

52:27D-366 to 380

7/21/87

LEGISLATIVE HISTORY CHECKLIST

NJSA: 52:27D-366 to 52:27D-380

("Neighborhood Housing Services Grant Fund Act")

CHAPTER 50

Laws Of: 1987

Bill No: S1438

Sponsor(s): Stockman

Date Introduced: Pre-filed

Committee: Assembly: Housing; Appropriations

Senate: County and Municipal Government; Revenue, Finance and Appropriations

Amended during passage: Yes

Amendments during passage denoted by asterisks

Date of Passage:

Assembly:

December 11, 1986

Senate:

April 21, 1986

Date of Approval: February 25, 1987

Following statements are attached if available:

Sponsor statement:

Yes

Committee statement:

Assembly

Yes

9-15-86 to 10-20-86

Senate

Yes

1-30-86 to 3-6-86

Fiscal Note:

No

Veto Message:

No

Message on Signing:

Yes

Following were printed:

Reports:

No

Hearings:

No

Governor's Annual Message . . . January 13, 1987-- attached.

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SENATE, No. 1438

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1986 SESSION

By Senator STOCKMAN

AN ACT to establish a Neighborhood Housing Services Grant Fund in the Department of Community Affairs **and making an appropriation therefor**.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "Neighbor-
2 hood Housing Services Grant Fund Act."

1 2. The Legislature finds that:

2 a. A substantial number of housing units in New Jersey are in
3 deteriorating condition, many residents are living in dwelling units
4 which do not conform to applicable local codes and ordinances that
5 are intended to ensure the health and safety of the occupants, and
6 this condition impedes the development and conservation of healthy,
7 safe, and viable communities in this State;

8 b. The rehabilitation of suitable housing will increase its eco-
9 nomic life, is more economical and less disruptive than replacement
10 of the housing and the relocation of its occupants, can better pro-
11 mote community development when conducted through organized
12 housing rehabilitation programs, and is essential to promote sound
13 community development in this State;

14 c. The amount of public resources currently available or likely
15 to be available for the rehabilitation and maintenance of marginal
16 or substandard residential units is grossly inadequate and if signifi-
17 cant progress is to be made in reducing or eliminating the stock of
18 substandard housing in this State, it is imperative that the resources
19 of the private sector be utilized to their best effect;

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Senate committee amendments adopted January 30, 1986.

**—Senate committee amendments adopted March 6, 1986.

***—Assembly committee amendments adopted September 15, 1986.

****—Assembly committee amendments adopted October 20, 1986.

20 d. A partnership of State and local public agencies with private
 21 residential financing institutions to coordinate and optimize their
 22 respective efforts is critical to any serious attempt to conserve and
 23 protect existing housing, and, in this regard, the neighborhood
 24 housing services program of the Neighborhood Reinvestment
 25 Corporation has distinguished itself as a highly effective mechanism
 26 for rehabilitating housing and revitalizing declining neighborhoods
 27 by combining both public and private resources; and

28 e. The creation and expansion of neighborhood housing service
 29 programs within New Jersey holds the promise of improving the
 30 quality of life in those neighborhoods beset with problems asso-
 31 ciated with substandard housing and can serve as a model of an
 32 effective and innovative approach to a remedy, which has tradi-
 33 tionally been viewed as the exclusive responsibility of the public
 34 sector, and by so improving the quality of life throughout New
 35 Jersey and forging new methods of public-private cooperation will
 36 serve the interests of all of the citizens of this State.

1 3. It is determined that it is the policy of this State to provide
 2 a necessary means to prevent the deterioration of housing, the
 3 decline of neighborhoods and surrounding areas, and the problems
 4 associated with deterioration and decline; that these conditions are
 5 detrimental not only to the health, safety, and welfare of the people
 6 of the State, but reduce economic values and impair private invest-
 7 ments and public revenues; that the support of corporations here-
 8 inafter described is necessary and desirable to alleviate those
 9 problems, and the rehabilitation of substandard housing as pro-
 10 posed in this act is a public purpose and a public use for which
 11 public money may be borrowed, expended, loaned and granted; and
 12 that the necessity in the public interest for provisions hereinafter
 13 enacted is a matter of legislative determination.

1 4. As used in this act:

2 a. "Commissioner" means the Commissioner of the Department
 3 of Community Affairs;

4 b. "Corporation" means a neighborhood housing services corpora-
 5 tion or umbrella corporation, as defined hereinafter, unless the
 6 context indicates otherwise;

7 c. "Department" means the Department of Community Affairs;

8 d. "Fund" means the Neighborhood Housing Services Grant
 9 Fund established pursuant to section 5 of this act;

10 e. "Housing rehabilitation loan" means any loan made by a
 11 neighborhood housing services corporation or umbrella corporation
 12 to a homeowner pursuant to section 7 of this act***[.]*** *;*

13 f. "Neighborhood housing services corporation" means a private,
 14 nonprofit, community-based corporation organized under Title 15A
 15 of the New Jersey Statutes to develop and administer a local
 16 neighborhood housing services program, established in connection
 17 with the National Neighborhood Reinvestment Corporation ***or*
 17A *recognized by the commissioner as substantially the equivalent of*
 17B *a corporation so established**;*

18 g. "Neighborhood housing services program" means a program
 19 which is established and supervised by a neighborhood housing
 20 services corporation for the purpose of administering the corpora-
 21 tion's goals and services within a specific neighborhood;

22 h. "Residential borrower" means any homeowner who has
 23 entered into a contract for a loan with a neighborhood housing
 24 services corporation or umbrella corporation as provided in section
 25 7 of this act***[.]*** *; *and **

26 i. "Umbrella corporation" means a neighborhood housing services
 27 corporation which establishes and supervises two or more neighbor-
 28 hood housing services corporations.

1 5. There is established a Neighborhood Housing Services Grant
 2 Fund to be administered by the Department of Community Affairs.
 3 The fund shall be maintained by the Department of the Treasury
 4 and may be invested by the Division of Investment in the Depart-
 5 ment of the Treasury in investments in which other State funds
 6 may be invested. There shall be deposited in the fund all moneys
 7 appropriated thereto by the Legislature and any other moneys
 8 made available for the purposes for which the fund is established.
 9 The goals which the fund are designed to realize are set forth in
 10 section 3 of this act, and the means by which the corporation will
 11 realize these goals must be set forth in a plan which the corporation
 12 is required to submit to the commissioner pursuant to subsection c.
 13 of section 8 of this act.

1 6. The department is authorized to make grants to neighbor-
 2 hood housing services corporations which meet the qualifications
 3 set forth in section 8 of this act. The department is also authorized
 4 to grant moneys to umbrella corporations for each neighborhood
 5 housing services program under its supervision, provided that each
 6 constituent program fulfills the qualifications set forth in section 8,
 7 and provided further that no program shall qualify for more than
 8 one grant from the fund in any calendar year.

1 7. Each neighborhood housing services corporation or umbrella
 2 corporation which qualifies for a grant as provided in section 8 of
 3 this act shall establish and administer a revolving loan fund to

4 make loans at below market interest rates and flexible terms of
 5 repayment to neighborhood homeowners who are unable to obtain
 6 mortgage financing on reasonable terms through normal lending
 7 channels for the purposes of preserving or revitalizing neighbor-
 8 hoods and to encourage home ownership.

1 8. In order to qualify for a grant, a neighborhood housing services
 2 corporation or umbrella corporation shall:

3 a. Submit an application to the department on a form prescribed
 4 by the commissioner, which shall include the following information:

5 (1) A description of the geographic boundaries served by the
 6 neighborhood housing services corporation or neighborhood hous-
 7 ing services program;

8 (2) Certification that the applicant is governed by a Board of
 9 Directors which is composed of neighborhood residents, representa-
 10 tives of local financial institutions and where not inconsistent with
 11 local law, representatives of local political subdivisions;

12 (3) Certification that the applicant is currently registered with
 13 the Neighborhood Reinvestment Corporation ***if appropriate***;

14 (4) Certification of incorporation under Title 15A of the New
 15 Jersey Statutes;

16 (5) Certification of receipt of a current ruling from the Internal
 17 Revenue Service of the United States Department of the Treasury
 18 that the applicant is an organization which is exempt from federal
 19 income taxation; and

20 (6) Certification that the remaining two-thirds portion of the
 21 applicant's annual operating budget has been provided exclusively
 22 from political subdivisions or private sources pursuant to section
 23 9 of this act.

24 b. Demonstrate, to the commissioner's satisfaction, the corpora-
 25 tion's capacity to establish, and administer a revolving loan fund
 26 as provided in section 7 of this act; and

27 c. Provide the department with an outline of a plan to administer
 28 and establish, in cooperation with appropriate officials of the
 29 political subdivision, a housing program to bring neighborhood
 30 dwellings to acceptable levels of health and safety, indicating how
 31 the moneys are to be disbursed and at what terms and rates of
 32 interest. ***The plan shall include, but not be limited to****[.]*****
 33 *****: (1)**** criteria under which the credit worthiness of appli-*
 34 *cant homeowners shall be determined, consonant with the purposes*
 35 *of this act****[, and]**** ****; (2)**** procedures for securing*
 36 *loans made to homeowners pursuant to this act****; and (3)*
 37 *criteria to ensure that displacement of residential tenants is min-*

38 *imized, adequate tenant relocation assistance is provided and that*
 39 *the provisions of P. L. 1974, c. 49 (C. 2A:18-61.1 et al.), P. L. 1975,*
 40 *c. 311 (C.2A:18-61.6 et al), P. L. 1978, c. 139 (C. 2A:18-61.13 et*
 41 *seq.), P. L. 1971, c. 362 (C. 20:4-1 et seq.), P. L. 1967, c. 79 (C.*
 42 *52:31B-1 et seq.) and P. L. 1981, c. 226 (C. 2A:18-16.22 et seq.)*
 43 *are complied with****.***

1 9. Each neighborhood housing services corporation or umbrella
 2 corporation which fulfills the qualifications set forth in section 8
 3 of this act may apply for a grant in an amount not to exceed one-
 4 third of its annual operating budget or \$50,000.00 ****for each*
 5 *neighborhood housing services program****, whichever is less.

1 10. The commissioner, or the commissioner's designee, shall be an
 2 ex officio and voting member of the board of directors of each
 3 neighborhood housing services corporation or umbrella corporation
 4 receiving grants from the department.

1 11. If in any fiscal year the total amount of grant applications
 2 received by the department exceeds the total amount of the fund,
 3 the commissioner shall reduce each qualifying applicant's grant on
 4 a pro rata basis in order to not exceed the total dollar amount of the
 5 fund appropriated for that fiscal year.

1 12. The commissioner shall be entitled to make inspections of
 2 any housing rehabilitation project funded pursuant to this act, to
 3 request and secure the submission of certifications, maps, docu-
 4 ments, and other information by the municipality or the appro-
 5 priate corporation, to audit and examine any books and records
 6 of the corporation and the political subdivisions which contribute
 7 to the corporation's annual operating budget, and to require such
 8 periodic reports as shall be necessary to ascertain the progress of
 9 any housing rehabilitation project assisted with a loan pursuant to
 10 this act and the extent of compliance with the contract for these
 11 loans.

1 13. In the event of any default in connection with the terms and
 2 provisions of any contract to which the corporation and a resi-
 3 dential borrower are party, the corporation shall not take any steps
 4 it may otherwise be entitled to take, until it has first notified the
 5 residential borrower and provided a reasonable opportunity, in
 6 light of the nature of the default and the available means to correct
 7 it to cure the same; but in any case shall allow not less than 30 days
 8 for that purpose. After this time, the corporation may institute any
 9 action or proceeding against any residential borrower who is in
 10 default on a housing rehabilitation loan in any court of competent
 11 jurisdiction.

1 14. The commissioner may seek, receive and make use of any
 2 funds which may be available from federal or other sources in order
 3 to augment any State funds appropriated for the purposes of this
 4 act, and shall make every effort to qualify the program for federal
 5 funding.

1 15. The commissioner is authorized to make and issue rules and
 2 regulations in accordance with the "Administrative Procedure Act,"
 3 P. L. 1968, c. 410 (C. 52:14B-1 et seq.) ****for the effectuation of*
 4 *the provisions of this act***.*

1 **16. a. There is appropriated from the General Fund to the*
 2 *Neighborhood Housing Services Grant Fund the sum of \$200,000.00*
 3 *to effectuate the purposes of this act.**

1 **[16.]* *b.* There shall be annually appropriated a sum which*
 2 *shall be ***[appropriated]*** ****allocated*** among corporations*
 3 *which qualify for grants under the provisions of this act.**

1 17. This act shall take effect immediately.

HOUSING AND BOARDING HOMES

Establishes a Neighborhood Housing Services Grant Fund:
 appropriates \$200,000.00.

4 a pro rata basis in order to not exceed the total dollar amount of the
5 fund appropriated for that fiscal year.

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4 it may otherwise be entitled to take, until it has first notified the
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2 funds which may be available from federal or other sources in order
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5 funding.

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2 regulations in accordance with the "Administrative Procedure Act,"
3 P. L. 1968, c. 410 (C. 52:14B-1 et seq.).

1 16. There shall be annually appropriated a sum which shall be
2 appropriated among corporations which qualify for grants under
3 the provisions of this act.

1 17. This act shall take effect immediately.

STATEMENT

This bill would establish a neighborhood housing services grant fund to be administered by the Department of Community Affairs. The commissioner of the department is authorized to make grants to neighborhood housing services corporations or umbrella corpora-

tions which qualify according to the terms set forth in the legislation. No corporation may receive an amount which exceeds one-third of its operating budget and no grant may exceed \$50,000.00.

A neighborhood housing services corporation is defined as a private, nonprofit, community-based corporation organized to develop and administer a program designed to rehabilitate and revitalize designated neighborhoods with the purpose of stimulating reinvestment. As defined in the bill, a neighborhood housing corporation is established in connection with the Neighborhood Reinvestment Corporation, a national organization which provides a support network for the establishment of neighborhood housing services partnerships across the country, and is governed by a board which includes the heads of the federal financial regulatory agencies.

Each neighborhood housing service corporation or umbrella corporation which qualifies for a grant is to establish and administer a revolving loan fund to make loans at flexible interest rates and terms to neighborhood homeowners who are unable to obtain mortgage financing on reasonable terms through normal lending channels.

In order to qualify for a grant under this act, to be known as the "Neighborhood Housing Services Grant Fund Act," each corporation shall submit an application to the department to include a description of the geographic area to be served, certification that the corporation is governed by a Board of Directors which includes representatives of local governing bodies, the private sector, and members of the public, and evidence that the corporation is properly incorporated under State law as a nonprofit corporation and has acquired federal tax exempt status. Qualifications also include a demonstration that the corporation is capable of administering a revolving loan fund and a plan which sets forth a housing program and details of the anticipated disbursement of funds.

The aim of this program is to establish a public-private partnership, marshalling the appropriate resources from within the neighborhood, local financial institutions, local governing bodies, and the State to promote the rehabilitation of substandard housing across the State. It is intended that the program will stimulate private reinvestment activity in the designated neighborhoods and, in so doing, have a catalyzing effect on those communities.

ASSEMBLY HOUSING COMMITTEE

STATEMENT TO

SENATE, No. 1438

[SECOND OFFICIAL COPY REPRINT]

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 15, 1986

Senate Bill No. 1438 (OCR) is favorably reported, with amendments.

This bill would establish a grant program to assist in the rehabilitation of marginal or substandard residential neighborhoods.

It creates a Neighborhood Housing Services Grant Fund, to be administered by the Department of Community Affairs. Grants could be made out of the fund to "neighborhood housing services corporations"—defined as private nonprofit community-based corporations formed to organize neighborhood rehabilitation programs within the framework of the Neighborhood Reinvestment Corporation. The Neighborhood Reinvestment Corporation is an inter-agency arm of the federal government, established under Pub. L. 95-557 (42 U. S. C. § 8101 et seq.), which provides grants, loans and other assistance to neighborhood housing services programs defined similarly to those covered by these bills. In addition to those corporations formed "in connection with" the federal program, those "recognized by the commissioner as substantially the equivalent of a corporation so established" are also eligible for assistance under this program. Also eligible is any "umbrella corporation"—defined as one which establishes and supervises two or more neighborhood services corporations.

Any neighborhood housing services corporation assisted through the fund would be required to establish a revolving loan fund in order to make loans "at below market interest rates and flexible terms of repayment" to homeowners within the corporation's neighborhood service area who are unable to obtain mortgage financing on reasonable terms through normal lending channels, "for the purposes of preserving or revitalizing neighborhoods and to encourage home ownership."

To qualify for a grant from the fund, a neighborhood housing services corporation, or an umbrella corporation, must submit an application including the following information:

1. A description of the geographic area to be served.

2. Certification that the corporation is governed by a board of directors which includes representatives of local governing bodies, the private sector, and members of the public.

3. Certification that the corporation is a nonprofit corporation and has acquired federal tax-exempt status.

4. Certification that two-thirds of the corporation's annual operating budget is provided by political subdivisions or private sources.

5. Evidence that the corporation is capable of administering the required revolving-loan program.

6. A plan which sets forth the housing services program and provides details of the anticipated disbursement of funds. This plan must include criteria for determining credit-worthiness of homeowners applying under the revolving-loan program and procedures for securing loans made to homeowners under that program.

Grants to any corporation may not exceed one-third of its operating budget or \$50,000.00 for each neighborhood housing services program operated by the corporation, whichever is less.

The bill contains a provision requiring an annual appropriation of funds to be allocated among the corporations which qualify for grants. In addition it provides an immediate appropriation to the fund of \$200,000.00.

The committee amended this bill to make it identical to the Assembly Committee Substitute for Assembly Bill Nos. 1613, 1867 and 3049, also reported favorably this day by the committee. The amendments are:

1. In section 9, the \$50,000.00 limit on a grant to a neighborhood housing services corporation is changed to \$50,000.00 for each neighborhood housing services program operated by the corporation.

2. In section 15, authorization for the commissioner to issue rules and regulations is made specific as to purpose: to effectuate the purposes of this bill.

3. In section 16, line 2, the word "allocated" is substituted for "appropriated" in the wording that relates to distribution of the appropriation among qualifying grantees.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1438

[SECOND OFFICIAL COPY REPRINT]

[ASSEMBLY REPRINT]

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 20, 1986

The Assembly Appropriations Committee favorably reports Senate Bill No. 1438 2nd OCR (AR) with amendments.

As amended, Senate Bill No. 1438 2nd OCR (AR) establishes a neighborhood housing services grant program to be administered by the Department of Community Affairs, and makes an appropriation of \$200,000.00 for the program. Under the bill, the department can make grants to certain neighborhood housing service corporations or "umbrella" corporations. In turn, these corporations would establish a revolving loan fund in order to make loans at flexible below market interest rates to homeowners who are unable to obtain mortgage financing on reasonable terms through normal lending channels. The loans are to be used to rehabilitate substandard homes.

To qualify for a grant, a corporation shall submit an application to the department which shall include, among other information:

1. A description of the geographical area to be served;
2. Certification that the corporation is governed by a Board of Directors which includes representatives of local governing bodies, the private sector, and members of the public;
3. Certification that the corporation is a nonprofit corporation pursuant to State law, and has acquired federal tax exempt status;
4. Certification that two-thirds of the corporation's annual operating budget is provided by political subdivisions or private sources; and
5. Evidence that it is capable of administering a revolving loan fund, and a plan which sets forth a housing program and details of the anticipated disbursement of funds. The plan shall include, but not be

limited to, criteria for determining the credit worthiness of applicant homeowners, and procedures for securing loans made to homeowners.

A corporation may not apply for a grant exceeding one-third of its annual operating budget or \$50,000.00, whichever is less.

The program is intended to promote the rehabilitation of substandard housing across the State by stimulating private investment activity in neighborhoods and effecting positively the surrounding community.

COMMITTEE AMENDMENTS:

The committee amendments require that a neighborhood housing services corporation's housing program plan include criterion to ensure that the displacement of any residential tenants is minimized, that adequate tenant relocation assistance is provided and that the State's anti-eviction and protected-tenancy laws are complied with. This bill is identical to Assembly Committee Substitute for Assembly Bill Nos. 1613, 1867 and 3049 as amended by the committee.

FISCAL IMPACT:

The bill makes an initial appropriation of \$200,000.00 for the program. There are currently three corporations which would be eligible for funding under the bill.

SENATE COUNTY AND MUNICIPAL GOVERNMENT
COMMITTEE

STATEMENT TO

SENATE, No. 1438

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 30, 1986

The Senate County and Municipal Government Committee reports favorably and with committee amendments Senate Bill No. 1438.

Senate Bill No. 1438 Sca establishes a neighborhood housing services grant program to be administered by the Department of Community Affairs and appropriates \$200,000.00 for the program.

Under the provisions of the bill, the department could make grants to certain neighborhood housing services corporations or "umbrella" corporations. In turn, these corporations would establish a revolving loan fund in order to make loans at flexible, below market interest rates to homeowners who are unable to obtain mortgage financing on reasonable terms through normal lending channels. The loans are to be used to rehabilitate substandard homes.

A neighborhood housing services corporation is a private, nonprofit, community based corporation organized to develop and administer a program to rehabilitate and revitalize designated neighborhoods with both public and private resources. Such corporations are established in connection with the Neighborhood Reinvestment Corporation, a national organization which provides a support network for local neighborhood housing corporations. An umbrella corporation establishes and supervises two or more neighborhood housing services corporations.

To qualify for a grant, a corporation shall submit an application to the department which shall include, among other information:

1. A description of the geographic area to be served;
2. Certification that the corporation is governed by a Board of Directors which includes representatives of local governing bodies, the private sector, and members of the public;
3. Certification that the corporation is a nonprofit corporation pursuant to State law and has acquired federal tax exempt status; and
4. Certification that two-thirds of the corporation's annual operating budget is provided by political subdivisions or private sources.

In addition, the corporation must demonstrate that it is capable of administering a revolving loan fund and provide a plan which sets

forth a housing program and details of the anticipated disbursement of funds.

A corporation may not apply for a grant exceeding one-third of its annual operating budget or \$50,000.00, whichever is less.

According to the sponsor, the purpose of the program is to establish a public-private partnership, marshalling the appropriate resources from within the neighborhood, local financial institutions, local governing bodies and the State to promote the rehabilitation of substandard housing across the State. It is intended that the program will stimulate private reinvestment activity in the designated neighborhoods and, in so doing, have a catalyzing effect on those communities.

The provisions of section 13 establish the procedures to be followed if a homeowner defaults on a loan from a corporation. The committee was concerned about whether or not the default procedures were strong enough to protect the State's investment in the neighborhood housing services program. The committee requests that the Senate Revenue, Finance and Appropriations Committee review the default procedures of these corporations to ensure the protection of the State's investment.

This bill was pre-filed for introduction in the 1986 session pending technical review. As reported and amended, the bill includes the changes required by technical review which has been performed.

SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO

SENATE, No. 1438

with Senate committee amendments

STATE OF NEW JERSEY

DATED: MARCH 6, 1986

The Senate Revenue, Finance and Appropriations Committee reported Senate Bill No. 1438 Sca favorably, with amendments.

This bill establishes a neighborhood housing services grant program to be administered by the Department of Community Affairs. Under the provisions of the bill, the department could make grants to certain neighborhood housing services corporations or "umbrella" corporations. In turn, these corporations would establish a revolving loan fund in order to make loans at flexible, below market interest rates to homeowners who are unable to obtain mortgage financing on reasonable terms through normal lending channels. The loans are to be used to rehabilitate substandard homes.

A neighborhood housing services corporation is a private, nonprofit, community based corporation organized to develop and administer a program to rehabilitate and revitalize designated neighborhoods with both public and private resources. Such corporations are established in connection with the Neighborhood Reinvestment Corporation, a national organization which provides a support network for local neighborhood housing corporations. An umbrella corporation establishes and supervises two or more neighborhood housing services corporations.

To qualify for a grant, a corporation shall submit an application to the department which shall include, among other information:

1. A description of the geographic area to be served;
2. Certification that the corporation is governed by a Board of Directors which includes representatives of local governing bodies, the private sector, and members of the public;
3. Certification that the corporation is a nonprofit corporation pursuant to State law, and has acquired federal tax exempt status;
4. Certification that two-thirds of the corporation's annual operating budget is provided by political subdivisions or private sources; and
5. Evidence that it is capable of administering a revolving loan fund, and a plan which sets forth a housing program and details of the anticipated disbursement of funds. The plan shall include, but not be

limited to, criteria for determining the credit worthiness of applicant homeowners, and procedures for securing loans made to homeowners.

A corporation may not apply for a grant exceeding one-third of its annual operating budget or \$50,000.00, whichever is less.

According to the sponsor, the purpose of the program is to establish a public-private partnership, marshalling the appropriate resources from within the neighborhood, local financial institutions, local governing bodies and the State to promote the rehabilitation of substandard housing across the State. It is intended that the program will stimulate private reinvestment activity in the designated neighborhoods and, in so doing, have a catalytic effect on those communities.

COMMITTEE AMENDMENTS:

At the sponsor's request, the committee amended the bill to require that a plan submitted to the Commissioner of the Department of Community Affairs by a housing services or umbrella corporation include criteria for determining the credit worthiness of applicant homeowners, and procedures for securing loans made to homeowners. It is the committee's understanding that the sponsor intends this amendment to provide the commissioner with the ability to determine whether or not a plan adequately protects the State's investment from default by a homeowner, thus addressing, in a flexible manner, the issue raised by the Senate County and Municipal Government Committee concerning this bill.

In addition, the committee amendments provide that grant funding may be provided to a neighborhood housing services corporation which is substantially similar to one organized under the Neighborhood Reinvestment Corporation.

FISCAL IMPACT:

As amended by the Senate County and Municipal Government Committee, this bill makes an initial appropriation of \$200,000.00 for the program. As expressed in the bill, it is the sponsor's intent that the program shall receive annual appropriations for the purposes of the program.

According to information available to the committee, there are currently three corporations which would be eligible for funding under the bill.

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OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001
Contact:

JOHN SAMERJAN
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TRENTON, N.J. 08625

Release: WED., FEB. 25, 1987

Governor Thomas H. Kean today signed the following legislation:

S-1438, sponsored by Senator Gerald Stockman, D-Mercer, which establishes the Neighborhood Housing Services Grant fund and appropriates \$200,000 into that fund.

This program is designed to help preserve and revitalize neighborhoods and to encourage home ownership.

The funds will be made available to neighborhood housing services corporations to provide operating expense grants in a program administered by the Department of Community Affairs.

In his Annual Message to the Legislature, Governor Kean called for long-term public/private partnerships to help revitalize the State's urban centers.

The legislation is effective immediately.

S-1860, sponsored by Senator Raymond Zane, D-Gloucester, was conditionally vetoed by Governor Kean on December 15, 1986. The legislation concurred in the Governor's position and established a Salem Municipal Port Authority Assistance Fund.

The fund gives the State Treasurer broad discretion in lending or granting the Salem Municipal Port as much as \$120,000 annually to assist in making timely payments of its outstanding debt.

The legislation is effective immediately.

- more -

A-649, sponsored by Rodney P. Frelinghuysen, R-Morris, which incorporates Governor Kean's conditional veto of December 8, 1986, and mandates that the study of United States history by high school pupils include the study of the history of the State of New Jersey.

The legislation is effective July 1, 1987.

S-1029, sponsored by Senator Francis J. McManimon, D-Mercer, concurs with revisions made by Governor Kean's conditional veto of October 23, 1986, amends the Local Public Contracts Law.

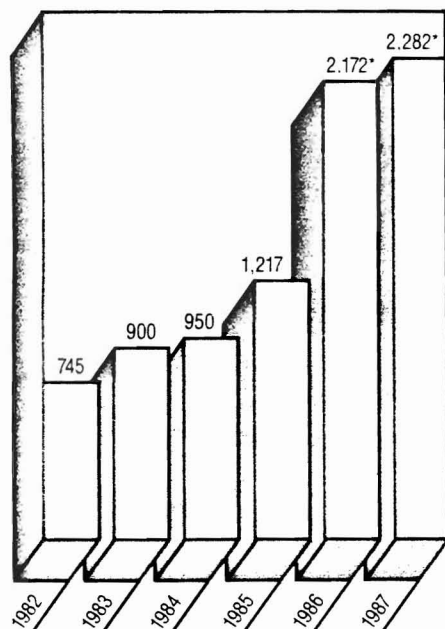
This legislation retains the current statutory requirement on submission of subcontractors' names by general contractors at the time of the submission of the bids. It also stipulates that performance security shall equal but not exceed the total amount bid and that unsuccessful bidders shall be repaid their deposit money.

The legislation is effective immediately.

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New Jersey's cities have achieved marked success during the past five years. This didn't happen accidentally. It is the result of decisions we made. We decided that we must make our cities' streets safer, that our urban residents should have better public schools, and that a larger share of our state's need for decent, affordable housing should be met in rehabilitated urban neighborhoods. We decided that without this quality-of-life infrastructure in place, we could not rebuild our urban economies with job creation and business development.

*Police on Street
Governor's Safe and Clean Program*



* Number includes firefighters



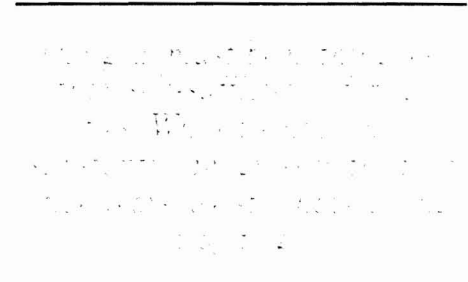
Accordingly, we have been steadily expanding the number of police officers and fire fighters through our Safe and Clean Neighborhood programs. Since 1985, we provided funding to hire over 2,000 new police officers and firefighters through the program. And before 1985, we provided expanded funding to maintain earlier levels of police and fire services.

Last year, when our cities, facing huge budget deficits, had to choose between ruinously high property tax increases or laying off their police officers and firefighters, the State stepped forward with the Community Revitalization Program.

Eleven of our cities shared nearly \$18 million, in addition to \$3.7 million in discretionary funding from the Safe and Clean program and the Supplemental Fire Services program. In all, more than \$21 million was distributed through these programs to make sure our urban residents did not face the draconian choice of fewer services or prohibitive increases in property taxes.

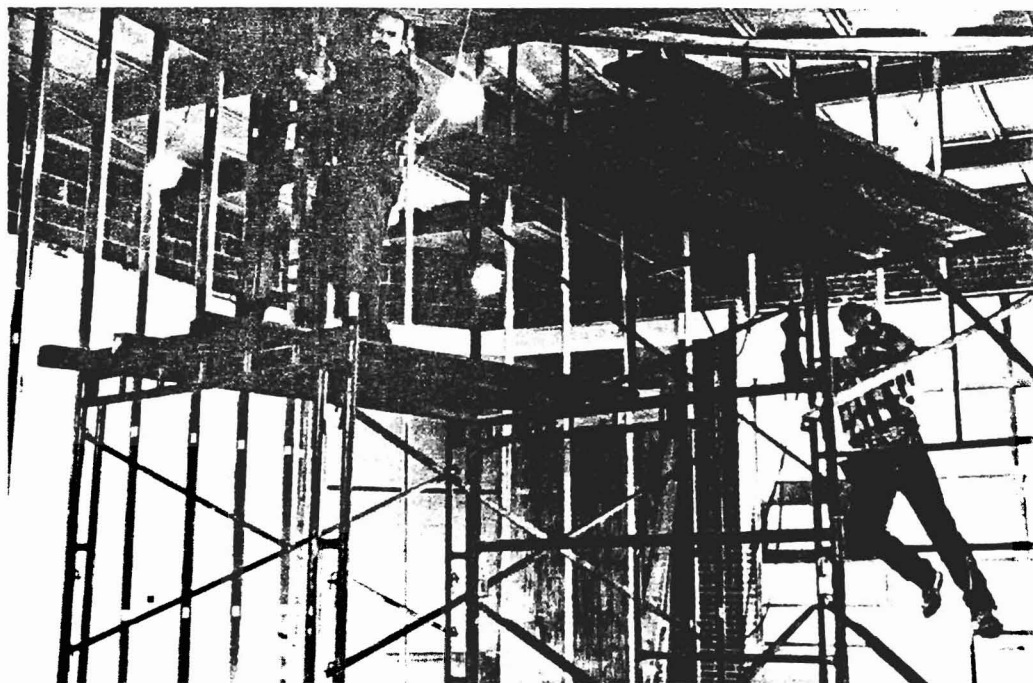
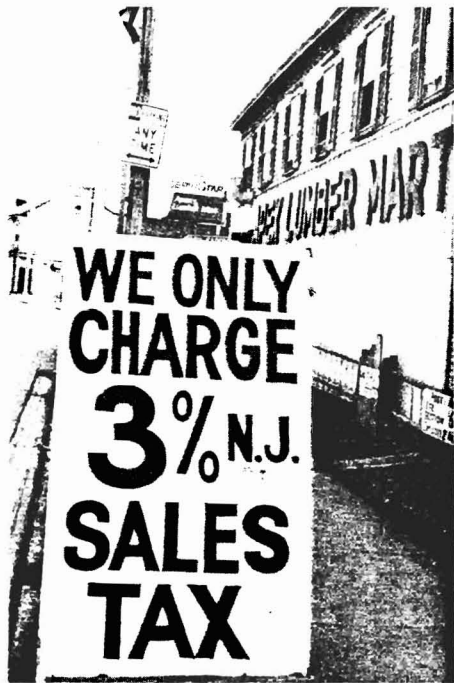
Of equal importance, the staff at the Department of Community Affairs (DCA) worked hand-in-hand with the cities to provide technical and management expertise. Their help saved the cities millions. This is not a one-time benefit. Higher tax collection rates or improved billing will save all taxpayers money for years to come.

Many of the school reforms I proposed are also in place. Our high school diploma means something again. Urban parents have a right to know they can send their children to public school with confidence, knowing that the state of New Jersey is determined that their children will learn to read, write and do arithmetic.



New Jersey's approach is comprehensive. We know that our urban health depends on a variety of factors and forces. As a result, we not only have made sure we protect our citizens and educated our children, we have made investments in jobs and in urban mass transit through the Transportation Trust Fund.

We have worked to make sure urban New Jerseyans have the housing they need. Last year we dedicated a portion of the real property transfer tax to assist affordable housing in urban neighborhoods. Under the Neighborhood Preservation Balanced Housing Pro-



gram, administered by DCA, \$12 million a year is now being offered to developers through municipalities to provide housing for low and moderate-income families.

Last year the Housing and Mortgage Finance Agency financed nearly 4,000 units of rental housing. HMFA money went to fund the development of 271 units of low and moderate income housing on the Jersey City waterfront, to provide permanent mortgages for residents of Jacob's Terrace in Atlantic City and residents of New Community Estates in Newark. HMFA also committed \$2.5 million in Newark to enable Vogue Housing, Inc., a minority developer, to market two and three-bedroom homes for moderate income families.

Some 550 urban homebuyers were aided through the agency's programs, and the agency established the Housing Assistance Corporation to produce affordable housing. In addition to its regular lending, the HMFA provided almost \$3.7 million in funding for 539 units of low and middle-income housing under the Fair Housing Act. And we now are preparing to take \$15.5 million recovered from our suits for oil overcharges and use this to help the HMFA rehabilitate urban housing. I applaud Assemblywoman Maureen Ogden for sponsoring this legislation. I hope you approve it.

We have spent a lot of time developing the one thing every New Jerseyan needs—and deserves: a job. We have not relied on any one means of creating jobs. We have used traditional means such as business development loans from our Local Development Financing Fund and the New Jersey Economic Development Authority. We have used innovative approaches, such as the creation of our Urban Enterprise Zones.

Since we began the LDFF in 1985, we have awarded more than \$22 million in low-interest, long-term loans that created nearly 3,600 new jobs in our cities, and triggered more than \$70 million in private investment.

Last year, EDA opened its newest industrial park in Newark. The Airport Industrial Park used to be an under-used and aging facility, but today it is providing jobs for our city dwellers. By December, the EDA had attracted \$255 million in private funds for 122 projects in targeted cities, creating 7,500 jobs.

Our urban enterprise zone program has been the most successful in the nation. It is one of the primary reasons our cities are beginning to return to their former prosperity.

By the end of last year, more than \$1 billion in private money had been invested in the 10 enterprise zones, creating a record number of jobs. In fact, we have been so successful with our

The program has been the most successful in the nation. It is one of the primary reasons our cities are beginning to return to their former prosperity.

enterprise zones that reporters from Europe have come to New Jersey to study how we did it.

Now we must go forward. We have ideas that we believe will, over the long haul, help our cities progress even further.

These new proposals are true to the spirit of New Jersey. They are fresh, adventurous proposals that take risks for future gains. I believe strongly that private—not public money—must fuel the rebirth of our cities. Powerful market forces are already at work. I believe that with state effort, we can harness these market forces and direct them toward our cities.

Just as unending welfare is not the ultimate answer for our poor, continuous government subsidy is not the ultimate answer for our cities. It never solves the problem, it just spreads out the pain and perpetuates it.

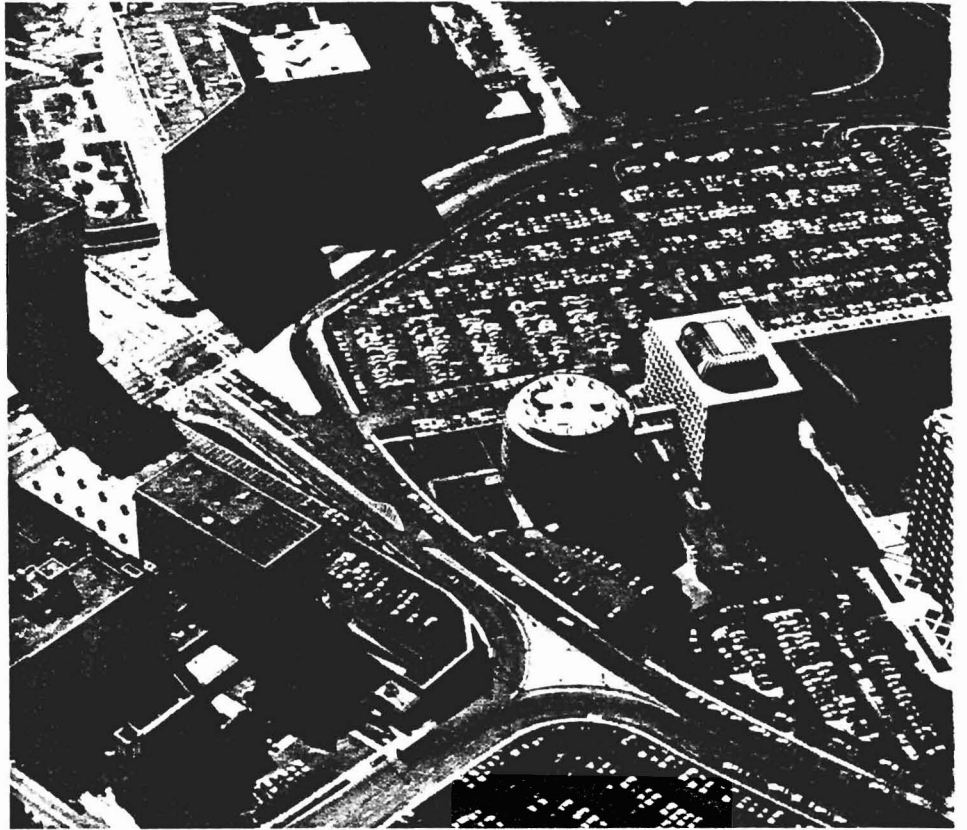
The answer to our urban problems is rebuilding our urban tax base. Our

cities must again be able to raise the money locally, so they can stop relying on the vagaries of state and national budgets.

That means rebuilding the job base. That means rebuilding their neighborhoods. That means continuing to rebuild our housing stock.

Historically, our cities succeeded because everyone had a stake in his neighborhood. We must recapture that feisty sense of involvement and that pride of place.

Many past attempts at neighborhood revitalization failed because they were imposed from above, rather than developed with neighborhood support and participation.



We have rejected that approach. We want the people who live in our cities to tell us what they think their neighborhoods need. And with a minimum of government help, we want them to recreate and restore first their neighborhoods and then the rest of their cities. Our neighborhood programs have been designed along those principles.

The continued reconstruction we anticipate will come through our existing programs and a few experimental pilot programs that I want to put in place in 1987—primarily Neighborhood Development Corporations (NDC's), Housing Rehabilitation Corporations (HRC's) and Urban Small Business Incubators (USBC's).

The Neighborhood Development Corporations would be at first an attempt to transform a few of our neighborhoods. These corporations would develop new businesses that would provide jobs and spark renewed pride.

They would be run by the Urban Development Corporation, which you created three years ago. The law enacting the UDC gave it far-reaching power

to provide financial, managerial and technical assistance to urban programs. It gave it the power to make loans, issue stock and acquire equity in projects.

The UDC will have \$30 million at its disposal because of the bond act the voters approved in 1982. I will insist that it invest this money carefully to provide New Jersey with the maximum return possible.

This is how the NDC's would work. Civic, church and neighborhood groups would be encouraged to apply to the UDC to become a development corporation. Group leaders would submit plans detailing their goals for the new business development. After reviewing the plans for practicality, the UDC would decide which of the more promising corporations to invest in.

The Neighborhood Development Corporations would be able to sell stock. Neighborhood residents could buy common stock for a very nominal cost and outside investors could purchase preferred stock. As with any corporation, the common stock hold-

ers—the local residents—would be the only investors who could vote, thus maintaining local control of the corporations.

In practice, the plan might work like this. Residents of a developing district in a distressed city might decide to incorporate. They could submit a plan to the UDC identifying their neighborhood. And they could submit another plan explaining the real need for, say, a nearby supermarket, dry cleaner, garage and clothing store, and their proposals to start these new businesses.

The UDC could then review their plans, paying close attention to the financial wisdom of the proposed businesses. If the UDC approved the plans, financing and expertise would become available, while the residents would each be investors. Other investors, perhaps a large, nearby corporation, could be able to provide additional financing by purchasing preferred stock.

The stock holdings would ensure that neighborhood residents had a tangible,



vested interest in their futures. As the clothing stores and grocery prospered, stockholders could enjoy the profits. New businessmen would be minted and more jobs would be created where they are most needed. And because neighbors owned a piece of the store and station, there would be fewer thefts and less vandalism, a greater sense of community and much greater sense of progress.

As the corporations succeed, we have few regenerated neighborhoods sharing pride and profit.

Our approach substitutes private enterprise for tax dollars. It will use public money like seeds to grow a crop of private businesses in our cities.

The NDC is an experiment with great promise. I propose other new programs as well.

We should create small business incubators and a program that fosters the entrepreneurial spirit to create more jobs. We must seek to get the private sector involved in the cities, and both

of these programs seek to do so with fundamentally sound financial approaches.

Baseball has a marvelous system for developing younger players. Rookies rarely burst into the major leagues. They usually require additional training and experience which the major league teams provide on their minor league ball clubs.

It's a great arrangement. The youngsters are taught the skills they need to succeed. The parent club gets a steady stream of talent it needs.

I propose something similar to help young inner-city businesses, and to give our cities, in turn, a steady stream of new economic growth.

A small business incubator company would provide a building to house tenant companies. The tenants would share the costs of secretaries, utilities and xeroxing, and also would receive below-market rents. What is more, they would receive legal, engineering, and technical advice from their big-league sponsor. The "rookies" learn from each other, and their business maturation takes place faster than it would have had they set up shop on their own.

There are hundreds of New Jerseyans with great ideas for their own business. We want to promote the creation of incubators to translate their ideas into job-creating, tax-paying businesses. The bottom line businessmen are so fond of quoting would show profits for everyone.

The same is true of the entrepreneurial program. An entrepreneur is a person who looks at the market and says, "I can do it better."

This spirit should be promoted. After all, if it were not for an entrepreneur



named Edison, we would be sitting in the dark right now.

I think we can teach this spirit to our children. I would like to create entrepreneurial programs in our schools. They could be aimed at students we are reaching least: the dropouts.

UDC. should create an inventory of available financing sources that could be tapped by our entrepreneurs.

The chief financial problem facing entrepreneurs in cash-rich New Jersey is not lack of capital, but the inability to find the most appropriate available source of credit or equity. The UDC inventory will give entrepreneurs the helping hand they need.

I expect these programs to work. But rebuilding our neighborhoods means more than rebuilding the job and tax base. We cannot succeed if we do not rebuild our housing base.

The answer is to revive our existing rich housing stock primarily through private efforts.

Drive in Plainfield, Trenton, Camden or Newark and you will see magnificent buildings that have gone to seed. Victorians and townhouses, brownstones and rowhouses slip further and further each year into quiet ramshackle death. In the meantime, our poor and middle class scramble for affordable housing.

At a time when affordable housing is one of the great challenges New Jersey faces, our cities hold the cheapest and easiest answer. I was pleased to see the

Council on Affordable Housing implement the Regional Contribution Agreement embodied in the Fair Housing Act to spur the development of urban housing in the spirit of Mount Laurel. Through these agreements, our suburban towns will be able to stimulate more urban housing development by providing funds for up to half of their fair share requirements to the cities.

Think about it. A dropout feels he does not belong. So does the would-be entrepreneur, bored-stiff while working for somebody else. If we offer these young men and women something different—the chance to explore their own skills in business—I happen to believe we can achieve great successes. I propose, then, to create a school entrepreneurial program in conjunction with the New Jersey Youth Corps Program that is now run by DCA.

On top of this, I propose that the Commerce Department, through the

We have to do more. Our urban housing stock can and should be saved. These houses are an important and rich part of our past. What's more, they are a crucial part of our future.

Rescuing them is the challenge. We have many volunteer groups and non-profit groups rehabilitating homes already. I applaud them. In Newark, the Department of Community Affairs,

the city, and a number of banks and corporations have formed an exciting partnership to rebuild Newark's housing stock and economic base. The partners have combined their expertise and financial resources to develop plans aimed at stabilizing land values, foster home ownership and increase the availability of decent housing in Newark. Some \$41 million has already been committed.

The partners are committed to assisting other cities begin similar partnerships by increasing the funding pot and lending their expertise to help create a statewide consortium.

But we can do more to help our neighborhoods and help ourselves. We should create Housing Rehabilitation Corporations in a few cities as companion pieces to the Neighborhood Development Corporation.

Right now, DCA works with local Neighborhood Housing Services and other community organizations to raise seed money for non-profit neighborhood groups to use to rehabilitate or construct single family houses.

The Housing Rehabilitation Corporation would supplement these efforts by providing seed money for the rehabilitation and construction of rental housing, which is often too complex and expensive for local communities to undertake.

Once again the State would provide expertise and coordination. Once again, these new organizations would foster private/public partnerships. Once again, state exposure would be minimal.

Housing Rehabilitation Corporations would provide technical guidance and some financing. Any state funding will be limited to immediate renovation costs. Renovation groups would have to secure their own operating funds from private sources. Without this private partner, these organizations would be unable to obtain state financing.

The Department of Community Affairs, true to the purpose for which it was created, would oversee the new HRC's while the UDC would oversee the new Neighborhood Development

Corporation and urban small business incubator programs.

I not only want to see urban programs work, but old ones as well. Therefore, I will issue an executive order creating an Urban Affairs Cabinet Council. Made up of the State Treasurer, the Commissioners of Community Affairs, Commerce and Economic Development, Labor, Human Services and Transportation, along with the Governor's Chief of Policy and Planning, the Council's job would be to tell us which urban programs are working and which are not. I want them to recommend which programs should be retained in present form, which should be consolidated, which should be improved, and which should be scrapped.

I want to streamline and consolidate the delivery of services to our cities. Where we have less money to spend, we should maximize the use of the money we do have.

Commissioner Leonard Coleman is expanding an Office of Housing Advocacy in the Department of Community Affairs. I applaud his effort. The office would eliminate red tape—which can increase the cost of a project by as much as 25 percent—provide technical assistance and serve as a clearing house of information.

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Throughout this message, I have talked about the potential in public-private partnerships. Across this country, city officials are learning that development does not end when they grant concessions like tax abatements or low-interest loans to builders.

Instead, they are demanding that, in exchange for the concessions, the builders offer them the right to receive some of the profits generated by the

proposed development. I want to encourage and assist municipalities in considering these kinds of equity participation arrangements.

I have two final thoughts about our cities. We must raise the level of debate about urban housing. I propose that we should invite developers, business leaders and government leaders this year to a conference to initiate a statewide consortium of public and private housing partnerships. We should tap their great creative energy and thought to save our urban housing stock and provide the shelter our urban residents need.

While we rebuild our cities, we must begin discussing how and why we fund all of our urban programs. In an age where the federal government is sharply reducing urban aid, we must decide how to spend our limited revenues for the greatest effect. I will expand on these thoughts more next month in the budget message.

Our cities were the cradles of New Jersey's—and the nation's—prosperity. Paterson's factories turned out the great railroad engines that literally pulled America through the industrial revolution. Trenton provided the genius and the material for the Brooklyn Bridge. In Newark, Seth Boyden revolutionized the leather industry and Atlantic City served as the nation's vacation place.

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This is a proud history. But it is more than history. As Shakespeare once noted, "What's past is prologue," and so it is with our cities. Our cities are unlimited in their potential. Opportunities abound there. Their comeback is part of our future. I am confident that as we follow our agenda for opportunity that we will see them succeed.