

Fiscal Year 2021 Revised Budget Proposal

Department of Community Affairs

1. The Fiscal Year 2021 Revised Budget Proposal (page 11) indicates that a \$120 million local government emergency fund, allocated from the Coronavirus Relief Fund (“CRF”), will be available through the department “for eligible municipal public safety and public health expenses in these 12 counties and [to] support towns’ needs for dispatch and public health resilience.” The administration already announced that \$19.9 million in CRF funding will go to the 12 counties that were ineligible for direct funding allocated through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, \$15.6 million to fund the 25 percent county cost share of Federal Emergency Management Agency grants, and \$4.3 million (\$375,500 per county) for testing. Please explain how the remainder of the local government emergency fund will be allocated. Are municipalities in all 21 counties eligible to receive assistance? Are local government entities such as parking or sewerage authorities eligible? What restrictions or conditions on use of funds by local recipients will be in place?

Answer: The Administration is developing an application for the Local Government Emergency Fund that will comply with the dynamic US Treasury guidance and allow eligible applicants to benefit before the December 30 deadline. CRF allocations are subject to future statutes that modify the federal CARES Act, new federal appropriations, confirmation of actual expenditures incurred, the identification of additional unmet COVID-19 needs, and new guidance from the U.S. Treasury.

2. The amount of Transitional Aid to Localities expended in FY 2020 was \$84.6 million. The Fiscal Year 2021 Revised Budget Proposal proposes \$114.563 million for Transitional Aid, nearly \$30 million more than was awarded last year. The department also has recourse to a \$120 million emergency fund from the Coronavirus Relief Fund. Why is an increase in Transitional Aid necessary? How many municipalities have applied for calendar year 2020 aid, and what has been awarded to each applicant?

Answer: At this time, because no Transitional Aid appropriation has been made, no CY awards have been issued, and the time to apply has been extended upon request. The amount proposed is flat at the prior year’s appropriation. This policy determination reflects potential statewide need during the ongoing pandemic and near-term recovery efforts. Although the Coronavirus Relief Funds allocated for local relief will provide support for local units that have incurred coronavirus related expenses, these funds have limited uses because they may only be spent for eligible covid-19 related costs incurred within a defined period. They may not be used to address revenue losses or other operational or structural challenges. Many municipalities are experiencing increased fiscal strain and new or renewed financial and operational distress due to

the latter. Modeling and predictions are continually evolving. As we approach the close of the calendar year, the potential level of emergent need is therefore higher than in prior fiscal years.

3. Transitional Aid recipients must agree to a Memorandum of Agreement (MOU) and additional State oversight to facilitate cost controls and reforms aimed to reduce their reliance on Transitional Aid in the future. Will there be adjustments to recipient municipalities' MOU to reflect policies that will implement additional cost controls and reforms that create more cost savings? Has the department seen evidence of municipalities that receive Transitional Aid make progress towards reducing their reliance on Transitional Aid? If so, which municipalities? If not, have MOUs been adjusted to impose additional reforms? What are types of controls and reforms that have included in an MOU have proven effective in reducing costs and reliance on State aid?

Answer: Over the last two years, the Division has added numerous provisions emphasizing long-range planning and strategic thinking. Training requirements for local officers and employees are also now part of the MOU. The Division has also taken steps to better tailor the MOU to specific needs. This is accomplished through annual municipality-specific addenda. By using the MOU to not only control and avoid potentially negative behavior, but to target and incentivize improved local decision-making, the MOU is now better able to shape municipalities' recovery efforts. Local units are encouraged to tackle not only day-to-day cost control, but large-scale reforms that stabilize their operations and position them for recovery.

The success of this model is evident in some of the large-scale changes undertaken by the participating local units, including undertaking and implementing rate and sewer studies, initiating operational audits and PILOT studies, converting to the state health benefits plan, reverting from the state fiscal year budget calendar back to the calendar year, and reforming local codes and tables of organization.

Through these efforts, Paterson, Penns Grove, and Camden have reduced their anticipated TA need for FY2021, and Salem has stabilized its need, despite the pandemic and its underlying distress level. In fact, Paterson has reduced its reliance on Transitional Aid by 15% in each of the last two years. Asbury Park remains in the program only for limited oversight and support, with no need to rely on Transitional Aid funding. The only local units currently within the program that have exhibited an increased need thus far this year are Union City and Seaside Heights, both of which experienced among the top-five reductions in tax collection in the May and August quarters. These highly distressed communities have been substantially affected by COVID-19 related direct costs and indirect harms.

4. A new language provision in the revised budget requires the City of Trenton to enter into an agreement with the DCA in order to receive Capital City Aid. The City of Trenton is also a municipality that receives Transitional Aid. Why is the new

language necessary? What other terms and conditions would be part of the agreement that are not part of Trenton's MOU?

Answer: Trenton has indicated its intention to seek release from the Transitional Aid Program. If this occurs, it is the Administration's determination that the level of Capital City Aid provided in the State Budget warrants a reasonable level of continuing oversight and guidance to support the City and to ensure its structural challenges do not increase.

5. The New Jersey Affordable Housing Trust Fund ("AHTF") subsidizes the construction and rehabilitation of affordable housing units in the State and is primarily supported by dedicated realty transfer fees. While the original Fiscal Year 2021 Budget would credit all dedicated revenue to the AHTF, the Revised Budget shifts \$22.6 million for housing-related purposes - the State Rental Assistance Program (\$13.875 million), Prevention of Homelessness (\$4.36 million) and Shelter Assistance (\$2.3 million) - and \$10 million for general State purposes. A June 30, 2020 AHTF fund balance of \$60 million thus far has contributed \$10.5 million to the State Rental Assistance Program; \$49.5 million remains available. What amount of AHTF balances and new FY 2021 revenues are expected to be allocated to affordable housing grants? Are there any pending affordable housing projects that would be in jeopardy if the proposed allocation of AHFT funds is approved? Please identify and quantify any federal and other sources of funds that will be allocated for that purpose during FY 2021.

Answer: In the FY2021 budget, \$60 million is re-appropriated from the FY2020 Affordable Housing Trust Fund balance. Of that total, \$25 million is reserved for Emergency Rental Assistance Program. In FY021, DCA anticipates up to \$95 million in new realty transfer tax for the period July 1, 2020 through June 30, 2021.

To date, DCA has received 43 applications for AHTF funds that are currently in process or under review. These projects represent \$85.8 million in requests for AHTF funds and would, if fully funded, develop 578 units of affordable housing. Not all of these applications, however, are complete or eligible for funding in their current form. Some of these projects are also for the "Innovation Fund" within the AHTF.

DCA will use additional Federal Fiscal Year 2020 (state FY2021) funds to support the development of new affordable housing, including:

National Housing Trust Fund	\$10,037,054
HOME	\$5,115,750 (a portion of these funds will be used for development and a portion for Tenant-Based Rental Assistance, as allowed by federal regulations)

6. As discussed in the previous question, the Governor proposes a \$13.875 million appropriation for the State Rental Assistance Program (SRAP) in Fiscal Year 2021. SRAP will apparently draw from several sources of funding in FY 2021. Please identify each source of funds for SRAP, and the amount provided from each, for the period July 1, 2020 to June 30, 2021, and describe how SRAP will be used to assist households whose ability to afford housing have diminished due to the COVID-19 emergency. How many such households can be assisted with the resources identified, and how will they be selected?

Answer: Sources of funding for SRAP for the period July 1, 2020 to June 30, 2021 are anticipated to be as follows:

\$4,675,000	Affordable Housing Trust Fund (AHTF) monies to cover rental assistance during the period July 1 – September 30, 2020
\$13,875,000	Appropriation in the FY2021 budget (offset by AHTF monies) to cover rental assistance during the period October 1, 2020 – June 30, 2021
\$25,000,000	AHTF monies to cover rental assistance during the period October 1, 2020 – June 30, 2021
\$2,500,000	AHTF monies to cover rental assistance during the period July 1, 2020 – June 30, 2021 for an expansion of the SRAP program by 250 new families

The majority of SRAP funds will be used to continue to support households already on the program. DCA anticipates serving an additional 250 households in FY 2021, who will be selected from the existing SRAP wait list.

7. The Fiscal Year 2021 Revised Budget Proposal (page 12) states that the department "...is leveraging over \$100 million from the CRF, federal Emergency Solutions Grants (ESG), and the Affordable Housing Trust Fund to support the Coronavirus Emergency Rental Assistance Program (CVERAP)." The proposal (page 13) also states that the department is anticipating \$65 million in Emergency Rental Assistance from the CRF. And, on page 12 it states that \$25 million from the CRF will "support the Housing and Mortgage Finance Agency's (HMFA) new Small Landlord Emergency Grant (SLEG) Program." Please provide a breakdown on how much of the \$100 million to support CVERAP will come from the CRF, federal ESG, and the AHTF. When will renters in the program start receiving payment assistance? Are tenants ineligible for this program if they were unable to make their full rental payment at any point during the COVID-19 pandemic, with some of that rent owed still outstanding at the time of applying?

Answer: The CVERAP has two components: the first will provide up to 6 months of rental assistance for households that suffered an economic hardship affecting their ability to pay their rent due to the pandemic, and the second will provide up to 12 months of rental

assistance for homeless households. In the first component, DCA anticipates serving up to 8,000 households using the following funding sources:

- CRF Up to \$65 million (funds must be dispersed prior to December 30, 2020 and must be used for selected applicants who meet federal requirements)
- AHTF Up to \$25 million (to be used for rental payments after December 31, 2020 and for selected applicants who do not meet federal requirements)

Initial rental assistance payments for a small number of participants have already been issued, and DCA anticipates the majority of initial payments will be issued in September, with the rest in October. Participants must have been current in their rent prior to March 2020 but remain eligible if they were unable to pay rent due to the pandemic after that time.

In the second component, DCA anticipates serving up to 1,500 homeless households with twelve months of rental assistance and case management, supported by \$33,162,354 in federal Emergency Solutions Grant (ESG) funding. DCA is currently accepting referrals from county Continuums of Care for this program.

7. How many applicants for CVERAP are currently on the waitlist to receive emergency rental assistance? Do you anticipate that the \$100 million in federal funds will be enough to fully meet satisfy the need for assistance? If not, are there plans to allocate more CARES Act funding to continue supporting this program?

Answer: DCA received more than 61,000 applicants for CVERAP during the opening period, and 8,500 applicants were selected by lottery for rental assistance. The identified federal funds should support six months of rental assistance for the selected participants. Fully satisfying the need for all 61,000 applicants would require approximately \$549,000,000 in funds to provide six months of rental assistance at the anticipated average subsidy amount. Should additional federal funding become available, DCA would strive to administer additional rental assistance. Through its existing Section 8 Housing Choice Voucher Program, State Rental Assistance Program, and Supportive Housing Connection and other rental assistance programs, DCA serves more than 40,000 households every year.

8. Although Governor Murphy has issued an indefinite moratorium on evictions, and the housing courts have suspended trials, WYNC has found that landlords in the State have still filed more than 15,000 evictions cases in the last three months. With \$3 million in funding for the Office of Homelessness Prevention, can the department adequately support the increased number of families who are in danger of facing eviction by flat funding this initiative? Also, under the CARES Act, landlords of federally subsidized housing, Section 8 housing, and housing for at-risk groups like seniors and veterans, or those who hold federally backed mortgages, are barred from filing evictions. Are there currently any

requirements for landlords to verify that an eviction complies with the CARES Act?

Answer: Funding for the Office on Homelessness Prevention will support the staff of the office and the development and implementation of a statewide plan to coordinate state and local efforts to end homelessness, the services of a consultant, and the launch of innovative pilot projects to address homelessness. Direct support to assist families in danger of eviction will be provided by DCA's Homelessness Prevention Program. The State needs federal aid to assist all families in need due to the pandemic and its economic repercussions.

The CARES Act eviction moratorium expired on July 25, 2020; however, owners of buildings with 5 or more units who received permission to delay payments on a federally backed mortgage may not file for eviction during the period when the owner is not making payments, so some households may still be covered. Also, on September 4, 2020, the Centers for Disease Control issued an Agency Order: Temporary Halt in Residential Evictions to Prevent the Further Spread of COVID-19. This Order prohibits evicting tenants in any US state or Territory with active COVID-19 cases until December 31, 2020.

The State Supreme Court has required landlords to certify their compliance with the CARES Act, and the Administrative Office of the Courts in its July 28 Directive issued a form certification landlord must follow. Nevertheless, there have been reports that court sanctioned mediation in some counties have resulted in tenants agreeing to settlements with landlords that remove the tenants from the properties, which would appear to go against the spirit of the state eviction moratorium.

10. Page 13 of the Fiscal Year 2021 Revised Budget Proposal lists the department as allocating monies from the CRF for Public Health and Dispatch Shared Services (\$5 million) and a Commercial Corridor Relief Program (\$7.5 million). Please provide an explanation of what each of these programs intends to accomplish and the criteria for receiving these funds.

Answer: The Administration is developing an application for the Public Health and Dispatch Shared Services CRF allocation that will comply with the dynamic US Treasury guidance and allow eligible applicants to benefit before the December 30 deadline. CRF allocations are subject to future statutes that modify the federal CARES Act, new federal appropriations, confirmation of actual expenditures incurred, the identification of additional unmet COVID-19 needs, and new guidance from the U.S. Treasury.

The Commercial Corridor Relief Program will fund local COVID-19 response grants and activities through three neighborhood programs, the Neighborhood Revitalization Tax Credit (NRTC), Neighborhood Preservation Program (NPP), and Main Street New Jersey. As place-based programs, each of these programs directly serve a different type of community in need. NRTC targets distressed low and moderate-income neighborhoods. NPP serves threatened, but viable mixed-use neighborhoods that are

vulnerable to falling into distress. Main Street New Jersey serves traditional business districts across New Jersey. Together, allocating COVID relief funding through these programs allows the State to provide a wide array of communities with assistance through established channels, while ensuring the State's substantial investments in the recovery and revitalization of these communities are protected. These community development grant programs also have the existing grantee infrastructure and relationships to rapidly deploy resources to neighborhoods and businesses in need of COVID-19 relief.

Funding will go to municipalities, district management organizations, and community-based non-profits that currently participate in these programs. These organizations would then distribute and expend funds based on the specific COVID-19 response needs in their neighborhoods. Funding will be allocated on a formula basis tied to the size of the neighborhood served, the number of commercial and industrial parcels in that neighborhood, and the history and capacity of applicants to administer grant funds.

Funding will be primarily targeted (60% set aside) to small businesses with brick-and-mortar locations in the program neighborhood boundaries that have not attained funding from NJEDA, NJRA, or any other state business recovery program, ensuring that the many businesses that have not already received State support are targeted. Businesses cannot receive funding for any expenses that have already received reimbursement from other state, federal, or foundation programs.

The remaining funding would also be available on a limited basis to cover other CRF-eligible expenses that have not already received reimbursement from state, federal, and foundation funding sources. These include (but are not limited to) COVID-19 educational materials, activities, and events, expenses to provide community access to internet services for food shopping, and expenses to administer the Commercial Corridor Relief Program funding.

11. Due to the influx of federal funding and new programs in response to the COVID-19 pandemic, the department's authority and responsibilities have grown. Will the department or the HMFA incur additional administrative costs in managing these new funds and programs? If so, how much will be spent on administrative costs and will those costs be paid by CRF monies?

Answer: DCA and HMFA are typically able to cover administrative costs through the federal funding allocations. For example, DCA will receive \$1.92 million for CVERAP's administrative costs through the CRF. HMFA may be reimbursed by the CRF for administrative costs to be determined that are related to SLEG.

12. The Lead-Safe Home Renovation Program was created to identify and remediate lead-based paint hazards in the homes of eligible low- and moderate-income households. According to the U.S. Centers for Disease Control and Prevent, although lead service lines are a source of lead exposure for families,

most children are exposed to lead through lead-based paint hazards. Why was \$9 million of this program's \$10 million FY 2020 funding de-appropriated, and a \$5 million reduction below the original FY 2020 funding level recommended for FY 2021? Has the DCA received federal funding for lead remediation and abatement to offset the reduction of State funding for this initiative? If so, how much funding has the DCA received for this purpose?

Answer: The Lead-Safe Home Remediation Pilot Program was not able to expend all funds in the FY 2020 appropriation, and so those funds were recaptured. One of the main barriers in FY 2020 was the pandemic and the need for grantee agencies to significantly reduce operations to comply with the public health emergency and social distancing protocols. Lead remediation work requires the grantee agencies to access participants' households, and many potential participants remain understandably reluctant to have workers enter and work in their homes currently.

However, agencies have resumed work, and DCA anticipates that the grantee agencies will be able to expend the \$5 million appropriation in FY 2021. There are also carryforward funds available for this program from previous fiscal years.

DCA has received a grant of \$3.6 million from the U.S. Department of Housing and Urban Development to abate lead in homes across the state.

13. The Governor's Fiscal Year 2021 Revised Budget Proposal recommends \$5 million from the Property Tax Relief Fund for a new program, Local Recreational Improvement Grants. Proposed language targets the grants to local units for repairs and improvements to public recreational facilities. Please explain the need for this appropriation. How will applicants be prioritized? What is the anticipated grant cycle? Why is the Green Acres Program an inappropriate source of funds for any grants this appropriation would fund, and why should the Preserve New Jersey Green Acres Fund be supplemented when there are unappropriated balances in that fund? Why is this a higher priority than other DCA programs not receiving funding or funding increases?

Answer: The Local Recreational Improvement Grants program (\$2.5 million in the revised budget proposal) will provide funding through a competitive grant process to support public recreational facilities. This proposed appropriation responds to community input requesting funds for urgent improvements and repairs to facilities like municipal recreation centers or local parks and stadiums.

14. The Governor's Fiscal Year 2021 Revised Budget Proposal recommends \$1.5 million for the Repayment of Municipal Contribution to Mass Transit Facility, down from \$3 million proposed in the original Fiscal Year 2021 Budget. Please identify the facility or facilities, and its corresponding municipality, which would receive this funding. Please explain why the State should bear this cost when the State has

not done so previously. Does this set a precedent that contributes to the State's future fiscal responsibilities?

Answer: This funding would provide one-time support to municipalities that have increased fiscal needs due to their support for mass transit. Municipal aid and mass transit are both priorities for the Administration.

15. New budget language would appropriate up to \$750,000 to the Division of Local Government Services (DLGS) to assist in the implementation of the provisions of P.L. 2019, c.159, approved July 9, 2019, concerning municipal land banking. The law provides that the division shall, within six months of the effective date of P.L.2019, c.159 (C.40A:12A-74 et al.), publish and disseminate a guidebook of good practice for creating and maintaining land bank property databases. Besides this requirement, what would a \$750,000 appropriation fund to assist in the implementation of P.L.2019, c.159?

Answer: It is intended to provide an opportunity to use the funds previously allocated that lapsed because the Division's implementation of this law was deferred due to unexpected operational demands arising out of the COVID-19 pandemic.

Land banking exists to address the reduction of property values and municipal revenues; barriers to economic development and the revitalization of New Jersey municipalities; and the need to facilitate restoration of vacant, abandoned, and other problem properties to productive use. Maintaining an integrated, updated database, and building strong partnerships between the private sector, local institutions, governments and community groups have proven vital to success in land-banking projects across the United States. Providing practical guidance to local units and ensuring the ongoing success of land-banking efforts is a data intensive effort. The DCA's foreclosure database, asset map, and FAST system contain substantive data relevant to this effort. Tracking tax exemptions, asset value, and parcel data within these systems would support local land banking efforts. Extraction and integration of the relevant data will permit DLGS to provide initial and ongoing real-time information regarding land banking, and to use the data generated to promulgate relevant best practices.

16. New budget language allows the DLGS director to allocate Transitional Aid to reimburse any State agency or department for services provided to a municipal government unit pursuant to a memorandum of understanding (MOU) between that State agency or department, the participating municipal government unit, and the Division of Local Government Services, subject to the approval of the Director of the Division of Budget and Accounting. Please explain which specific State agency services would qualify for reimbursement. Please identify and describe the provisions of any existing MOU this language is intended to fund. For budget transparency, shouldn't a participating municipality budget the expenditures for the services in question and receive the State aid as a revenue offsetting those expenditures?

Answer: As part of the realignment of the Transitional Aid Memorandum of Understanding to emphasize planning and capacity building, the Division has worked with program participants to implement projects and studies that are designed to catalyze revitalization and growth. In some instances, Transitional Aid funds were specifically allocated for a project that was being accomplished in partnership with another entity, but under the current budget language, it was determined that the funds could not be transferred directly from the Division to the partner entity, and instead had to be transferred into the municipal budget, appropriated by the governing body, then transferred out to the partner entity. The administrative and accounting complexity slowed implementation and was unnecessarily confusing.

For example, DLGS awarded Trenton \$4.5 million in Transitional Aid for the establishment and operation of a state-of-the-art Trenton Real Time Crime Center. This project is undertaken in partnership with the State Police, the County Prosecutor's Office, and the Sheriff's Office. Much of the associated procurement and construction are being completed by the State Police, while Treasury has supplied the facility. DLGS could not transfer the funds directly to the State Police or Treasury to carry out their roles in the project, however. Instead, DCA, Treasury, Trenton, and the Department of Law and Public Safety each had to authorize and execute transfers to complete the transaction. This process was convoluted and added significant time to the transfer process. It also necessitated the creation of a special TA Grant Fund in the municipality to more accurately reflect the flow of funds, and to avoid undue negative budget impacts that would otherwise flow from the funds entering and leaving the budget.

Similar challenges have arisen when DLGS authorized Transitional Aid award funds allocated for operational studies in Paterson and Camden. The same issue is anticipated with contemplated DOT road-repair partnership efforts for low-capacity program participants, and for any future studies or direct staffing authorizations of this nature.

The Division has also been concerned that the existing process eludes transparency by adding several pass-through steps to what is more appropriately reflected as a single inter-party transaction. Rather than a circuitous flow of funds that is employed solely to comply with the existing budget language, direct transfers with an MOU for documentation would better represent the budget and operational use of those funds for and by each entity participating in a Transitional Aid Program initiative.

17. The Urban Enterprise Zone (UEZ) program consists of 27 zones in 32 municipalities throughout the State. Businesses participating in the UEZ program can charge half the standard sales tax rate on certain purchases and may also qualify for various other tax exemptions and credits. There are approximately 6,800 certified UEZ businesses throughout the State. In 2018, Governor Murphy signed Senate Bill 846/ Assembly Bill 3549 (P.L. 2018, c.19) which renewed UEZ designation for the cities of Bridgeton, Camden, Newark, Plainfield, and Trenton; extended the duration of each UEZ that was scheduled to expire to December 2023; and required the Department of Community Affairs to study the UEZ

program and provide the Legislature with recommendations as to whether the program should continue, be amended, or discontinued.

One of the provisions of the law required the DCA to submit to the Legislature, a year following the bill's enactment, a report and recommendations as to whether the UEZ program should continue as is, be amended, or expire. What is the current status of the report? When does the DCA anticipate submitting this report to the Legislature as required by law?

Answer: The UEZ study is undergoing final phases of review and will be submitted to the Legislature in the near future.

18. Please identify any program, service or activity suspended or discontinued upon the issuance of Executive Order 103 declaration of the public health emergency declaration, the current status of the program, service or activity, and status for FY 21. What number of persons, households, business entities or government entities were, are or will be affected?

Answer: DCA did not suspend any of our programs.