

Testimony of Charles A. Richman
Commissioner, Department of Community Affairs
Hearing of the Senate Budget and Appropriations Committee
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State House Annex, Committee Room 4, 1st floor, 1:00 PM

Good afternoon, Chairman Sarlo, Vice-Chair Stack, and members of the Budget and Appropriations Committee.

Before we begin, I would like to introduce my colleagues: Cynthia McDowell and Priyank Patel.

This has been quite an eventful year at DCA – our 50th anniversary by the way. We celebrated DCA’s history with a program highlighting the services the Department has provided to local governments and residents and the lasting contributions that DCA programs have made in improving the quality of living in New Jersey. DCA was established to strengthen communities. Across decades of social and economic change – working with local officials and community leaders – it has helped municipal and county governments face and overcome challenges to promote safe, strong and diverse communities.

It is my job to recognize changing needs and understand what circumstances drive those changes. Even as new issues arise, such as how to best pursue recovery after the unprecedented Superstorm Sandy disaster, some issues like housing affordability, property tax relief, and the needs of vulnerable populations to name a few, remain – although their saliency may wax and wane. To the extent that complex problems commonly mutate and resurface it is imperative that we stay abreast of emerging best practices and respond with fresh eyes to every situation so that we can tailor our assistance to the specific needs of each community.

New challenges arose this year, as they do every year. Notwithstanding the inevitable advent of the unexpected, the Department’s accomplishments this year have been substantial and I could not be prouder of the effort and the results that the DCA staff achieved this year. I am pleased to be able to share some of the highlights with you.

Local Government accomplishments

Since the creation of the Department, supporting municipalities to help them work efficiently and effectively for their residents has been central to DCA's mission. There are always a handful of municipalities that we determine need stronger guidance and aid than most. Usually, it comes as no surprise. Atlantic City was different in that regard. We were astonished by the magnitude and speed of the decline in Atlantic City revenues, which decreased from \$20 billion in 2011 to \$6.1 billion in 2017. The very good news is that in less than five months, the State has succeeded in reducing the tax rate, brokering a tax settlement with the Borgata for considerably less than the City had been able to negotiate, reducing department budgets and staff, reducing health care costs, and outsourcing certain functions that will yield savings in the next year or two. The city has introduced a balanced budget that has been trimmed by \$57 million and will produce a tax savings to residents with absolutely no reduction in city services.

In a recent *South Jersey Economic Review* article, Stockton University professor Oliver Cooke said Atlantic City's redevelopment "appears to be gathering momentum." He cites the decision of Hard Rock International to buy and reopen the closed Taj Mahal property and the reopening of the Showboat; Boraie Development's plans for a 250-unit apartment project; and the \$220 million Atlantic City Gateway Project, a public-private partnership with a new residential campus for Stockton University, retail, parking and an office tower for South Jersey Gas.

The Squawk Box program on CNBC recently interviewed Jim Allen, the Chairman of Hard Rock International, who noted that the decision to invest \$375 million to renovate and reopen the Taj Mahal now stemmed from the determination that bankruptcy is no longer a concern and confidence in the State's ability to effect necessary changes. The new casino will bring in 1,000 construction jobs beginning this summer and 3,000 permanent jobs when the casino opens next summer.

Recent legislation (A-312), directed DCA to expand the municipal budget data that the Department makes available online. DCA currently posts levies, abatements, exemptions, and tax rates for every municipality. DCA also reports property values by type, average property

taxes, average residential property values, and the number of parcels and total property value by type (i.e. residential, commercial). DCA will soon add property tax credit, deduction, exemption, and reimbursement programs to the Property Tax information sheet. With the update, taxpayers will see the average tax offsets in each municipality.

Financial Automation Submission and Tracking system (FAST): Another addition to the data bank that DCA is developing is an electronic system for municipal financial reporting. The new system will move the process from paper and Excel workbooks to a web-based application that can be opened from any device with internet access, without installing any additional software and at no cost to the local government. All the data collected will be available on the DCA website.

The Financial Automation Submission and Tracking system – or FAST – will be a repository for Annual Debt and Financial Statements, budget and an assortment of other documents. The automation of financial data will aid local entities with managing and providing the State required public disclosure of records and will become part of an interactive research website where their reported numbers can be compared and analyzed. The system will create a savings for municipalities and provide more information to the public. We are getting very close to selecting the vendor that will be retained to develop the various platforms and components of the system.

Quality of Life accomplishments

Lead Safety: Last year, DCA received an appropriation of \$10 million to pilot an effort to reduce the incidence of lead contamination in households with small children and pregnant women. In October of 2016, we implemented the Lead Safe Home Remediation Pilot Program. The purpose of this program is to identify and remediate homes with lead based pain hazards to prevent elevated blood lead levels in children and pregnant women. Through a competitive process, eight nonprofit organizations were selected to operate this program across the state. To date, 132 applications for remediation have been received by these agencies.

Prisoner RE-Entry: In Fiscal Years 2016 and 2017, New Jersey provided a total of \$10 million to offer innovative voluntary intensive supportive services to individuals who were incarcerated and are returning to their communities. These services are provided by the NJ Re-Entry Corporation and Volunteers of America Delaware Valley and include employment and job training, mental health and substance abuse treatment, housing referrals and general case management. Services are offered in Atlantic City, Jersey City, Newark, Trenton, Toms River and Paterson. Our goal is to learn if these interventions will reduce recidivism, enable individuals to contribute more fully to their communities and result in a savings for the State correctional system through a reduction in repeat offenses. DCA is working with the New Jersey State Parole Board to quantify re-arrest, re-conviction and re-incarceration rates over a three-year period to assist in determining the impact of the services. More than 2,400 people have availed themselves of the programs' services since they became available in late 2015.

Sober Living Homes: In response to the dramatic increase in opioid addiction and the Governor's determination to expand recovery options for people suffering from drug and alcohol addictions, we are recognizing and will be licensing a new class of boarding home to be known as Sober Living Homes. They are intended to provide an environment where recovery is the common bond and residents can find and provide mutual support.

Accomplishments in Housing

New Jersey significantly outperformed national trends on decreasing homelessness in 2016 according to the U.S. Department of Housing and Urban Development (HUD) Annual Homeless Assessment Report. The State is following a ten-year plan to end homelessness drafted for Governor Christie in 2014. At that time, the Governor also established a working group whose purpose is to actualize the recommendations in the plan. With the support of the Governor and his policy office, our sister agencies and individual members of the Interagency Council on Homelessness who serve on the working group, we have made meaningful progress in our effort to provide housing assistance to those who need it most.

The federal Housing Choice Voucher program provides more than \$200 million in rental assistance to 23,180 households. In Calendar Year 2016, 3,361 new households were given housing vouchers. Flexibility in this federal program has also allowed us to undertake special initiatives to meet the needs that we are seeing in New Jersey. Among them are the Camden Housing First Pilot that we introduced in 2015; Keeping Families Together, a cooperative venture with DCF to provide vouchers to serve families that are homeless and facing the placement of their children in foster care; and vouchers for Youth at Risk of Homelessness, another partnership with DCF to serve young adults who are homeless or at risk of homelessness.

We are gratified by the results we have observed in each of these pilot programs.

The Camden Housing First Pilot Program, which you may remember from previous testimony, is using 50 project-based Housing Choice Vouchers to help stabilize chronically homeless medically fragile individuals. To date, 40 individuals have been housed; an additional six individuals have been approved for vouchers and are in housing search. The program has been very successful in identifying and engaging with an extremely vulnerable target population. Of those being served, 92% have a substance use disorder diagnosis, and 43% of those have an opioid-related diagnosis. Eighty-four percent have a mental health diagnosis, and 78% have dual mental health and substance use disorder diagnoses. All participants have at least one chronic medical illness and are chronically homeless.

To illustrate, Peter B. was homeless for two years and struggled with alcohol abuse, hypertension, anxiety, depression, and chronic asthma. During that time, he incurred \$643,000 in hospital charges from 19 Emergency visits and 15 admissions (most of these became uncompensated Charity Care). In November 2015, Peter moved to his own housing unit. Since moving in and receiving services from South Jersey Behavioral Health Resources he has been hospitalized only once for a planned procedure.

Sandra H. has experienced homelessness on-and-off for 30 years. She is diagnosed with major depressive disorder, post-traumatic stress disorder, substance induced mood disorder, hypertension, and chronic heart disease. Sandra has suffered from substance use disorder for

over 30 years. In the two years prior to her participation in the Housing First program, she accrued unpaid fines and loitering charges across three municipalities, 101 Emergency visits and 17 hospital admissions. Sandra has been in her own home for only 3.5 months, but has experienced a 94% reduction in hospital visits.

The Camden Housing First Pilot program evaluation will include examination of hospital inpatient and emergency department utilization, jail time, housing assessment appointments, landlord interactions, rent payment timeliness, health status, home maintenance and public system cost reductions. While the program has not been operational long enough to see formal evaluation results, initial trends are very promising. Preliminary data has shown that in addition to their complex medical and behavioral health history, 65% of participants in the Camden Housing First Pilot have been involved with the criminal justice system in the past five years. Nevertheless, early analysis of the program suggests a 50% reduction in emergency department and inpatient admissions. We now believe that this initiative will result in reduced incarceration and recidivism, with an accompanying decrease in cost to the criminal justice system as well as to the hospital system.

The DCF/DCA effort to prevent the disintegration of families and to provide an opportunity for separated families to reunify, called **Keeping Families Together (KFT)**, was piloted with 50 vouchers. With stable housing and services designed to support their tenancy, those households are doing well. When they began the program, 91% of families had been experiencing homelessness or housing instability for more than one year, and 91% were single-parent households; 58% had a mental health diagnosis and 38% had a substance use disorder; 52% were living on less than \$5,000 per year, and 23% had no income.

A KFT story: When this family was referred to the program, the two children had been living in a resource home for the better part of two years and the client was involved in a sober living community. The client was housed in January 2016; the children were reunified the following month.

When this family moved a little over a year ago, the client was open about her ongoing battle with anxiety, guilt and shame, and her concerns about maintaining her home and caring for her children, one of whom is autistic. At the same time, she began developing coping skills for anxiety, increased overall stability, built a plan to regain employment and gained new parenting skills. She takes advantage of all KFT services and regularly comes to weekly groups. She aspires to help others who are battling addiction by returning to school and becoming a substance abuse counselor. Over the past few months, she has found day care and utilized a work first program, KFT employment specialist and case manager, to return to work.

Given the promising results of the KFT pilot, DCA is delighted to commit another 100 Housing Choice Vouchers to this program in 2017.

There are two DCA/ DCF funded projects helping homeless and at risk youth. Both programs provide Housing Choice vouchers and supportive services to youth aging out of child welfare who are either pregnant and/or parenting. Each youth and their children reside in their own DCA-supported apartment.

A youth at risk story: “Margaret” and her six-month-old moved from the Raphael Life House Shelter in Elizabeth to a DCF Expectant and Parenting Youth supportive housing program. Margaret was involved with DCF in the Child Protection and Permanency program as a child. Once in the supportive housing program, she could get state health insurance and enroll in several programs that help pregnant women and parents with infants through free home visitation and case management. Margaret has since completed numerous child development assessments with her baby. The baby has been enrolled part-time in quality child care. Margaret is now stable and is currently searching for employment and exploring programs to become an LPN.

Last year also saw a new partnership with the Department of Human Services. DCA will provide vouchers to 500 households transitioning from the Division of Family Development (DFD)’s terminated demonstration housing programs. The recipients have a permanent disability and receive SSI; they would be at risk of homelessness without this subsidy. DHS will transfer

sufficient funding to DCA to support the cost of these vouchers. The program is just getting underway.

DCA will also help DHS's Division of Developmental Disabilities (DDD) screen applications and administer vouchers for people with developmental disabilities who may require a live-in aide. DCA reviews eligibility for live-in aides in its Housing Choice Voucher and State Rental Assistance Programs, and DDD has requested DCA's assistance in this area.

Veterans: The Department applied for and received from HUD, 832 Veterans Affairs Supportive Housing vouchers known as VASH to serve homeless veterans. These vouchers currently support 788 households, with another 44 households in housing search. The availability of those 44 vouchers is largely made possible by a program called Moving On, the newest addition to our portfolio of resources devoted to Veterans. This program assesses the stability of a VASH voucher holder and when one is ready to "graduate" from a highly supportive environment to more independent living, DCA is providing a regular Housing Choice Voucher to that household, thereby freeing up the VASH voucher for another homeless vet needing of a high level of support.

The two programs I have just described represent part of the substantial DCA commitment to serving the low income veteran population. DCA's veterans housing programs commit over \$11.6 million to serve an estimated 1,260 veteran households across the state. The actual number of veterans served by DCA is even higher, as the approximately 23,000 Housing Choice Voucher holders have historically not been required to disclose veteran status. Assuming veterans compose the same share of those voucher holders as their share of low income households, DCA would have committed an additional \$19.6 million to serve another 2,006 veteran households. That's an estimated total commitment of \$31.3 million serving 3,266 households.

In addition, in 2016 HMFA financed 25 new housing units with set asides or preferences for homeless veterans in Asbury Park, Hoboken, and Emerson. Just to put this effort in context, veteran households are rarely poor. Only about 1 in 6 (17%) veteran households can be considered low income. Low-income veteran households only account for 9% (1 in 11) of low-

income households and only 2% (1 in 52) of all households. This share is about 21 percent lower than the general population.

Based on the successful outcomes being reported by the various Housing First pilots, DCA launched **the Statewide Housing First Initiative**, awarding 500 tenant-based State Rental Assistance Program (SRAP) vouchers and \$250,000 in supportive service funding to 12 agencies across the state. 425 vouchers will provide housing for chronically homeless people who are frequent users of public systems, and 75 vouchers will provide housing for homeless veterans. Vouchers were awarded to agencies covering Atlantic, Burlington, Camden, Cape May, Cumberland, Essex, Gloucester, Hudson, Mercer, Middlesex, Morris, Passaic, Salem and Union Counties.

In December 2016, DCA announced the **Moving On** initiative, which will allow the Department to provide tenant-based SRAP vouchers to formerly homeless households currently living in supportive housing programs with a high intensity of services attached, who no longer need the connected supportive services but still require a housing subsidy. As I have noted, we have already incorporated the ‘moving on’ concept into the VASH pool of veteran housing vouchers using federal Housing Choice Vouchers. Using tenant-based SRAP vouchers for this purpose creates a much larger opportunity for supportive housing providers to backfill the original supportive housing vacancy with a currently homeless household in need of both housing and a higher intensity of services. DCA began accepting applications through the Continuums of Care in January 2017, and by the application deadline of March 31, 2017, DCA received 410 applications. Based on initial eligibility review, approximately 360 applicants will be eligible for this program. This will result in the availability of supportive housing subsidies and services in existing permanent supportive housing programs for 360 new homeless households across the state.

HMFA is an enormous asset to the State when it comes to expanding the universe of affordable housing. The Agency had a robust pipeline of projects in 2016 and expects 2017 to be a banner year with commitments to finance 7,090 units.

Since the foreclosure crisis began, the State has helped over 69,000 families to stay in their homes or find another viable option.

With respect to the continuing **foreclosure** problem in New Jersey, HMFA has been doing its utmost to help homeowners either facing or in foreclosure through several mechanisms:

- Through the Judiciary Foreclosure Mediation Program, the Agency suggests work-out and payment arrangements or exit strategies. Approximately 14,000 homeowners have been assisted to date. About 40-45% of participating homeowners keep their home. These services will be available through 2017.
- Since 2013, HMFA has funded HUD certified housing counseling agencies to provide foreclosure counseling and help when foreclosure is inevitable. To date, approximately \$600,000 has been used to assist 2,500 plus residents.
- Earlier this month, the HMFA launched a program called the New Jersey HomeSeeker Downpayment Assistance Program. This new initiative offers \$16,000 in down payment and/or closing cost assistance for first-time homebuyers and veterans who would like to purchase a home in Atlantic, Camden, Essex, Gloucester, Passaic and Union counties.
- The existing HomeSaver Program facilitates a reinstatement, refinance, recast, or permanent modification of a first mortgage loan through a principal reduction and/or reinstatement payment. The program has assisted nearly 270 households with approximately \$12.5 million in funding.
- HMFA has just launched a mobile-friendly website that presents all of its mortgage programs in easy-to-understand terms and offers one-click access to participating lenders for one-stop mortgage shopping.

Sandy Recovery Accomplishments

New Jersey has been faster in its recovery efforts than any other state hit by Sandy. HUD, which oversees the federal appropriation of disaster recovery funds, affirmed our outstanding performance when it reduced the standard twice a year monitoring visits to only one in New Jersey. This illustrates the high regard with which New Jersey's recovery programs are held by HUD managers and the degree to which the State has closely followed federal recovery programs' best practices and policies.

Through recovery programs administered by DCA, homeowners, renters, business owners, and workers could move beyond the trauma inflicted by Sandy and get on with their lives, and communities have received assistance to help mitigate against future natural disasters. Here are some of the notable accomplishments relating to the Sandy disaster recovery:

- New Jersey has expended \$2.4 billion Community Development Block Grant-Disaster Recovery (CDBG-DR) funds at a speed of approximately \$8 million a week.
- Through the State's largest housing recovery program, the Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) Program, 6,100 Sandy-impacted residents have returned home.
- The RREM Program has implemented a contractor fraud policy that is the first of its kind in a CDBG-DR funded program to allow defrauded applicants an expedited opportunity to access program funding lost to contractors that have defrauded them. Under the policy, homeowners can receive funding to finish their project using a charging document as proof, thereby expediting their construction process by allowing homeowners to finish their construction without having to wait for adjudication or settlement.
- After hearing the concerns of applicants who had to temporarily vacate their homes during construction, DCA created the Rental Assistance Program to provide temporary rental assistance to homeowners who were already burdened with the cost of rebuilding their home and keeping up with their mortgage.

- DCA has, from day one, attempted to make personal assistance available to every household affected by Sandy. In addition to the housing advisors assigned to RREM/LMI homeowners and the availability of housing counselors, DCA has hosted 42 Housing Recovery Information Sessions to assist storm-affected homeowners participating in the RREM and LMI Programs, as well as rental property owners participating in the Landlord Rental Repair Program. Over 2,500 participants have attended these Information Sessions, which we began in October 2014 in communities within the nine counties the federal government determined were most impacted by Superstorm Sandy (Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union).

DCA can do what I believe is life-saving work because of the federal grants we receive. While we could not survive without State funding, we rely almost exclusively on federal dollars to support the social services and housing programs that we operate. To be clear, the State General Fund supports but 1.4% of DCA's budget.

Entire budget: \$1.4 billion

- Federal funds: \$456,917,000
- From fees: \$197,249,000
- State Aid property tax relief: \$739,715,000

Thank you for allowing me the time to brief you on DCA's new activities.