively? What amount of LRRP funds has been paid as reimbursement for repairs conducted prior to the application date? What accounts for the higher than anticipated average unit rehabilitation cost? How many units does the department anticipate will be rehabilitated in Fiscal Year 2016 and Fiscal Year 2017, respectively? At what average cost? How many of these units are now occupied by low- and moderate-income households? Does the department anticipate that the LRRP will meet its anticipated goal of rehabilitating 900 housing units?

As of March 22, 2016, $32,253,134 in LRRP funds has been awarded, and $20,036,135 has been disbursed. Of those funds, $10,338,407 has been paid as a reimbursement for repairs conducted prior to the application date.
Discussion Points (Cont’d)

The average rehabilitation cost per application is $66,156, but the average per-unit cost is $43,234. The “per-application” cost would naturally be greater than a “per-unit” cost since many LRRP applications contain more than one unit. Thus, the anticipated average per-unit rehabilitation cost was not greater than expected. To date, 191 units are occupied by low- and moderate-income households.

In Fiscal Year 2016, LRRP anticipates 240 units will be rehabilitated. In Fiscal Year 2017, LRRP anticipates 417 units will be rehabilitated. DCA anticipates rehabilitating 700 housing units.
31. New Jersey’s Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan allocated $25 million for the Sandy Home Buyer Assistance Program (SHAP). Managed by the New Jersey Housing and Mortgage Finance Agency (NJHMFA), SHAP provides eligible low- and moderate-income households loans to purchase a home in one of the nine counties most impacted by Superstorm Sandy. Qualified homebuyers may receive up to $50,000 in assistance in the form of a subordinate mortgage. There are no monthly payments and the loan is forgiven 20% per year over a five-year period. Homebuyers must have a credit score of 620 or higher. The State anticipated providing assistance to 500 to 600 homeowners.

The NJHMFA has previously indicated that 9,000 applications were submitted to SHAP before the application period closed on September 30, 2013. During the Fiscal Year 2016 budget process, the NJHMFA indicated that the SHAP awarded $13.3 million to support 285 loans. The agency noted that it was on track to award approximately 465 loans through the end of the program (Fiscal Year 2017). The NJHMFA anticipated disbursing $4.5 million to support 95 loans in Fiscal Year 2016. The “Superstorm Sandy CDBG-DR Dashboard” indicates that $18.6 million has been disbursed to support 345 loans. In CDBG-DR Action Plan Amendment No. 18, the State proposes the transfer of $4.5 million from SHAP to support the Essential Services Grant Program.

In April 2015, the Office of the State Auditor (OSA) released a report for the Sandy Home Buyer Assistance Program. The OSA found that the NJHMFA did not prioritize the homebuyers’ need for assistance or whether they were directly affected by Superstorm Sandy, but only whether they lived in, and were purchasing a home in, one of the nine most affected counties. The use of several different methods of calculating income also complicated the application process. Finally, the SHAP has a liquid asset limitation of $70,000 after the down payment has been made. The OSA noted that this raised concerns regarding recipients’ need for assistance.

**Question:** Why has mortgage assistance been provided to less than 4% of SHAP applicants? How many eligible applicants will not receive SHAP assistance if the proposed transfer of funds is approved? Please explain why the Sandy Home Buyer Assistance Program did not meet its goal of funding approximately 465 loans. What changes to the program did the NJHMFA make to the application and prioritization and income calculation processes in response to the audit report?

The SHAP Program received a tremendous response to the initial outreach and marketing campaign, which produced approximately 9,000 pre-applications. However, only 10% of those households responded to the request for documentation and provided a full application that would allow them to continue with the process. Ultimately, NJHMFA provided mortgage assistance to 39% of the 902 applicant households. Of the 902 applicants, 26% were denied SHAP funding based on either income or underwriting criteria, and 35% failed to submit a contract of sale on a home to continue with the program.

The SHAP program exhausted its entire waiting list and funded all eligible households; therefore, there are no eligible applicants that will not receive funding if the $4.5 million is transferred.
Discussion Points (Cont’d)

NJHMFA did not make any changes to the application, prioritization, or income calculation process in response to the OLS audit report, which was received on March 25, 2015. At that time, the program had already funded 82% of all loans that would ultimately be closed. To be fair and promote uniformity, NJHMFA deemed it appropriate to continue the program in the same manner so that all applicants would be evaluated and treated in a similar manner. It is important to note that the OLS audit report only found two incorrect payments out of 53 applications, totaling 1% of the sample dollar value.

With respect to prioritization, NJHMFA adhered to all requirements under the approved April 29, 2013 CDBG-DR Action Plan: specifically, that applicants were required to be LMI households with credit scores of 620 or higher, with the national objective being “low or moderate income.” Additionally, NJHMFA focused all advertising for SHAP towards residents of the nine counties most impacted by Superstorm Sandy. All applicants who received assistance from SHAP were renters in one of the nine counties who also purchased in these counties.

With respect to the question of determining need for assistance, a maximum asset “reserve” was created to allow a buyer funds to meet unexpected financial needs while limiting program participation to those applicants with assets over $70,000. The maximum allowable asset was calculated by averaging the maximum moderate income for a family of four in all nine counties, which rounded to $70,000. Any assets over the $70,000 limit were applied to the purchase of the home before any SHAP determinations were made and approved. No SHAP applicants received assistance with more than the allowable amount of assets.
32. The State allocated $10 million from the first tranche of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds for the Predevelopment Loan Fund for Affordable Housing. The Predevelopment Loan Fund for Affordable Housing was intended to serve as a source of low cost financing to help nonprofit developers cover expenses related to the development of affordable rental properties that are unsafe, underutilized, or in foreclosure. Managed by the New Jersey Redevelopment Authority (NJRA), the Predevelopment Loan Fund for Affordable Housing provides three-year loans in amounts between $100,000 and $500,000 per project at an interest rate not to exceed 2%. The loans are secured by a mortgage on the development site or other collateral satisfactory to the NJRA. Loan funds may be used for a variety of predevelopment costs incurred or after October 30, 2012, including, but not limited to project feasibility studies, environmental studies, legal fees, engineering studies, architectural fees, and other soft costs.

The primary purpose of a project must be to provide affordable rental housing units to individuals or families earning 80% of area median income. The Predevelopment Loan Fund for Affordable Housing Guidelines indicate that all loan disbursements must occur before May 13, 2015. In response to a Fiscal Year 2016 OLS Discussion Point, the NJRA noted that it did not anticipate completing loan disbursements by May 13, 2015. The agency noted that nonprofit developers must address significant challenges prior to loan disbursement, including providing adequate collateral and securing permanent construction financing. The deadline for loan disbursement is May 31, 2016. The NJHMFA anticipated disbursing $2.212 million by the end of Fiscal Year 2015 and $3.789 million by the end of Fiscal Year 2018. The “Superstorm Sandy CDBG-DR Dashboard” indicates that while $8.131 million has been obligated, only $2.9 million has been disbursed to support 1,200 units.

**Question:** Please provide an updated projection of the number of affordable housing units at projects supported by the Predevelopment Loan Fund. How many units have completed the redevelopment process and are now occupied? How many units are anticipated to be available by the end of Fiscal Year 2016 and Fiscal Year 2017, respectively? What accounts for the slow pace of fund disbursements? Does the department anticipate that the balance of funds available ($1.869 million) will be awarded to support new projects? Does the department anticipate that all loan disbursements will be made before May 13, 2016?

The Predevelopment Loan Fund supports 1,176 units. We anticipate 521 units to be available by the end of Fiscal Year 2016 and an additional 655 units to be available by the end of Fiscal Year 2017.

Non-profit developers face significant challenges prior to loan disbursement, including providing adequate collateral and securing permanent construction financing.

The Department anticipates awarding the balance of funds to support new projects but does not anticipate that all loan disbursements will be made before May 13, 2016.
Discussion Points (Cont’d)

33. New Jersey has allocated $60 million in Community Development Block Grant-Disaster Recovery (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 Superstorm Sandy. Managed by the New Jersey Housing and Mortgage Finance Agency, the SSNHF provides loans to for-profit and nonprofit developers for projects that combine rental housing and supportive services. Loan funds can be used to develop permanent supportive rental housing or community residences in which some or all of the units are affordable to low- and moderate-income special needs residents. Developers may apply for stand-alone financing or for program funding in conjunction with the Low Income Housing Tax Credit Program, tax-exempt bonds, and the Fund for the Restoration of Multifamily Housing. For projects that are 100% special needs housing with a total development cost of over $700,000, the maximum subsidy may not exceed 80% of total development costs. Projects that are 100% special needs housing with a total development cost of $700,000 or less may receive up to 100% financing in the SSNHF subsidy. 75% of SSNHF funding is allocated to households which are at or below 30% of area median income while 25% of SSNHF funding is allocated to benefit households with 30% and 80% of area median income.

In response to a Fiscal Year 2016 OLS Discussion Point, the department indicated that 99 units of special needs housing were funded through the SSNHF in Fiscal Year 2015. Based on the application pipeline an estimated 80 units of special needs housing would be funded in Fiscal Year 2016. The department anticipated making new funding awards in Fiscal Years 2015 and 2016 and was planning to undertake another round of outreach activities. The CDBG-DR Performance Report for the fourth quarter of 2016, 8 SSNHF projects creating 41 units completed construction by the close of 2015; 11 projects that will provide 7 units are currently under construction. The report indicates that SSNHF funds have been committed to 37 projects that will create 220 affordable housing opportunities. The “Superstorm Sandy CDBG-DR Dashboard” indicates that $38.1 million has been obligated to support 471 units; $18.9 million has been disbursed.

**Question:** What accounts for the continued slow pace of affordable housing production through the Sandy Special Needs Housing Fund? What number of special needs housing units in Fiscal Years 2016 and 2017, respectively will be funded with SSNHF monies? How many special needs housing units will be completed and occupied in each fiscal year? Does the department anticipate making new funding awards during the remainder of Fiscal Year 2016 and in Fiscal Year 2017? Is the NJHMFA still accepting applications from eligible developers?

We disagree with the premise that the pace is slow. Despite the complexity of the CDBG-DR rules, as of the date of this report $41.1 million has been committed across 61 projects with 485 beds. There are requests totaling over $14.4 million in the pipeline, accounting for an additional eight projects and 262 beds. An additional three projects (21 units) are projected to be funded in 2017, which will fully commit the Sandy Special Needs Funds.

NJHMFA continues to accept new applications while closely monitoring the availability of Sandy Special Needs Funds and further notifying applicants that an award of funds is subject to availability. NJHMFA shall advise developers through its website when applications are no longer being accepted.
Discussion Points (Cont’d)

34. In May 2011, the Department of Community Affairs (DCA), Department of Human Services, (DHS), and the New Jersey Housing and Mortgage Finance Agency (NJHMFA) announced the creation of the Special Needs Housing Loan Partnership Program (SNHPLP). The SNHPLP provides financing to create permanent supportive housing and community residences for individuals with developmental disabilities. Loan proceeds may be used for the acquisition and rehabilitation of existing three- and four-bedroom single-family homes and first floor three- and four-bedroom condominiums. Other housing arrangements of up to six bedrooms may qualify on a case-by-case basis, after consultation with the DHS Division of Developmental Disabilities (DDD). The program’s original stated goal was to create 600 units of special needs housing for persons with developmental disabilities by June 2013.

The SNHPLP is supported by monies in municipal affordable housing trust fund accounts. SNHPLP loans will not exceed $125,000 per bed, with a limit of $500,000 per property. Any municipal affordable housing trust fund dollars and DCA/NJHMFA financial contributions are counted towards the $500,000 cap. If total development costs exceed the $500,000 cap, the sponsor may seek additional sources of State (from entities other than DCA and NJHMFA) and non-State funding. According to the program guidelines, the State will match any municipal affordable housing trust fund contributions on a dollar-for-dollar basis up to a maximum of $250,000. If a municipality’s affordable housing trust fund is less than $250,000, the sponsor must use other State and non-State funds to match 20% of total development costs.

Projects without any support from municipal or State funds could receive up to 100% financing from the NJHMFA, DCA, and other available sources on a case-by-case basis. These projects will be permitted to exceed per bed and per property caps. The 100% financing element is limited to projects that will serve individuals leaving the State’s developmental centers, in support of the Developmental Center Closure Plan and Olmstead Settlement Plan, as well as projects participating in the Return Home New Jersey Initiative. Allocation of this financing may also be limited to projects located in counties that have been determined by the DDD to be a high priority for individuals leaving developmental centers.

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that 35 municipalities entered into a Memorandum of Understanding with the NJHMFA; 31 municipalities transferred approximately $12 million to the NJHMFA. The department indicated that 48 homes containing 191 bedrooms received loan commitments totaling $13.9 million from NJHMFA, $8.2 million from municipal affordable housing trust funds, $1.3 million from DDD sprinkler system subsidies, and $1.3 million from other sources. The total development cost for the 48 homes was $25.1 million, including acquisition, rehabilitation, fire suppression, and full ADA compliance.

The department anticipated $14.7 million would be available to support the SNHPLP in Fiscal Year 2016. The department’s spending plan anticipated Fiscal Year 2015 and Fiscal Year 2016 costs as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Acquisition</th>
<th>Rehabilitation</th>
<th>Homes/Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$3.1 million</td>
<td>$1.8 million</td>
<td>2 homes/8 beds</td>
</tr>
<tr>
<td>2016</td>
<td>$3.8 million</td>
<td>$2.1 million</td>
<td>11 homes/46 beds</td>
</tr>
</tbody>
</table>
Discussion Points (Cont’d)

• **Question:** Please provide a final Fiscal Year 2015 spending report and an updated Fiscal Year 2016 spending plan for the Special Needs Housing Partnership Loan Program, specifying acquisition costs and rehabilitation costs respectively. Please provide an updated statement of the number of supportive housing units that were completed in Fiscal Year 2015, and are anticipated to be completed in Fiscal Years 2016 and 2017, respectively. How many of these units are now occupied by eligible individuals? Please provide an updated list of municipalities that have committee affordable housing trust funds, and the amount transferred, to the SNHPLP.

The following chart reflects the final Fiscal Year 2015 spending report and an updated Fiscal Year 2016 spending plan for the Special Needs Housing Partnership Loan Program.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Acquisition</th>
<th>Rehabilitation</th>
<th>Homes/Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$2,132,001</td>
<td>$2,703,077</td>
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<tr>
<td>2016</td>
<td>$1,290,003</td>
<td>$2,778,932</td>
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</tr>
</tbody>
</table>

For Fiscal Year 2015, six units accounting for 26 beds were completed. For Fiscal Year 2016, approximately eight units and 32 beds will be funded. In Fiscal Year 2017, ten units with 40 beds are expected to be funded.

All six units (26 beds) funded in Fiscal Year 2015 are occupied by individuals with developmental disabilities.
The following is a list of participating municipalities:

<table>
<thead>
<tr>
<th>Municipality</th>
<th>County</th>
<th>AHTF Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>Hunterdon</td>
<td>$100,000</td>
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<tr>
<td>Bernards Twp.</td>
<td>Somerset</td>
<td>$500,000</td>
</tr>
<tr>
<td>Brick</td>
<td>Ocean</td>
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<td>Bridgewater</td>
<td>Somerset</td>
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<td>Byram Twp.</td>
<td>Sussex</td>
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</tr>
<tr>
<td>Clifton</td>
<td>Passaic</td>
<td>$160,000</td>
</tr>
<tr>
<td>Demarest</td>
<td>Bergen</td>
<td>$250,000</td>
</tr>
<tr>
<td>Denville</td>
<td>Morris</td>
<td>$250,000</td>
</tr>
<tr>
<td>Eatontown</td>
<td>Monmouth</td>
<td>$250,000</td>
</tr>
<tr>
<td>Edison</td>
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<td>$720,000</td>
</tr>
<tr>
<td>Emerson</td>
<td>Bergen</td>
<td>$187,500</td>
</tr>
<tr>
<td>Franklin Twp.</td>
<td>Somerset</td>
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</tr>
<tr>
<td>Hammonton Twp.</td>
<td>Atlantic</td>
<td>$100,000</td>
</tr>
<tr>
<td>Harmony Twp.</td>
<td>Warren</td>
<td>$250,000</td>
</tr>
<tr>
<td>Jackson Twp.</td>
<td>Ocean</td>
<td>$500,000</td>
</tr>
<tr>
<td>Lacey Twp.</td>
<td>Ocean</td>
<td>$250,000</td>
</tr>
<tr>
<td>Lincoln Park</td>
<td>Morris</td>
<td>$100,000</td>
</tr>
<tr>
<td>Little Egg Harbor</td>
<td>Ocean</td>
<td>$375,000</td>
</tr>
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</tr>
<tr>
<td>Metuchen</td>
<td>Middlesex</td>
<td>$100,000</td>
</tr>
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<td>North Brunswick</td>
<td>Middlesex</td>
<td>$250,000</td>
</tr>
<tr>
<td>Parsippany</td>
<td>Morris</td>
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</tr>
<tr>
<td>Princeton</td>
<td>Mercer</td>
<td>$250,000</td>
</tr>
<tr>
<td>Randolph</td>
<td>Morris</td>
<td>$250,000</td>
</tr>
<tr>
<td>Ridgefield</td>
<td>Bergen</td>
<td>$153,071</td>
</tr>
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<td>Robbinsville</td>
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<td>Roxbury</td>
<td>Morris</td>
<td>$500,000</td>
</tr>
<tr>
<td>Stafford Twp.</td>
<td>Ocean</td>
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</tr>
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<td>South Brunswick</td>
<td>Middlesex</td>
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<tr>
<td>Washington Twp.</td>
<td>Morris</td>
<td>$500,000</td>
</tr>
<tr>
<td>Wayne</td>
<td>Passaic</td>
<td>$250,000</td>
</tr>
<tr>
<td>West Orange</td>
<td>Essex</td>
<td>$250,000</td>
</tr>
<tr>
<td>Woodland Park</td>
<td>Passaic</td>
<td>$183,226</td>
</tr>
<tr>
<td>Summit Twp.</td>
<td>Union</td>
<td>$250,000</td>
</tr>
</tbody>
</table>
35. On March 2, 2015, the federal Department of Housing and Urban Development (HUD) announced the awarding of $150 million in rental assistance to state housing agencies through the Section 811 Project Rental Assistance Program ("Section 811"). Section 811 permits persons with disabilities who earn less than 30 percent of area median income to live in affordable housing. According to the HUD press release, state housing agencies and state Medicaid, and Health and Human Services agencies identify, refer, and support target populations of persons with disabilities who require community-based, long-term care services to live independently. This is a collaborative effort between HUD and the federal Department of Health and Human Services. The New Jersey Housing and Mortgage Finance Agency was awarded $5.099 million to assist 206 households.

The Section 811 Project Rental Assistance Program was authorized by the “Frank Melville Supportive Housing Investment Act of 2010,” (Pub.L.111-374). Under the program, state agencies that have entered into partnerships with state health and human services and Medicaid agencies can apply for Section 811 assistance for new or existing affordable housing units funded by Low Income Housing Tax Credits, the HOME program, or other sources of funds. Under the state health care/housing agency partnership, the health care agency must develop a policy for referrals, tenant selection, and service delivery to ensure that housing is targeted towards a population most in need of “deeply affordable supportive housing.” Section 811 assistance is provided as project-based rental assistance only. No funds are available for construction or rehabilitation. In addition to meeting the income eligibility requirement, one adult member of an eligible household must have a disability.

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that it has committee 40 of 103 State-funded rental assistance vouchers “...to demonstrate the State’s commitment to supportive housing and strengthen the application, which put a premium on leveraging.” The NJHMFA and the Department of Human Services has entered into an Inter-Agency Partnership Agreement regarding the Section 811 Program. The Agreement provides that the Section 811 Program will serve individuals leaving State psychiatric hospitals and developmental centers as well as those at risk of institutionalization.

Potential Section 811 units will be identified in two ways: (1) existing Low Income Housing Tax Credit projects would have the opportunity to compete for vouchers for tenants who earn 50% of area median income; (2) future Low Income Housing Tax Credit projects compete for vouchers for tenants who earn 34% of area median income. The department indicated that 16 of 18 projects awarded CDBG-DR assistance through the Fund for the Restoration of Multifamily Housing opted to participate in Section 811. There is no guarantee that all of these projects will be selected for Section 811, but they are the first to be included in the pool of applicants. Section 811 projects will be evaluated using the criteria using shown in the table below.

<table>
<thead>
<tr>
<th>Selection Criteria</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic Locations Reflecting Preferences of Target Population</td>
<td>4</td>
</tr>
<tr>
<td>Accessibility of the Units</td>
<td>3</td>
</tr>
<tr>
<td>Unit Mix Reflecting Need of Target Population</td>
<td>3</td>
</tr>
<tr>
<td>Suitability of Project Site</td>
<td>2</td>
</tr>
<tr>
<td>Access to Transportation, Employment, and Other Community</td>
<td></td>
</tr>
<tr>
<td>Integration Opportunities</td>
<td></td>
</tr>
<tr>
<td>Amenities Offered in the Project</td>
<td>1</td>
</tr>
</tbody>
</table>
The NJHMFA anticipated receiving applications from eligible program participants in the fourth quarter of calendar year 2015 and awarding the first vouchers in first quarter of 2016. The State expected to award 26 vouchers in the first year and 115 in the second year.

**Question:** How many eligible program participants submitted applicants for the Section 811 Rental Assistance Program? Has the NJHMFA selected program participants? If not, when does the NJHMFA expect to do so? How many rental assistance vouchers will be awarded to eligible individuals by the selected program participants? How many eligible individuals been referred for Section 811 by the DHS? Will the NJHMFA meet its stated goal of awarding 26 vouchers in the first year of the program and 115 vouchers in the second year of the program? How many vouchers does the NJHMFA anticipate will be awarded in Fiscal Year 2016 and Fiscal Year 2017, respectively?

NJHMFA has accepted applications from 16 developments for participation in the Section 811 Project Rental Assistance (PRA) Program under the Fund for Restoration of Multifamily Housing (FRM) second round in May 2015. The Department of Human Services (DHS) has selected 52 units from the 16 developments to serve the 811 PRA Program target population, which includes individuals leaving developmental centers and state psychiatric hospitals and individuals identified as at-risk of institutionalization.

Recently, two additional applications have been received, bringing the total number of participating developments to 18. DHS is in the process of selecting units from these additional applications. The final total of subsidized units has not yet been determined.

Construction of these developments is currently underway, and DHS will select residents for placement within the Section 811 units approximately 90 days prior to construction completion.

NJHMFA has awarded 52 vouchers to date, surpassing the first year goal of 26. NJHMFA anticipates awarding 115 vouchers in Fiscal Year 2016 and 74 vouchers in Fiscal Year 2017.
36. In September and October 2013, the New Jersey Housing and Mortgage Finance Agency (NJHMFA) received over $200 million in aid from the federally-supported Hardest Hit Funds for new foreclosure assistance programs intended to support homeowners struggling with the effects of the economic recession. The New Jersey HomeKeeper Program provides two types of financial assistance to eligible homeowners. Mortgage Payment Assistance is provided to eligible homeowners who, as a direct result of unemployment or underemployment, are already delinquent on their mortgage payments or are likely to become delinquent within 90 days of their HomeKeeper application. Reinstatement Assistance provides financial support that may be used as a one-time payment to settle mortgage arrearages accumulated during a period of unemployment or underemployment for those who have, by the time of their HomeKeeper application, regained sufficient income to pay all mortgage payments going forward. Loan proceeds are used to pay existing mortgage arrearages or an approved amount of the homeowner’s existing mortgage payments each month for a period of time not to exceed 24 months. Total program funding is $244,644,374.

In response to a Fiscal Year 2016 OLS Discussion Point the NJHFMA reported that 13,093 applied for assistance from the New Jersey HomeKeeper Program. As of March 31, 2015, the HomeKeeper Program had assisted 6,000 borrowers as follows: Mortgage Payment Assistance – 419 borrowers; Arrearage/Reinstatement Assistance – 426 borrowers; Mortgage Payment Assistance with Arrearage Assistance – 5,155 borrowers. The NJHMA also reported that there has been approximately $1.9 million in lien satisfaction recoveries. The funds can be recycled back into the Hardest Hit Fund program for future allocations. The NJHMFA also provided the following final spending plan for Fiscal Year 2014.

<table>
<thead>
<tr>
<th>Fiscal Year 2014 Activities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount Committed</td>
<td>$30,417,983</td>
</tr>
<tr>
<td>Administration, Personnel and Operations</td>
<td>1,767,762</td>
</tr>
<tr>
<td>Underwriting and Transaction Related Costs</td>
<td>531,252</td>
</tr>
<tr>
<td>Counseling Expenses</td>
<td>763,992</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$33,480,989</strong></td>
</tr>
</tbody>
</table>

According to the HomeKeeper Program performance report for the third quarter of calendar year of 2015 (July 1, 2015 – September 30, 2015), 13,162 borrowers have applied for assistance through the HomeKeeper program; 6,005 borrowers are receiving assistance while 6,965 borrowers were denied assistance. No applications are pending review. The State has provided approximately $226.1 million and expended $22.5 million on administrative support, outreach, and counseling. During the Fiscal Year 2016 budget process, the NJHMFA indicated that it anticipated spending $11.5 million to support 275 HomeKeeper loans in Fiscal Year 2015 and $9.5 million to support 250 HomeKeeper loans in Fiscal Year 2016. The NJHMFA anticipated all Hardest Hit Fund monies would be allocated by December 2017.

**Question:** Please provide a final Fiscal Year 2015 spending report and Fiscal Year 2016 and 2017 spending plans for the New Jersey HomeKeeper Program. As of March 31, 2016, how many homeowners have received Mortgage Payment Assistance, Arrearage/Reinstatement Assistance, and Mortgage Payment Assistance with Arrearage Assistance, respectively? What amount of HomeKeeper Assistance has been repaid? Have lien satisfaction recoveries been recycled into the HomeKeeper Program, the New Jersey Home Saver Program, or both? Does the NJHMFA expect to commit all HomeKeeper funds Program by December 2017?
The following accounts for the final Fiscal Year 2015 spending:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount Committed</td>
<td>$14,200,000</td>
</tr>
<tr>
<td>Administration, Personnel, and Operations</td>
<td>$1,281,243</td>
</tr>
<tr>
<td>Transaction Related Cost</td>
<td>$43,721</td>
</tr>
<tr>
<td>Counseling Expenses</td>
<td>$586,570</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,111,534</strong></td>
</tr>
</tbody>
</table>

The New Jersey HomeKeeper program committed all allotted funds in the third quarter of 2015. As a result, there is no HomeKeeper spending plan for Fiscal Year 2016 or Fiscal Year 2017.

The HomeKeeper program has assisted 6,005 borrowers through:

- Mortgage Payment Assistance – 419 borrowers
- Arrearage/Reinstatement Assistance – 427 borrowers
- Mortgage Payment Assistance w/ Arrearage Assistance – 5,159 borrowers

Approximately $3.4 million in HomeKeeper Assistance has been repaid. Lien satisfaction recoveries have not yet been recycled into either program. NJHMFA is currently in the process of determining how best to allocate the recycled funds.
37. The New Jersey HomeSaver Program was launched on July 31, 2015. The HomeSaver Program leverages Hardest Hit Fund monies to facilitate the refinancing, recasting, or permanent modification of the first mortgage loan on a home through a principal reduction or reinstatement payment to bring the household monthly payment to an affordable level. An eligible borrower must be at risk of foreclosure due to recent unemployment, loss, or reduction of income through new fault or their own, or other demonstrated financial hardships as defined in the program guidelines. A pre-assistance loan-to-value ratio of 115% or greater is considered a financial hardship indicative of imminent default. Homeowners are required to provide a financial hardship affidavit with appropriate documentation on the cause of hardship. The maximum level of assistance is $50,000 per household. Eligible homeowners are encouraged to contact their mortgage servicer to find out if they are participating in the HomeSaver Program.

Under current program guidelines, eligible homeowners:

- Must own and occupy a one- to three-family residential property as their primary residence;
- Owe an unpaid principal balance on existing mortgages on the home not greater than $429,619 for a one-unit dwelling or $550,005 for a two-unit or three-unit dwelling;
- Carry a first mortgage (if the homeowner’s first mortgage is an interest-only negative amortization mortgage, the homeowner can qualify for assistance under the Program only if the refinancing, recasting, or permanent modification places them in a fully amortizing mortgage product);
- Cannot be involved in an active or open bankruptcy;
- Cannot own any other residential real property;
- Cannot fail to satisfy lender underwriting guidelines.

If the qualifying first lien mortgage is delinquent, the loan servicer must utilize HomeSaver Program funds to bring the first lien mortgage current before applying Program monies to the homeowner’s principal balance. The loan servicer will reduce the qualifying principal balance in conjunction with a loan refinancing, recasting, or modification in the amount needed (up to the maximum amount of household assistance) to help the homeowner establish an appropriate level of affordability and/or mortgage debt. Loans in foreclosure may be eligible for assistance. After the fifth year, the HomeSaver loan is forgiven at the rate of 20% per year, and forgiven in full after the tenth year. If the homeowner refinances their mortgage or sells their property within the first five years of the loan closing date, the full amount of the loan is due and payable upon the sale, transfer, or refinancing of the property. The full amount also must be repaid if the homeowner no longer occupies the property as their primary residence.

Total New Jersey HomeSaver Program funding is $17,288,770. If all applicants receive the maximum loan amount, 345 homeowners will receive financial assistance. According to a “New Jersey HomeSaver Frequently Asked Questions” document available through the NJHMFA website, homeowners receiving assistance through the HomeKeeper Program may apply to receive additional funding through the HomeSaver Program but there is an overall benefit cap of $98,000.

- Question: Please provide Fiscal Year 2016 and Fiscal Year 2017 spending plans for the New Jersey HomeSaver Program. As of March 31, 2016, how many homeowners have applied for HomeSaver assistance? How many homeowners have
Discussion Points (Cont’d)

received HomeSaver assistance?  How many HomeSaver Program participants also received assistance through the HomeKeeper Program?  Why are homeowners directed to apply through their mortgage services instead of through the NJHMFA directly?  How are the HomeKeeper Program and HomeSaver Program different?

The HomeKeeper program provides temporary financial assistance to New Jersey homeowners who were at risk of losing their homes to foreclosure as a direct result of unemployment or underemployment. The HomeSaver program provides assistance to facilitate a refinance, recast, or permanent modification of the first mortgage loan through a principal reduction and/or reinstatement payment to bring the household monthly payment to an affordable level.

The following chart reflects Fiscal Year 2016 and Fiscal Year 2017 spending plans for the New Jersey HomeSaver Program.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projected Loan Amount to be Committed</th>
<th>Projected Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2016</td>
<td>$9,400,000</td>
<td>235</td>
</tr>
<tr>
<td>Fiscal 2017</td>
<td>$6,300,000</td>
<td>158</td>
</tr>
</tbody>
</table>

A total of 1,055 homeowners have applied for HomeSaver assistance, and a total of 75 homeowners have received assistance. Mortgage Modification/Principal Reduction programs like HomeSaver typically have the lowest homeowner admission rates of all Hardest Hit Fund programs. Given the more stringent eligibility criteria, applicants are less likely to qualify for a loan modification, recast, or refinancing then they are for unemployment assistance. Eligibility to participate is also at the discretion of the individual investor.

A total of 21 HomeSaver Program participants have also received assistance through the HomeKeeper Program, all of whom have been subject to the overall benefit cap of $98,000.

Homeowners may apply for HomeSaver assistance via their Mortgage Servicer or a HUD Housing Counselor. Homeowners are directed to apply through their Mortgage Servicer because each servicer has its own modification/workout criteria.
Discussion Points (Cont’d)

38. The “Consolidated Appropriations Act, 2016” (Pub.L.119-113) authorized the federal Department of the Treasury to obligate up to $2 billion in additional Troubled Asset Relief Program funds for a fifth round of funding through the Hardest Hit Fund. On February 19, 2016 it was announced that the fifth round of funding will be allocated among participating housing finance agencies (HFAs) in two phases of $1 billion each. The announcement also stated that New Jersey will receive $69.2 million through Phase 1 of this new funding. The second allocation of funds will be awarded through an application process. States receiving additional funds have until December 31, 2020 to utilize their Hardest Hit Fund awards.

Phase 1 funding was allocated to states using a formula based on each state’s population and utilization of prior Hardest Hit Fund monies. In order to qualify, states must have drawn down at least 50% of their current Hardest Hit Fund monies. Each state was required to confirm their intention to accept some or all of the formula-based allocation by March 4, 2016. Access to the additional monies is contingent on the execution of amendments to each state’s existing contract with the federal Treasury. This process is expected to be completed by summer 2016.

Phase 2 will allocate $1 billion based on an application process that considers each state’s current housing market needs and their ability to effectively utilize additional funds. States have until March 11, 2016 to apply for Phase 2 funding. The Phase 2 application process is open to all participating HFAs. States may request up to 50% of their existing Hardest Hit Fund allocation or $250 million (whichever is lower). They must also demonstrate a need for additional funds for foreclosure prevention and housing market stabilization activities and the ability to utilize Hardest Hit Funds effectively. New Jersey may request a maximum of approximately $150.2 million. The federal Treasury will review these applications and announce final decisions by the end of April.

**Question:** Has the State accepted its Phase 1 allocation of new federal assistance through the Hardest Hit Fund program? Does the NJHMFA intended to use these funds to support existing programs (HomeKeeper and HomeSaver) or establish a new foreclosure prevention initiative? Does the State intend to wait until the Phase 2 allocations are announced before determining how Phase 1 funds will be utilized? Has the NJHMFA submitted an application for Phase 2 of the Hardest Hit Fund fifth round funding allocation? If so, please provide a copy of the State’s application. How much has the State requested? For what purposes will any additional funds be used?

NJHMFA received Board Approval on March 3, 2016 to accept the Phase 1 allocation of new federal assistance through the Hardest Hit Fund. The Phase 1 allocation will be used to fund a modified version of the HomeKeeper program. An application has been submitted for $150,274,072 in Phase 2 funding, which is the maximum amount allowed by federal regulations. If awarded, it is anticipated that additional funds could be used to fund current programs and/or establish additional foreclosure prevention and neighborhood stabilization initiatives, such as a possible Down Payment Assistance Program, a Transition Assistance Program, and/or a Blight Reduction Program.
39. P.L.2011, c.229 appropriated $7,403,340 from the Urban and Rural Centers Unsafe Buildings Demolition Bond Fund to implement a third round of funding under the “Urban and Rural Centers Unsafe Buildings Demolition Bond Act,” (“Act”) P.L.1997, c.125. The Act authorized the issuance of bonds in the amount of $20 million, the proceeds of which are to be used to finance the demolition and disposal of unsafe buildings in urban and rural areas. Voters approved the sale of the bonds at the general election held on November 2, 1997. The Act requires the Commissioner of Community Affairs to establish criteria for the approval of projects eligible for loans. A priority list was prepared based on the needs set forth in requests received from affected municipalities, agencies, and authorities. The commissioner gave priority to those projects that involve the demolition and disposal of an unsafe building as a prerequisite to the approved erection of a new building or that pose an imminent and extreme hazard to the health and safety of the community.

Section 1 of the Act required that the loans shall be for a term not to exceed 20 years, at an interest rate not to exceed four percent annually and upon such terms and conditions determined by the Commissioner of Community Affairs and the State Treasurer. Loan payments all appropriated funds not expended within the time period allowed under program rules are returned to the Urban and Rural Centers Unsafe Buildings Demolition Bond Fund. The demolition program is overseen by the Division of Codes and Standards. The chart below lists those municipalities that received funding pursuant to P.L.2011, c.229 and is updated to reflect the withdrawal of five municipalities from the program following the appropriation of funds and information provided by the department during the Fiscal Year 2016 budget process.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Amount of Loan Award</th>
<th>Total Reimbursement</th>
<th>Loan Award Balance</th>
<th>Buildings Demolished</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camden</td>
<td>$2,000,000</td>
<td>$706,580</td>
<td>$1,293,420</td>
<td>97</td>
</tr>
<tr>
<td>Irvington</td>
<td>$923,240</td>
<td>-</td>
<td>$923,240</td>
<td>-</td>
</tr>
<tr>
<td>Millville</td>
<td>$60,000</td>
<td>60,000</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Orange Twp.</td>
<td>$325,000</td>
<td>-</td>
<td>$325,000</td>
<td>-</td>
</tr>
<tr>
<td>Pleasantville</td>
<td>$174,000</td>
<td>98,743</td>
<td>$75,257</td>
<td>2</td>
</tr>
<tr>
<td>Vineland</td>
<td>$100,000</td>
<td>81,850</td>
<td>$18,150</td>
<td>3</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>3,582,240</strong></td>
<td><strong>947,173</strong></td>
<td><strong>2,635,067</strong></td>
<td><strong>106</strong></td>
</tr>
</tbody>
</table>

At the time this information was provided, 47 of the 97 buildings in demolished in Camden were pending reimbursement; the total reimbursement requested was $914,110. The department also noted that participating municipalities would be contacted to determine whether additional requests would be forthcoming.

**Question:** Of the amount appropriated by P.L.2011, c.229, what is the total amount expended, by municipality, for the demolition of unsafe buildings? How many buildings have been demolished? What is the total amount remaining for the demolition of unsafe buildings? Has the department issued any new requests for proposals? If so, please identify those municipalities that submitted proposals, and the amount requested. Has the department identified which proposals should be funded? If not, when does the department expect to do so?

The chart below lists eligible municipalities that received an award of funds under P.L.2011, c.229. The chart reflects participating municipalities only. Several municipalities withdrew from participation in the program following the appropriation of funds by the Legislature.
The Department has been in contact with municipalities regarding loan award balances. Camden, Irvington, Orange Township, and Pleasantville have indicated that they will submit for reimbursement to draw down remaining funds. Vineland has requested that its loan award be reduced to reflect the total amount spent ($96,650). The contract will be amended to return the unused portion of the award ($3,350) to the Demolition Bond Loan Fund.

The Department issues invitations to participate in the program as sufficient funds become available. On March 14, 2016, an announcement of Round 5 funding was sent to the mayors of the 77 Urban Aid and Rural Center municipalities, with copies to the business administrators and construction officials. Approximately $8.1 million is available, and applications are due May 9, 2016. Recommendations and awards are expected to be made by the end of Fiscal Year 2016.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Amount of Loan Award</th>
<th>Total Reimbursement</th>
<th>Loan Award Balance</th>
<th>Buildings Demolished</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camden</td>
<td>$2,000,000</td>
<td>$1,620,691</td>
<td>$379,309</td>
<td>98</td>
</tr>
<tr>
<td>Irvington</td>
<td>$923,240</td>
<td>$0</td>
<td>$923,240</td>
<td>0</td>
</tr>
<tr>
<td>Millville</td>
<td>$60,000</td>
<td>$60,000</td>
<td>$0</td>
<td>4</td>
</tr>
<tr>
<td>Orange Twp.</td>
<td>$325,000</td>
<td>$0</td>
<td>$325,000</td>
<td>0</td>
</tr>
<tr>
<td>Pleasantville</td>
<td>$174,000</td>
<td>$98,743</td>
<td>$75,257</td>
<td>2</td>
</tr>
<tr>
<td>Vineland</td>
<td>$100,000</td>
<td>$96,650</td>
<td>$3,350</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,582,240</strong></td>
<td><strong>$1,876,084</strong></td>
<td><strong>$1,706,156</strong></td>
<td><strong>108</strong></td>
</tr>
</tbody>
</table>

1 - Numbers are based on reimbursement paid to date.
Discussion Points (Cont’d)

40. To assist municipalities with their recovery efforts, New Jersey initially allocated $25 million in federal Community Development Block Grant-Disaster Recovery funds for the Unsafe Structure Demolition Program. This initiative provides funding to State agencies to identify structures damaged by Superstorm Sandy in need of demolition, demolish unsafe structures, remove debris, and perform any additional activities or address other costs ancillary or related to demolitions. Eligible properties must have been damaged by Superstorm Sandy and identified as an “unsafe structure” by the Division of Codes and Standards.

Executive Order No. 152 (E.O. 152) establishes the process that the DCA and property owners must follow after the DCA determines that a structure is eligible for demolition. The order also sets forth notice requirements, permits a property owner to accept or challenge the determination that a structure is eligible for demolition, and establishes a process for challenging the department’s findings. Before performing a demolition without consent of the property owner, the DCA must obtain a qualified, independent appraisal or the Sandy-impacted eligible structure. The DCA is required to notify the property owner, at least 10 calendar days prior to the appraisal, of the intended entry into the structure for purposes of performing the appraisal. An appropriately qualified individual must review competing appraisals and that review is binding on DCA. The New Jersey Department of the Treasury is authorized to enter into contracts necessary for the demolition of Sandy-impacted eligible structures identified by the DCA. E.O. 152 permits the DCA or a municipality to work with a property owner to secure an understanding whereby the property owner agrees to reasonably address the condition of a Sandy-impacted eligible structure within a reasonable period of time.

In response to a Fiscal Year 2016 OLS Discussion Point, the department anticipated the first demolitions would take place in the spring of 2015, with the bulk of the work executed in the current fiscal year. The average demolition cost was estimated to be $30,000. The Division of Property Maintenance in the Department of the Treasury had contracts with six engineering firms for the preparation of the design and specifications of the demolition projects. Contracts that have been prequalified by the Treasury will then bid for the actual demolition work. According to the CDBG-DR Performance Report for the fourth quarter of 2015, 95 properties were being prepared for demolition. The department was organizing these properties into bid groups; demolition will begin once contracts are awarded. Through CDBG-DR Action Plan Amendment No. 18, the State proposes to transfer $10 million from the Unsafe Structures Demolition Program to the Essential Services Grant Program.

- **Question:** How many demolitions of unsafe structures does the department anticipate will be accomplished in Fiscal Year 2016 and 2017, respectively? At what average cost? Has the Treasury Department awarded contracts to demolition firms for work performed under this program? If so, please identify each firm that has been awarded a contract, and the amount of the contract, respectively. At this point in the recovery process, what other resources are available to municipalities that continue to have difficulty managing the clearance of unsafe structures? Please discuss any challenges the department experienced in implementing and managing the Unsafe Structure Demolition Program.

The demolition of the eligible buildings has begun. The Department estimates that approximately 70 structures will be demolished in Fiscal Year 2016 and that the balance of the buildings, approximately six structures, will be demolished in Fiscal Year 2017. The Department of the Treasury has awarded one contract for the demolition of 11 residences;
bids are being prepared for contracts to be posted for the demolition of the remaining 60 structures. The first contract for $223,599 to demolish 11 residences was awarded to Joseph Hamilton Contractors, Automatic Door Systems, LLP, 86 Porete Avenue, North Arlington, NJ 07031.

The Department is not aware of other funding sources that are generally available to help municipalities address the demolition of other blighted structures. Municipalities that are designated as Urban Aid or Rural Centers may submit applications for Round 5 of funding for demolitions under the Unsafe Structures Demolition Bond Loan program, which is not a Superstorm Sandy-specific program. Letters announcing Round 5 applications were sent to all eligible municipalities on March 14.

The challenges that the Department experienced were a result of federal regulations governing the use of CDBG-DR funds, such as the federal Uniform Relocation Act, the National Environmental Policy Act and the National Emissions Standards for Hazardous Air Pollutants related to asbestos. The program was constrained to focus exclusively on demolishing homes where the property owner provided consent to the demolition. Other requirements, like ensuring the structure to be demolished was damaged by Sandy, also presented challenges.
41. The State has allocated a total of $11 million from the first two rounds of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to support code enforcement and zoning initiatives. The Division of Codes and Standards is authorized to use a portion of these funds to hire temporary personnel to assist the State and municipalities in providing an effective response to emergent situations cause by Superstorm Sandy. Following the storm, the division announced that it received approval to employ emergency temporary building, electrical, and plumbing code officials to assist in the provision of emergency code inspections as they relate to damaged caused by Superstorm Sandy. According to the division’s announcement, code officials would be hired on an hourly basis and paid a rate between $37.02 per hour and $45.11 per hour, based on licensure. Temporary code inspectors were placed throughout the State.

The department has previously projected that the additional code enforcement work would continue for three years, with 60% of the work performed in the first year and 20% performed in the second and third years. The division planned to offer full-time employment to temporary employees on an interim basis to meet code enforcement needs. Although temporary employees’ hourly wages would be paid by Uniform Construction Code fee revenues, the department noted “those costs incurred by the division during the response phase for temporary employees’ wages (regular and overtime hours) are reimbursable under the FEMA Public Assistance Program.”

In response to a Fiscal Year 2016 OLS Discussion Point, the department indicated that the Division of Codes and Standards had 22 temporary code inspections who can be assigned, as needed, to fulfill Sandy-related inspection requests from municipalities in the nine counties most impacted by Superstorm Sandy. Staff monitors the volume of inspection requests to determine the number of inspectors needed per week in a given municipality. The division hired five part-time inspections to full-time positions; three were assigned to the Sandy Code Enforcement initiative and two were absorbed elsewhere in the division. The department expended $3,391 in Fiscal Year 2013, $1,704,542 in Fiscal Year 2014, and $1,027,649 as of April 2015. The division anticipated an additional expenditures of $350,000 for the last quarter of Fiscal Year 2015 and costs totaling $1,400,000 in Fiscal Year 2016.

**Question:** How many temporary code inspectors are still employed by the Division of Codes and Standards? How many temporary code inspectors have been offered full-time employment? Does the division anticipate that additional staff will be needed beyond the three-year time frame initially anticipated in Fiscal Year 2014? What is the total amount expended for this purpose in Fiscal Year 2015? What amount of CDBG-DR funds does the department anticipate will be expended to support temporary code inspectors in Fiscal Year 2016 and Fiscal Year 2017, respectively?

There were 11 temporary code enforcement inspectors employed in the Code Enforcement Assistance Program as of March 4, 2016. DCA hired eight temporary code enforcement officials to full-time positions in the past three years. DCA anticipates that no code enforcement staff will be needed for the Code Enforcement Assistance program in Fiscal Year 2017. The Department informed the participating municipalities that the program would be closed effective April 30, 2016 based on funding limitations and discussions with HUD about the continued operation of the program. The Department also informed the
participating municipalities that a fee-for-service program will be available until August 31, 2016. To date, no municipalities have expressed an interest in the fee-for-service code enforcement option. The total expenditure of CDBG-DR funds for the Code Enforcement Assistance program in Fiscal Year 2015 was $1,405,323. The Department anticipates that the total expenditure for Fiscal Year 2016 will be $950,000. There will be no Fiscal Year 2017 expenditure.
Discussion Points (Cont’d)

42. $3 million of the $11 million in Community Development Block Grant-Disaster Recovery funds allocated for the code enforcement and zoning program has been reserved to provide financial support to municipalities for salaries and overhead related to the enforcement of State and local development and zoning code regulations. Funds awarded through the Zoning Code Enforcement Grant Program are intended to help municipalities meet the increase in demand for permits and inspections, and respond to an anticipated increase in local inquiries. Funding awards must be used to attend to areas that have begun to deteriorate and where reconstruction will arrest further decline. Program eligibility is restricted to municipalities located in the nine counties most impacted in and distressed by Superstorm Sandy that: 1) reduced assessments pursuant to N.J.S.A.54:5-35.12 on 100 or more properties after Superstorm Sandy; or 2) have seen a 10% increase in zoning application filings since November 1, 2012 that can be ascribed to Superstorm Sandy.

This program will operate for a maximum of two years. Individual grant awards will be for a term of 12 months and are limited to $100,000 in a 12-month period (an increase from the original limit of $60,000). Municipalities are permitted to use these funds to extend the hours of existing staff up to the normal, full-time workday, hire additional technical and administrative staff, procure experts, if necessary, for zoning application hearings, enter into operating leases for equipment, and pay for additional office space, if needed, to expedite local reconstruction of deteriorating properties in areas impacted by Superstorm Sandy. Grant funds may be used pay the salaries of municipal employees or procure staff from private firms on a temporary basis to allow code offices to operate more efficiently but they may not be used to pay overtime. Grant applications will be reviewed on a rolling basis. Applications will be accepted after the first 12 months for a second round of funding if funds allocated to the program have not been exhausted. Grant awards will be processed in the order that application evaluations are completed until such time as program funds are fully committed.

If a municipality does not meet the reduced property assessment criterion, it must provide evidence that it experienced or will experience at least a 10% increase in zoning applications as a result of damage to homes and businesses caused by Superstorm Sandy by submitting data on the number of zoning applications pending as of the date of the grant application and the percentage increase in zoning applications estimated to be filed in the next calendar year. Applicants must also explain how they intend to use grant funds to efficiently meet the projected increased demand for approval of reconstruction and renovation plans that are vital to recover from damage caused by Superstorm Sandy. The application must also include a 12-month budget that includes projected expenditures for increased salaries, employee benefits, consulting fees, and additional facilities that would be supported by the grant. If a municipality is approved to receive a grant, it must submit a resolution to DCA, adopted by the governing body, agreeing to comply with all CDBG-DR regulations prior to the execution of a grant agreement.

In its response to a Fiscal Year 2016 OLS Discussion Point, the department anticipated expended $927,062 in Fiscal Year 2015 and $1,502,577 in Fiscal Year 2016 for the Zoning Code Enforcement Grant Program. The department continued to accept applications and

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2 Under current law, a municipal assessor must assess a parcel of real property as that real property exists on October 1 of the pretax year. Section 1 of P.L.1945, c.260 (C.54:4-35.1) permits a municipal assessor, after having received written notice from a taxpayer, to utilize the assessing date of January 1 to adjust assessments to properties that have been materially depreciated as a result of a disaster that occurs between, but not including, October 1 and January 1.
Discussion Points (Cont’d)

anticipated that increasing the grant award from $60,000 to $100,000 would encourage greater municipal participation in the program. The CDBG-DR Performance Report for the fourth quarter of 2015 indicates that Brick Township, Highlands Borough, Little Egg Harbor Township, Little Silver Borough, Keansburg Borough, Seaside Park Borough, Toms River Township, and Union Beach Borough received financial assistance through the Zoning Code Enforcement Grant Program.

- Question: What amount of Zoning Code Enforcement Grant funds was expended in Fiscal Year 2015? What amount does the department anticipate will be expended in Fiscal Year 2016 and Fiscal Year 2017, respectively? Has increasing the grant award attracted additional municipal participation in the program? Please discuss the challenges the department experienced in persuading municipalities to participate in this program. Does the department anticipate that all Zoning Code Enforcement Grant funds will be expended?

DCA expended $242,077 of Zoning Code grant funds in Fiscal Year 2015. DCA anticipates expending $1,167,291 in Fiscal Year 2016 and $452,240 in Fiscal Year 2017.

The program was originally developed responsive to Mayoral requests during recovery efforts. However, as time progressed post-storm, many towns had already begun to address their backlogs with existing staff and resources. As a result, in many cases, the need for funding for this purpose had diminished. The initial grant ceiling of $60,000 did not appear attractive to many towns in light of the perceived onerous and time-consuming documentation and monitoring requirements driven by applicable federal regulations.

By increasing the grant amount from $60,000 to $100,000, DCA has attracted five additional municipalities: Berkeley Township, Mantoloking Borough, Monmouth Beach Borough, Middletown Township, and Ship Bottom Borough.

Despite four marketing attempts at the $60,000 level and two at the $100,000 level, interest remained low. The department does not anticipate that all Zoning Code Enforcement Grant funds will be expended.
Discussion Points (Cont’d)

43. In May 2014, the State transferred $5 million in federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to support the implementation of a Lead Hazard Reduction Program for homes impacted by Superstorm Sandy. The department noted that flooded homes built prior to 1978 are more likely to experience increased lead and other health hazards. Community-based organizations and local government units with experience in administering lead hazard and weatherization programs are permitted to apply for funding. Eligible program activities include the assessment of lead-based paint hazards in pre-1978 housing that contains one to seven residential units and the remediation or reduction of lead paint hazards in residential housing units. A “Notice of Funding Availability” issued by the department on August 27, 2014 provides, “DCA may elect to allow other moderate levels of repair to occur in combination with the lead paint, including addressing other environmental hazards, such as mold, as well as other ancillary costs to performing the work.”

Applicants were required to demonstrate that they have the resources and capacity necessary to deliver all elements of the Lead Hazard Reduction Program including, but not limited to, community outreach, applicant intake and processing, risk assessments, contractor selection and contract award activities, relocation and case management or relocated occupants, and project monitoring. Successful applicants are required to file quarterly progress reports with the department. Applications were due to the DCA Division of Housing and Community Resources by September 22, 2014 and applicants were to be notified on or about the week of October 1, 2014. The maximum grant award is $25,000 per unit, which includes up to $10,000 for relocation. There is no cap in the maximum amount awarded to any single applicant. The grant term is October 1, 2014 to May 31, 2016.

In response to a Fiscal Year 2016 OLS Discussion Point, the department noted that the Lead Hazard Reduction Program’s official start date was changed from October 1, 2014 to January 1, 2015 due to a lack of responses to the initial Notice of Funding Availability. A second notice elicited four responses. Three grants were executed in February 2015. The State has awarded $1 million to the Community Affairs and Resource Center (CARC) in Monmouth County to assist 40 units and $1 million to Ocean Community Economic Action Now, Inc. (OCEAN, Inc.) to assist 40 units. According to the CDBG-DR Performance Report for the fourth quarter of 2015, Lead Hazard Reduction Program subrecipients continue their outreach and marketing efforts. A total of 27 applications have been received; two are pending lead evaluation, seven are pending review, and 18 were determined to be ineligible.

• **Question:** What is the total amount expended for the Lead Hazard Reduction Program? How many owner-occupied and renter-occupied housing units were abated through the Lead Hazard Reduction Program in Fiscal Year 2015? How many units does the department anticipate will be abated in Fiscal Year 2016 and Fiscal Year 2017 respectively? What accounts for the slow pace of program expenditures? Please discuss any challenges experienced by the department and implementing this program. Does the department anticipate that all funds will be expended before the end of the grant period (May 31, 2016)?

As of March 2016, the Lead Hazard Reduction Program (LHRP) has expended $450,211. DCA anticipates that the LHRP will abate 15 housing units by the end of Fiscal Year 2016. An additional 125 units will be abated by the end of Fiscal Year 2017. One of the challenges that contributed to the slow pace of program expenditures is a restricted pool of potential applicants.
Lead abatement is an eligible expense under the Reconstruction, Rehabilitation, Elevation, and Mitigation Program (RREM), the Landlord Rental Repair Program (LRRP), and the Low and Moderate Income Homeowners Rebuilding Program (LMI Program). Lead abatement at these properties would be paid for through grants from those programs, so under the LHRP’s original guidelines applicants who received funding through RREM, the LMI Program, or LRRP were not eligible for LHRP funding under the original guidelines. The LHRP was restricted from providing lead hazard reduction services to applicants who had also received funds through the RREM, LRRP, or LMI Programs. At least 18 potential applicants were deferred due to this restriction. Based on feedback from LHRP sub-recipient organizations, DCA anticipates that there are many other potential applicants who did not apply because their properties received funds through RREM, LRRP, or the LMI Program.

That said, with the funds remaining in LHRP, DCA staff is now examining opening LHRP to RREM, LRRP, or LMI Program applicants who have maximized their CDBG-DR grant award, but still have an unmet funding need to complete construction that includes a need for funds for lead abatement.

Staff is exploring revisions to the program guidelines that would allow the pool of eligible applicants to be expanded to those who received funds from other Sandy programs.

Another challenge is the program’s federal requirement that housing located in a flood hazard zone must carry appropriate flood insurance. This requirement has proven challenging for applicants; 79 potential applicants have been deferred because their projects are located in a flood hazard zone but do not carry appropriate flood insurance.

Finally, some applicants have had difficulty meeting the program’s federal requirement that properties must demonstrate a tie to Superstorm Sandy. Acceptable documentation includes a FEMA letter, a homeowner’s insurance claim, or a flood insurance claim. Sixteen applicants have been deferred because they were unable to supply proper documentation of a tie to the storm.

DCA does not anticipate that all funds will be expended by the end of the grant period on May 31, 2016. DCA has requested a one-year extension of the program, which will allow time for all funds to be expended.
Discussion Points (Cont’d)

44. Established in 2013, the Sandy Recovery Division is responsible for the overall management of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds distributed to New Jersey by the federal Department of Housing and Urban Development. Personnel data on page D-47 of the Fiscal Year 2017 Budget show that the division’s staff increased from 62 filled positions in Fiscal Year 2015 to 78 filled positions for Fiscal Year 2016. The Executive recommends 82 filled positions for the Sandy Recovery Division in Fiscal Year 2017.

As of April 2015, there were 84 filled positions expected for the Sandy Recovery Division with a total cost of $8.7 million ($6.2 million for salaries and wages and $2.5 million for employee benefits). In response to a Fiscal Year 2016 OLS Discussion Point, the department indicated that the Sandy Recovery Division expected 91 filled positions in Fiscal Year 2016 at a total cost of $10.1 million ($7.1 million for salaries and wages and $3.0 million for employee benefits). The department noted that 11 new auditor positions were added to the Sandy Recovery Division’s Compliance & Monitoring and Internal Audit Team to reduce costs and decrease reliance in outside contractors. The department noted that the current contract for outside auditors was approximately $9.6 million for 2 years. Having this work performed by State employees would save $7.7 million.

The “Disaster Relief Appropriations Act, 2013,” (Pub.L.113-2) requires all CDBG-DR funds to be obligated by September 30, 2017 and mandates grantees to expend all funds within 24-months of the date on which the Department of Housing and Urban Development obligated funds to the State. The federal Office of Management and Budget may waive the 24-month expenditure deadline.

• **Question:** Does the department anticipate that all CDBG-DR funds (other than Rebuild by Design) will be expended by September 30, 2017? If not, when is the deadline for the expenditure for all CDBG-DR funds (other than Rebuild by Design)?

The State is not forecasting that it will expend all CDBG-DR funds by September 30, 2017. The expenditure deadline, per HUD guidelines, is September 2019.

• **Question:** Please provide an updated Fiscal Year 2016 spending plan, and a Fiscal Year 2017 spending plan, for the Sandy Recovery Division. What accounts for the difference in the number of anticipated (91) and revised (78) positions filled in Fiscal Year 2016? Is the department on track to realize anticipated savings of $9.6 million by bringing auditing work in-house? If not, what is the total amount of savings realized? Has the department begun planning for a reduction in Sandy Recovery Division functions as various CDBG-DR programs wind down?

The difference in the Fiscal Year 2016 projection of 91 as opposed to the expected 82 is due to greater attrition than expected. The auditing services required by HUD were formerly performed by an external auditor, which has been replaced with internal staff (10), allowing DCA to save approximately $7.5 million over two years. DCA will continue to manage resources and plan accordingly as we move closer to the expenditure deadline.
Discussion Points (Cont’d)

45. The New Jersey Historic Trust (NJHT) was created in 1967 to advance the preservation of the State’s historic properties through financial, educational, and stewardship programs. Originally established in, but not of, the Department of Environmental Protection, the NJHT was transferred to the Department of State in 1998 and then to the Department of Community Affairs in 2002 by Executive Reorganization Plans. The NJHT runs a number of programs that provide grants and loans for a variety of historic preservation, restoration, and repair projects. The NJHT is supported by the proceeds of various State bond issuances, private donations, revenues deposited in the Historic Preservation License Plate Fund, and from time to time, legislative appropriations.

The Executive’s Fiscal Year 2016 budget recommended that $46.219 million be appropriated to the Department of Environmental Protection for “Open Space, Farmland, and Historic Preservation – Constitutional Dedication.” A language provision on page D-116 of the Fiscal Year 2016 Budget recommended that 97% of these funds be appropriated to the Department of Environmental Protection and the Department of Agriculture. The remaining 3%, or $1,386,570, was recommended for the Department of Community Affairs. The recommended budget language required the Commissioner of Community Affairs to “establish, implement, and oversee a program to provide funding, including loans and grants, for the preservation and stewardship of land for historic preservation”.

On March 26, 2015, the Department of Community Affairs announced that the NJHT was accepting applications for the “Corporation Business Tax Historic Preservation Fund.” Fiscal Year 2016 funding was intended to support capital preservation grants. Capital preservation grants may be used for construction expenses related to the preservation, restoration, repair, and rehabilitation of historic property and professional fees necessary to prepare and complete the construction project. All proposed projects should be supported by previous investigations, such as preservation plans or assessments. Eligible applicants were nonprofit organizations or units of county or municipal government. Eligible projects were required to be listed on the New Jersey Register of Historic Places by December 31, 2015. The maximum grant request was $150,000 and required a match of $2 for every $3 in award money. Potential applicants were required to submit a Letter of Intent to Apply by April 14, 2015; applications were due by June 25, 2015. According to the NJHT website, 54 applications requesting $6 million were submitted.

The Fiscal Year 2016 Appropriations Act did not include the recommended appropriation of Corporation Business Tax revenues and the accompanying language dedicating funds for historic preservation grants. The Fiscal Year 2017 Budget assumes restoration of this funding for Fiscal Year 2016 ($40.457 million) but implementation of this recommendation will require Legislative approval. The Fiscal Year 2017 recommends a funding level of $37.475 million for the “Open Space, Farmland, and Historic Preservation – Constitutional Dedication” and includes language provision appropriating 3% ($1,124,250) to the Department of Community Affairs for historic preservation loans and grants.

**Question:** What is the status of Fiscal Year 2016 Corporation Business Tax Historic Preservation Fund applications? Has the New Jersey Historic Trust determined which Fiscal Year 2016 applications will be funded in anticipation of legislative approval of the recommended supplemental appropriation, or will the NJHT ask for new Fiscal Year 2016 funding proposals? If funding is authorized for Fiscal Year 2017 only, will the NJHT set aside a portion of funding for Fiscal Year
2016 applicants, or will they be required to submit new proposals? When will the Fiscal Year 2017 Corporation Business Tax Historic Preservation Fund application and guidelines be available?

Absent an appropriation, no final decisions have been made. Should funds become available, the Trust anticipates making awards to applicants answering the Spring 2015 Notice of Fund Availability.
46. The Fiscal Year 2016 Appropriations Act allocated $5 million to two organizations for prisoner reentry services. $3.5 million was awarded to the New Jersey Reentry Corporation (NJRC) to provide one-stop re-entry services in Newark City, the City of Jersey City, Paterson City, and Toms River Township. $1.5 million was awarded to Volunteers of America to provide expanded reentry services in Atlantic City and Trenton City. According the NJRC website, program participants receive individualized assessments and treatment plans that address essential needs, such as housing, mental health care, medical care, and access to health insurance and other public benefits. The NJRC also provides job training, employment counseling and employment placement programs as a means of reintegrating probationers into the general population.

The New Jersey Comprehensive Financial System indicates that of the $3.5 million for the New Jersey Reentry Corporation, $1.75 million has been expended and $1.75 million is encumbered. Of the amount allocated to Volunteers of America, $750,000 has been expended and $750,000 in encumbered. On February 19, 2016, NJSpotlight reported that Volunteers of America was awarded $750,000 to launch a reentry program in Trenton City. The Fiscal Year 2017 Budget does not recommend additional appropriations for the NJRC or Volunteers of America.

**Question:** What reentry programs and services offered by the NJRC and Volunteers of America, respectively, were supported by the State appropriations? Were these funds used to create programs or supplement existing initiatives? How were funds divided among the four NJRC locations (Jersey City, Newark, Paterson, and Toms River)? How were funds divided between Atlantic City and Trenton? How many additional probationers received services supported by the NJRC and Volunteers of America, respectively? What services currently offered by the NJRC, Volunteers of America, or both, will be provided if the State appropriations are not renewed? Does the department anticipate that funds appropriated to both programs will be fully expended by the end of Fiscal Year 2016? If not, why not?

**NJRC**
NJRC is currently using Fiscal Year 2016 funds in support of new re-entry programs in Jersey City, Paterson, Newark, and Toms River. Funds were split evenly among the four sites during the initial program development and implementation period for the $3.5 million grant, which was executed on November 12, 2015. A 50% advance was provided. To date, expenses in support of the advance have been submitted for just under $500,000.

As a new provider, NJRC needed to locate and staff sites before delivering services. According to NJRC’s February 2016 progress report, 119 people have received re-entry services in Jersey City and 49 people have received services in Newark. The Paterson site opened to clients on February 22, 2016 and noted that it had served eight people as of the February 2016 report. The Toms River site began serving clients on March 14, 2016.

**VOA**
VOA is currently using Fiscal Year 2016 funds in support of new re-entry programs in Atlantic City and Trenton. Funds were split evenly between the two sites. This $1.5 million grant was executed on November 24, 2015, and a 50% advance was provided. Expenses in support of the advance have been submitted for just over $500,000.
Discussion Points (Cont’d)

According to VOA’s February 2016 progress report, 318 people have received re-entry services and case management in Atlantic City, and 110 people have received services in Trenton.

These grants to NJRC and VOA are intended to specifically target individuals who are not on parole or other supervision post release. These individuals are not eligible for existing re-entry programs, which exclusively serve those who are released under supervision. NJRC and VOA offer housing placements and supports, addiction and mental health treatment, and job training and placement.

DCA does not expect that either program will expend the full amount of its grant by the end of Fiscal Year 2016 but anticipates that the full amount will be expended by both programs by the end of Calendar Year 2016. NJRC did not execute its grant until November 12, 2015, and VOA did not execute its grant until November 25, 2015. Both organizations were establishing new programs and new program sites, which can often present delays in implementation and expenditures. As both organizations have executed their grants and established their programs, DCA anticipates that they will expend funds in a timely fashion.

It is unknown to the Department which services may continue to be provided by NJCR and VOA if additional grant funding is not provided in Fiscal Year 2017.
Discussion Points (Cont’d)

47. The Fiscal Year 2016 Appropriations Act allocated $1.5 million to the City of Orange Township – Community Center for Youth and Seniors and $1 million for the City of Newark Anti-Violence Out-of-School Summer Program. Information available through the New Jersey Comprehensive Financial System indicates that 50% of the amount appropriated for each initiative has been expended and 50% is encumbered. The Fiscal Year 2017 Budget does not recommend funding for either program.

• Question: Please describe how the City of Orange Township used these State funds to support its community center for youth and seniors. Did these funds support existing municipal programs, new initiatives, capital projects, or all of these purposes? Why are 50% of the State appropriations unexpended? Does the department anticipate that all funds will be expended before the end of Fiscal Year 2016? If not, why not? How will the elimination of this funding affect the City of Orange Township’s ability to provide services to its residents?

The Fiscal Year 2016 Appropriations Act allocated $2.5 million to the City of Orange Township – Community Center for Youth and Seniors. The City will use the $2.5 million in support of a new capital initiative to acquire and renovate a disused YWCA facility for the provision of recreation and cultural programming for the City’s residents. Several existing social service providers will also be afforded office space within this Community Center, located at 395 Main Street. This Fiscal Year 2016 contract was executed on January 22, 2016, and a 50% advance was provided. Expenses in support of the advance have not yet been submitted.

DCA does not anticipate that this grant will be fully expended before the end of the contract term, as the City of Orange has not completed acquisition of the property. DCA is awaiting confirmation of the following anticipated activities: site acquisition, renovation start and end dates, and the anticipated date of the grand opening.

Elimination of Fiscal Year 2017 funds targeted to this project would not impair the City’s ability to provide services, as the facility will be acquired and renovated with Fiscal Year 2016 funds.

• Question: Please describe how the City of Newark used these State funds to support its “Anti-Violence Out-of-School Summer Program.” Did these funds support an existing program or a new initiative? Please discuss any efforts by the City of Newark and the Newark Public Schools to coordinate summer school program and services. How many Newark school students received services or participated in programs supported by these funds? Why are 50% of State appropriations unexpended? Does the department anticipate that all funds will be expended before the end of Fiscal Year 2016? If not, why not? How will the elimination of this funding affected summer school programs offered by the City of Newark?

The City of Newark will use $1 million in Fiscal Year 2016 funds in support of the Newark Street Academy (NSA), a new 12-week educational and training program that will be run four times during the calendar year. Sixty young people between the ages of 16 and 24 will be paid $10 an hour to attend full-day academic and job training programs designed to engage those young people who have dropped out of school, or who are at risk of dropping out. This program is not connected with the Newark public school system.
This grant was executed on February 18, 2016, and a 50% advance was provided. Expenses in support of the advance have not yet been submitted. Funds are not expected to be expended by the end of Fiscal Year 2016, due to the nature of the programming. DCA is awaiting programmatic start dates, as well as an estimate of grant funds that will remain unexpended at the term end date.

The Fiscal Year 2016 funds provided will fund four, 12-week cycles of the NSA. If Fiscal Year 2017 funds are not provided, the program will need to seek alternate funding for future cycles.
## City of Atlantic City
### CY 2015 Budget
### USD

A summary of the 2015 (Municipal only) budget is provided below:

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<thead>
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<th>TOTAL</th>
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| DISBURSEMENTS | | |
| Salaries and Wages | $ 84.2 |
| Grants (Out) | 38.5 |
| Debt Service | 34.7 |
| Reserve for Tax Appeals & Overpayments | 29.2 |
| Reserves | 23.3 |
| Other Expenses | 15.4 |
| Other | 13.6 |
| Employee Group Insurance | 12.0 |
| Utilities | 6.8 |
| Statutory | 5.0 |
| **Total Disbursements** | **$ 262.4** |

**Surplus / (Deficit)** $ -
<table>
<thead>
<tr>
<th></th>
<th>CY 2015</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AID (identified in City Budget):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CDBG-DR Sandy Essential Services Grant</td>
<td>14.8</td>
<td>44.1 A</td>
</tr>
<tr>
<td>Transitional Aid</td>
<td>13.0</td>
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<tr>
<td>CMPTRA</td>
<td>10.0</td>
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<tr>
<td>Energy Receipts Tax</td>
<td>6.3</td>
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<tr>
<td>Total Aid - Identified</td>
<td>44.1 A</td>
<td></td>
</tr>
<tr>
<td><strong>CASINO ANTICIPATED REVENUE (identified)</strong></td>
<td>33.5 B</td>
<td></td>
</tr>
<tr>
<td><strong>ADDITIONAL TEMPORARY SOLUTIONS (not identified in City Budget):</strong></td>
<td></td>
<td>38.8 C</td>
</tr>
<tr>
<td>Delayed State health benefit plan payments</td>
<td>20.2</td>
<td></td>
</tr>
<tr>
<td>Delayed PFRS and PERS pension payments</td>
<td>18.6</td>
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</tr>
<tr>
<td>Total Additional Temporary Solutions - Not Identified</td>
<td>38.8 C</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AID AND ADDITIONAL TEMPORARY SOLUTIONS (identified/not identified)</strong></td>
<td>116.4 A+B+C</td>
<td></td>
</tr>
</tbody>
</table>
Status of DR-4086-NJ Community Disaster Loans as of March 17, 2016.

<table>
<thead>
<tr>
<th>At-a-glance</th>
<th>Obligated Amount</th>
<th>Amount Drawn Down</th>
<th>Interest Accrued through 3/31/2016</th>
<th>Principal Cancelled</th>
<th>Interest Cancelled</th>
<th>Total Principal + Interest</th>
<th>Loan Number</th>
<th>Maturity Date</th>
<th>Cancellation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Reviewed/Approved</td>
<td>60</td>
<td></td>
<td></td>
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<td></td>
<td>Full Disbursements</td>
</tr>
<tr>
<td>Loans not approved/not canceled</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Partial Disbursements</td>
</tr>
<tr>
<td>Loans not审批/not canceled</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No Cancellation</td>
</tr>
<tr>
<td>Loan Applications Pending</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>In Process</td>
</tr>
</tbody>
</table>

## Loans by Applicant

- **Atlantic Highlands, Borough of**: $2,108,876
- **Stafford Township**: $5,000,000.00
- **Keansburg, Borough of**: $3,954,766.00
- **Lavallette, Borough of**: $2,712,475.00
- **Toms River M.U.A.**: $4,679,306.00
- **Mantoloking, Borough of**: $831,074
- **Toms River Township**: $2,554,234.00
- **Sea Bright, Borough of**: $2,363,102.00
- **Monmouth Beach, Borough of**: $896,810.00
- **Seaside Heights, Borough of**: $1,829,324.00
- **Oceanport, Borough of**: $1,289,325.00
- **Toms River Fire District #1**: $667,667.00
- **Downe Township**: $195,236
- **Avon By The Sea, Borough of**: $1,626,160.00
- **Beach Haven, Borough of**: $2,752,255.00
- **Highlands, Borough of**: $2,363,102.00
- **Monmouth Beach, Borough of**: $896,810.00
- **Seaside Heights, Borough of**: $1,875,590.00
- **Seaside Park, Borough of**: $2,554,234.00
- **Tuckerton, Borough of**: $1,195,070.00
- **Ocean County**: $5,000,000.00
- **Little Egg Harbor Municipal Utilities Authority**: $1,337,926.00
- **Berkeley Township**: $5,000,000.00
- **Point Pleasant Beach, Borough of**: $3,382,590.00
- **Spring Lake, Borough of**: $2,103,350.00
- **Central Regional School District**: $5,000,000.00
- **Atlantic City, City of**: $5,000,000.00
- **Brigantine City**: $5,000,000.00
- **Ventor City, City of**: $5,000,000.00
- **Moonachie, Board of Education**: $2,082,941.00
- **Ocean County, Library Commission**: $5,000,000.00
- **Ocean County Vocational Technical School District**: $5,000,000.00
- **Seaside Heights, School District**: $1,043,805.00
- **Seaside Park, Board of Education**: $279,821.00
- **Toms River Regional School District**: $5,000,000.00

Additional loans with varying amounts and statuses are listed in the table.
### Status of DR-4086-NJ Community Disaster Loans as of March 17, 2016.

<table>
<thead>
<tr>
<th>Loans by Applicant</th>
<th>Obligated Amount</th>
<th>Amount Drawn Down</th>
<th>Interest Accrued through 3/31/2016</th>
<th>Principal Cancelled</th>
<th>Interest Cancelled</th>
<th>Total Principal + Interest</th>
<th>Loan Number</th>
<th>Maturity Date</th>
<th>Cancellation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brick, Township of</td>
<td>$5,000,000</td>
<td>$5,000,000.00</td>
<td>$190,993.15</td>
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<td>$0</td>
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<tr>
<td>Little Egg Harbor Fire District #2</td>
<td>$83,396</td>
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<td>$0</td>
<td>$0</td>
<td>EMN-2013-LF-4086NJ43</td>
<td>07/11/18</td>
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<tr>
<td>Manasquan, Borough of</td>
<td>$2,769,837</td>
<td>$2,128,458.36</td>
<td>$56,857.75</td>
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<td>$0</td>
<td>$0</td>
<td>EMN-2013-LF-4086NJ44</td>
<td>07/17/18</td>
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<tr>
<td>Manasquan, Fire District</td>
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<td>$0.00</td>
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<td>$0</td>
<td>$0</td>
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<td>Brick Township M.U.A.</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Bay Head School District</td>
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<td>$0</td>
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<td>EMN-2013-LF-4086NJ47</td>
<td>07/17/18</td>
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<tr>
<td>Highlands Elementary School District</td>
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<td>07/17/18</td>
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</tr>
<tr>
<td>Little Ferry School District</td>
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<td>$0</td>
<td>$0</td>
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<td>07/17/18</td>
<td>Not eligible for review until 2016</td>
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<tr>
<td>Manasquan, School District</td>
<td>$4,719,338</td>
<td>$2,193,948.46</td>
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<td>07/17/18</td>
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</tr>
<tr>
<td>Ocean County, Health Department</td>
<td>$5,000,000</td>
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<td>$0.00</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>EMN-2013-LF-4086NJ51</td>
<td>07/17/18</td>
<td>Not eligible for review until 2016</td>
</tr>
<tr>
<td>Ocean Gate School District</td>
<td>$460,955</td>
<td>$31,200.00</td>
<td>$796.17</td>
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<td>EMN-2013-LF-4086NJ52</td>
<td>07/17/18</td>
<td>Not eligible for review until 2016</td>
</tr>
<tr>
<td>Southern Regional School District</td>
<td>$5,000,000</td>
<td>$495,000.00</td>
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<td>$0</td>
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<td>07/17/18</td>
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<tr>
<td>Union Beach, School District</td>
<td>$4,158,107</td>
<td>$899,147.00</td>
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<td>07/23/18</td>
<td>Not eligible for review until 2016</td>
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<tr>
<td>Shore Regional School District</td>
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<td>$821,424.00</td>
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<td>07/23/18</td>
<td>Not eligible for review until 2016</td>
</tr>
<tr>
<td>Monmouth Beach, Board of Education</td>
<td>$1,157,161</td>
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<td>$0</td>
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<td>07/23/18</td>
<td>Not eligible for review until 2016</td>
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<tr>
<td>Tuckerton School District</td>
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<td>07/30/18</td>
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<tr>
<td>Point Pleasant, Borough of</td>
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<td>$4,702,202.00</td>
<td>$131,097.43</td>
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<td>EMN-2013-LF-4086NJ58</td>
<td>08/13/18</td>
<td>Not eligible for review until 2016</td>
</tr>
<tr>
<td>Oceanport, School District</td>
<td>$2,398,690</td>
<td>$434,153.00</td>
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<td>08/13/18</td>
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<tr>
<td>Union Beach, Borough of</td>
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<td>$2,057,145.00</td>
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<td>EMN-2013-LF-4086NJ60</td>
<td>08/13/18</td>
<td>Not eligible for review until 2016</td>
</tr>
</tbody>
</table>

**TOTALS** | **$174,023,761** | **$106,849,459.37** | **$2,643,538.97** | **0.00** | **$0** | **$0** |