

**Testimony of Lieutenant Governor Sheila Y. Oliver, Commissioner
Department of Community Affairs
Before the Senate Budget and Appropriations Committee
May 2, 2019**

Good Morning, Chairman Sarlo, Vice Chair Cunningham and members of the Budget and Appropriations Committee. I appreciate the opportunity to brief you on the achievements, challenges and on-going efforts of the hard working DCA team.

Before we begin, I would like to introduce the DCA staff who are with me today.

As you are aware, the Department operates an eclectic combination of regulatory oversight and aid programs. Together, they will advance Governor Murphy's charge to build stronger communities that are safe, economically viable and attractive to residents and visitors alike. The Department has always been committed to solving housing problems at both the community and individual level through the application of construction and inspection standards and the department's various housing assistance programs. Equally, the Department has been dedicated to serving local governments, helping them understand their responsibilities and meet their financial and operational challenges.

While our commitment never flagged, over the past decade, the Department's resources were depleted, leaving a respected institution sapped of the human and financial capital necessary to conceive and adequately fund the very activities for which the Department was previously venerated.

It is in this context that I want to reflect on the last year and outline for you the aggressive agenda we have charted for the next fiscal year.

Special Counsel Jim Johnson's Atlantic City assessment cataloged the problems that needed redress and provided the Administration with a blueprint from which to develop an implementation plan for change. The Atlantic City Initiatives Project Office, which is staffed by 3 DCA employees, recently produced that plan that lists specific tasks and a timetable for their completion over the next year. Oversight of the City's operations and those of the Project Office is being provided by DCA's Deputy Commissioner, who spends two days a week there. He is fully supported by Division of Local Government Services staff.

I am also spending a considerable amount of time in the City, and I believe there is significant progress toward a sustainable financial future. The City is beginning to diversify its economic base –

A growing aeronautics industry is emerging in the airport, which as a Garden State Growth Zone, provides tax incentives to businesses that will bring jobs and other economic development to the City. The successful opening of the Atlantic City campus of Stockton University, the South Jersey Industries offices, and soon an AtlanticCare health services complex and a supermarket -- show that the City is no longer 'a one-horse town' and doesn't need to be to thrive.

There are other signs that point to a growing positive outlook for the City's financial well-being. They include Moody's credit upgrade from Caa3 positive to B2 positive; the number of pending property tax appeal settlements is down approximately 60%, amounting to approximately \$3.8 million in liabilities, all of which is held in reserve; the City's overall budget declined by \$32 million in 2019 with an increase in compensation for non-uniformed rank and file employees and with no increase in the property tax levy.

For the past several years the Department has reported incremental progress on the development of an automated financial tracking system for local government units. I am pleased to tell you that we made significant headway this year --- bringing nearly every aspect of municipal financial reporting on line. The Division of Local Government Services was attentive to constituent concerns, repeated training on request, and provided guides to help

users navigate the new system. This summer we will unveil an open data portal that will allow the public to search, extract and compare data contained in the municipal submissions. The efficient availability of those data will quickly be recognized as a handy research tool.

The Department is increasingly becoming a repository of valuable data. Last year we collected all our data bases and imported useful links from other sources to create a Data Hub. We also expanded a simple map developed to show NJ's designated Opportunity Zones into the NJ Community Asset Map, an intricately layered interactive map of all 565 municipalities. Turning layers on and off and moving around the map allows users to customize their view at any level of detail from a big picture glimpse of a region to a deep dive of a single neighborhood's physical, demographic, economic and cultural attributes. Currently there are over 30 layers and counting. We have added layers as users have asked us for more. Originally conceived to help investors and developers identify appropriate locations for their Opportunity Zone ventures, the map is finding a much broader audience, including our sister agencies and municipal and county officials.

The Department played an integral role in the development of resources that the Administration created to attract investors to Opportunity Zones in NJ. In addition to the Community Asset Map, DCA designed and maintains a "one-stop" website with useful guides, regulations, and links to other resources; presents at large and small gatherings of municipalities, developers, and investors on how to best take advantage of the tax incentive.

We have also produced written guidance to help municipalities understand Opportunity Zones. We maintain a dedicated state email address to answer inquiries from developers and investors and track the inquiries to add the most commonly asked questions to the FAQs on the Governor's OZ website.

DCA is uniquely suited to help municipalities with designated Opportunity Zones understand their strengths and turn them into marketing tools to attract investment. Our professional

planning staff in the Office of Local Planning Services has traveled to municipalities all over the state to help them develop Opportunity Zone strategies, plans, and marketing materials.

Our most recent OZ undertaking is a joint effort with EDA to develop a methodology to track outcomes in Opportunity Zones in terms of real estate development, property values, job creation, income growth, and unemployment. These data will show if Opportunity Zones are living up to their promise.

The Division of Local Government Services is building staff capacity to restore its technical assistance programs for shared services and consolidations. The Division's new Local Assistance Bureau is working on 14 potential shared services agreements and has a pipeline of more than 30 awaiting future assistance. Most communities are seeking assistance to share courts, public works, police, fire, dispatch, and tax collection. But school administration and corrections mergers are also being contemplated. In addition to completing community-specific evaluations, the Division is developing comprehensive guidance on shared services strategies and methods of implementation to improve statewide adoption of innovative solutions and best practices.

Every budget presents challenges; some are welcomed, and some are not. Staff was challenged to produce the outstanding work that I have just described when virtually every unit in the Department had been allowed to atrophy. The institutional impact of year over year budget cuts is not quickly reversed. We are still transitioning from years of passive administration of our statutory obligations to an agency that is refreshed and energized. But we are far enough along that the challenges we will face in the next fiscal year are welcome ones.

The revival of a technical assistance function in the Division of Local Government Services that is not limited to Transitional Aid towns is a priority for the Administration. Providing that help to local officials will be the mission of the newly formed Local Assistance Bureau. The LAB will

provide on- site and remote consulting services and support to local units. Staff assigned to the LAB will be fiscal and operational experts, with years of experience in local government management and planning.

The Neighborhood Preservation Program conducted its last open-competitive funding round in 2008. We have reoriented the program and revised its guidelines, aligning it with other DCA and state economic development and neighborhood revitalization programs, to maximize its effectiveness. We anticipate that we will receive around 30 applications for funding when the application period closes on May 15 and expect to fund 18 or 19 of those.

Similarly, a great deal of planning went into the development and reintroduction, after several years, of the Main Street New Jersey program. Staff opened the new program with three kick off transformation strategy workshops attended by over 200 people. In addition to the training and personalized assistance that was the foundation of the previous Main St. program, the new program includes an opportunity for small grants to support immediately visible enhancements to buildings that house small businesses and storefronts.

I will conclude my remarks by turning to the topic of housing. The rental vacancy rate in NJ is now the lowest it's been since 2005. The rental housing market is very strong, and homeownership is down. Affordable housing is vital to the health of our families, our communities and our future. Last year the budget could not support a sizable allocation to DCA for housing production. It pained me that I had to come before you then only to say that the Administration's determination to support the development and preservation of affordable housing is absolute and would be forthcoming. This year, that resolve is manifested in the significant commitment of \$59 million to the Affordable Housing Trust Fund and the appropriation of \$3 million to establish a comprehensive approach to end homelessness. Determining where and how to use the funds available to produce new and rehabilitated

homes and selecting the most effective strategies to prevent homelessness and help those for whom homelessness has not been averted will be the most important work we do this year. Because there is so much riding on getting the underlying policies that will drive programs and funding right, we must be very intentional about moving forward. To that end, we have hosted one of three planned listening sessions to hear from an assortment of interests about how we should allocate the Trust funds. Likewise, we will be information gathering and learning from experts to develop a comprehensive plan to address homelessness.

These are welcomed challenges and we are eager to take them on.

Thank you for allowing me to take the time to make this statement.