

**Grantee: State of New Jersey**

**Grant: B-11-DN-34-0001**

**July 1, 2011 thru September 30, 2011 Performance Report**

---



**Grant Number:**

B-11-DN-34-0001

**Obligation Date:****Award Date:****Grantee Name:**

State of New Jersey

**Contract End Date:**

03/07/2014

**Review by HUD:**

Reviewed and Approved

**LOCCS Authorized Amount:**

\$5,000,000.00

**Grant Status:**

Active

**QPR Contact:**

No QPR Contact Found

**Estimated PI/RL Funds:****Total Budget:**

\$5,000,000.00

## Disasters:

### Declaration Number

No Disasters Found

## Narratives

### Summary of Distribution and Uses of NSP Funds:

The grantee will administer the NSP3 program (up to 10% of the NSP3 grant). The grantee will select experienced and successful, non-profit affordable housing developers to acquire, rehabilitate and sell foreclosed single-family houses to qualified low-to moderate income, first-time homebuyers (60% of the grant). The 25% of the NSP3 grant set aside for households earning 50% AMI (or less) will be applied preferably to congregate site multi-family housing. However, as a fallback, the State will target scattered single-family and rental housing to meet low-income targeting goals.

Total low-income set-aside percentage (to be no less than 25 percent): 25% Total funds set aside for low income individuals= \$1,250,000

HUD provided NSP3 Planning Data. Based on this data, Paterson (4th Ward Neighborhood) , Elizabeth (Elizabethport Neighborhood) and Pleasantville (Mid-Town Neighborhood) are the primary NSP3 target neighborhoods were selected .

NSP3 Planning Data are attached for each target neighborhood. The data obtained from the HUD Target Area mapping website (<http://www.huduser.org/nsp/nsp3.html>) correspond to the boundaries illustrated on the attached Target Neighborhood maps.

The primary areas of greatest need were established on the basis of their conformity to the following criteria:

- 1.) An NSP3 threshold (i.e., "need") score of at least 18;
- 2.) A percentage of persons less than 120% AMI of at least 88%;
- 3.) A percentage of persons less than 80% AMI of at least 70%.
- 4.) Must be a current New Jersey Department of Community Affairs NSP 1 sub-grantee in order to allow rapid deployment of funds by experienced and knowledgeable high-capacity sub-grantee who have exhibited the ability to successfully comply with NSP 1 regulations and guidance.
- 5.) Have demonstrated satisfactory performance in NSP 1 obligation of their funds per quarter as specified in their contracts. NSP 3 requires 50% of grant funds be expended within 24 months of the contract between HUD and the State; proven capacity and ability to structure their activities to meet this deadline are essential.

6) Shall not be a recipient of NSP 2 Funds.

7.) The total (overall) number of properties needed to make an impact in identified (primary) target areas can be no less than 5, however the State is requiring that 6 properties be rehabilitated or redeveloped. This number is based, in part, on what the New Jersey Department of Community Affairs considers feasible in terms of acquiring, rehabilitating, and selling homes to qualified homebuyers, which is based on DCA's past experience with NSP1.

8.) The sub-grantee must be able to demonstrate "shovel-ready" projects and have mechanisms in place to obtain foreclosed and/or abandoned properties in a short period of time. The sub-grantee must be able to obligate their entire award (up to \$1,500,000) within the first twelve months of the award. The sub-grantee also must be able to deliver HUD/NSP compliance items within the first six months of the award, and all



**Summary of Distribution and Uses of NSP Funds:**

ew work must be completed prior to obtaining properties.

New Jersey will be incorporating the CDBG Entitlement jurisdiction's consolidated plan needs by reference and hyperlink on the internet:

- 1.) <http://www.patersonnj.gov>
- 2.) <http://www.elizabethnj.org>
- 3.) <http://www.aclink.com>

Concerning NSP3 need scores, the three primary areas have NSP3 need scores as follows: Paterson--20 , Elizabeth--18.80 , and Pleasantville--18 (By contrast, the State of New Jersey minimum need score is 16.)

With respect to the percentages of low and moderate income persons, the data for the three primary target areas as follows:

Target Area	Percent Persons <120% AMI	Percent Persons <80% AMI
Paterson (4th ward)	96.47	83.61
Elizabeth (Elizabethport)	91.2	78.65
Pleasantville (Mid-Town)	88.53	70.49

The number of properties needed to make an impact in identified, primary target areas is tied to the feasibility of achieving the acquisition, rehabilitation, and sale to qualified homebuyers of

**Summary of Distribution and Uses of NSP Funds:**

20% of the REOs recorded during the past year, a HUD performance measure. The total number of foreclosure starts during the past year in the State's primary neighborhoods is 86 properties. The total estimated number of properties needed to make an impact in all of the State's primary target areas is 17 (20% of foreclosure starts [i.e., REOs] ). The State of New Jersey is requiring that 18 properties be rehabilitated or redeveloped within the primary target areas.

Work within the primary neighborhoods will occur simultaneously. Paterson will be given the highest priority based on having the greatest neighborhood needs score. A Secondary neighborhood will be brought into play only if significant delays or shortages occur in any of the primary neighborhoods.

The State will allocate 90% of the total NSP3 grant, or \$ 4,500,000.00 to the acquisition, demolition, redevelopment , new construction, and rehabilitation activity required to achieve the goal of 18 properties needed to make an impact in primary target areas. While it is believed that this amount is adequate to accomplish this goal, the State reserves the right to amend this Action Plan to make certain that this highest-priority goal is achieved.

**How Fund Use Addresses Market Conditions:**

The selected target areas have benefitted and will continue to benefit from NSP funding. The target neighborhoods have such a large number of bank owned or short sale properties that the average person could not conceivably sell their property at this time. NSP 1 funding was the market place in 2010 and it kept the neighborhoods from a total pricing collapse. NSP3 funding will specifically increase the availability of affordable, health sustainable and energy efficient rental units, will eliminate health and safety issues related to vacant and blighted buildings in the community, and improve quality of life in the target area. The time, effort, and money invested in building decent and affordable housing not only provides secure homes for low-income families, but strengthens the social capital within the community and between communities, urban and suburban, all important factors in sustainable urban renewal. Through Section 3 Vicinity Hiring requirements local residents and business will continue to be contracted or employed gradually increasing area median income. NSP-funded rehabilitated or newly constructed homes will also raise property values in areas where the market have caused property values to plummet.

**Ensuring Continued Affordability:**

NJDCA mandates that NSP3 funded units subscribe to "Long-term affordability" which requires that rental and homeownership housing remain affordable for 5 to 15 years, depending on the amount of NSP funds invested in the housing unit. The Department will also ensure continued affordability through rental and deed restrictions, including resale/recapture provisions.

**Definition of Blighted Structure:**

A Blighted structure refers to the condition of a structure, including a housing unit that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare. Under New Jersey law, a municipality may exercise its police power to take appropriate action to remediate a property if the property is " unfit for human habitation or occupancy , or use , due to dilapidation , defects increasing the hazards of fire, accidents or other calamities, lack of ventilation, light or sanitation facilities , or due to other conditions rendering such building or buildings ,or part thereof ,unsafe, unsanitary , dangerous ,or detrimental to the health and safety or otherwise inimical to the welfare of the residents of said municipality&hellip" ( N.J.S.A. 40-48-2.3)



## Definition of Affordable Rents:

Affordable rents for very-low income families (50% AMI or less) must not exceed "Low HOME rents limits" after inclusion of contract rent and tenant paid utilities (gross rent). For NSP-funded rental units designated for low, moderate or middle income (above 50% AMI, but less than 120% AMI), the gross rent may not exceed "High Home rent Limit" or "Fair Market rent"; in either case the tenant may not pay more than 30 percent of their income towards rent and utilities. Recognizing this, the gross rent should be set \$50-\$100 below the applicable rent limit to extend more flexibility in finding and qualifying an eligible tenant. The Department will make HUD's published "HOME Rent Limits" and "Fair Market Rent" figures available to sub-grantees and owners of NSP-funded rental units.

## Housing Rehabilitation/New Construction Standards:

All Residential units that are created or assisted with NSP funds must be constructed or rehabilitated, in full compliance with New Jersey's Uniform Construction Code ("U.C.C."); this is a stricter standard than HUD's Section 8 Housing Quality Standards. The U.C.C. includes the Rehabilitation Sub code which applies to construction work for existing buildings, covering work that ranges from minor repairs to gut rehabilitation/reconstruction. The NSP Grantee must obtain the appropriate Certificate of Occupancy for each building that contains a completed NSP-funded unit from the municipality where the building is located. NJDCA is also recommending that NSP3 funded units should also be constructed with features that will reduce energy and utility usage and cost, and also reduce or eliminate indoor environmental hazards. In terms of the "2009 Green Future Guidelines", the most relevant construction-related features for NSP purposes are: indoor air quality; building durability and moisture control; energy efficiency; and water conservation. To the extent that it is feasible, the NJDCA is recommending that NSP3 funded units be Energy Star certified, especially for newly constructed units.

## Vicinity Hiring:

NSP Grantee must report annually about the number of persons they have employed, whether directly or through contract or sub-contract, including lower-income residents of the area where the NSP-funded units are located ("Section 3 residents"); and also about the contracts they have awarded to small businesses located within the project area or owned in substantial part by project area residents ("Section 3 business"). A Federal requirement mandates that at least 30 percent of employment via NSP must be Section 3 residents, and at least 10 percent of contracts via NSP funding must be for Section 3 businesses. The report form, "Section 3 Summary Report" (HUD Form 60002) will be available for download from NJDCA. Supplementary to Federal guidelines and NJDCA regulations the sub-grantees in the three target areas have specific plans and protocol in reference to vicinity hiring.

Paterson: Paterson Habitat's (PHH) Procurement Policy encourages local, small and minority businesses, and, in particular, Paterson businesses get assigned extra points during the vendor evaluation and selection process. PHH also offers small businesses support in completing the prequalification requirements as far as completing respective forms with business owners and being clear about the related requirements. PHH also prefers to use local suppliers; green building guidelines further enforce local preferences.

Pleasantville: The Pleasantville Housing Authority (PHA) working with its partner the Pleasantville Housing and Redevelopment Corporation (PHRC) has implemented a Section 3 plan which included two communities meeting to reach out to both residents looking for work as well as local businesses to help them obtain their certification as a Section 3 concern. The PHRC as the developer service provider to the PHA is required pursuant to the developer agreement to promote Section 3. The PHRC has implemented a program whereas it awards points to potential contractors and subcontractors for being or using Section 3 contractors and hiring Section 3 employees. This has ensured that they have had local contractors from the neighborhood obtaining work under the current NSP grant and will ensure the continuation under NSP 3. Local employees have also been hired. They have also set up a relationship with the local one stop career center which is providing referrals to contractors in the program.

Elizabeth: The Elizabeth Housing Authority has a history of utilizing Section 3 workers and businesses for community development projects. They used Section 3 workers and businesses for the NSP1 projects (which is due to be completed in March) and will continue to use them for the NSP3 projects, because it is required and it is the Primary developers preference to do so.

## Procedures for Preferences for Affordable Rental Dev.:

The City of Elizabeth indicated that, in the NSP1 program, they encountered severe difficulties selling units in the troubled market so they have decided to focus on producing affordable rental units (17) with all of the NSP3 Funding.

The Pleasantville Housing Authority will be providing homes to potential tenants that earn less than 50% of the AMI. The Pleasantville Housing Authority will also be assisting these tenants through their Section 8 voucher program. Other tenants can have incomes of up to 120% AMI pursuant to the NSP guidelines. The PHA has not maximized the rent on the 120% units; they are using the HUD posted 100% fair market rents. This is actually very affordable for these households since the homes available would all rent for more than HUD posted fair market rents. This measure will certainly provide the affordability and stability needed for these families to be able to work towards homeownership.

## Grantee Contact Information:

Ms. Diane Kinnane, Supervisor  
New Jersey Department of Community Affairs  
Division of Housing and Community Resources  
Neighborhood Element  
101 S. Broad Street, PO Box 811  
Trenton, NJ 08625-0811

Overall

This Report Period

To Date



<b>Total Projected Budget from All Sources</b>	N/A	\$5,000,000.00
<b>Total Budget</b>	\$0.00	\$5,000,000.00
<b>Total Obligated</b>	\$0.00	\$0.00
<b>Total Funds Drawdown</b>	\$0.00	\$0.00
<b>Program Funds Drawdown</b>	\$0.00	\$0.00
<b>Program Income Drawdown</b>	\$0.00	\$0.00
<b>Program Income Received</b>	\$0.00	\$0.00
<b>Total Funds Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00

## Progress Toward Required Numeric Targets

<b>Requirement</b>	<b>Required</b>	<b>To Date</b>
<b>Overall Benefit Percentage (Projected)</b>		0.00%
<b>Overall Benefit Percentage (Actual)</b>		0.00%
<b>Minimum Non-Federal Match</b>	\$0.00	\$0.00
<b>Limit on Public Services</b>	\$750,000.00	\$0.00
<b>Limit on Admin/Planning</b>	\$500,000.00	\$0.00
<b>Limit on State Admin</b>	\$0.00	\$0.00

## Progress Toward Activity Type Targets

<b>Activity Type</b>	<b>Target</b>	<b>Actual</b>
<b>Administration</b>	\$500,000.00	\$500,000.00

## Progress Toward National Objective Targets

<b>National Objective</b>	<b>Target</b>	<b>Actual</b>
<b>NSP Only - LH - 25% Set-Aside</b>	\$1,250,000.00	\$1,785,000.00

## Overall Progress Narrative:

The sub-recipients have continued to investigate the properties referenced in their respective applications. The investigation process has determined that acquisition of initially identified properties would meet all the NSP III criteria, and written offers on each property begun to be drafted. As a contingency measure, all secondary and tertiary properties within the target area that meet the NSP III criteria have been identified. An action plan has been developed to further investigate and submit offers on these additional properties if necessary. The sub-recipients have begun the process of drafting contracts of sale for each of the properties.

## Project Summary

<b>Project #, Project Title</b>	<b>This Report Period</b>	<b>To Date</b>	
	<b>Program Funds Drawdown</b>	<b>Project Funds Budgeted</b>	<b>Program Funds Drawdown</b>
0001, Acquisition , Rehabilitation and/or Redevelopment	\$0.00	\$1,500,000.00	\$0.00
0002, Acquisition , Rehabilitation and/or Redevelopment	\$0.00	\$1,500,000.00	\$0.00



0003, Acquisition and Rehabilitation	\$0.00	\$1,500,000.00	\$0.00
0005, Administration	\$0.00	\$500,000.00	\$0.00



