



State of New Jersey

DEPARTMENT OF COMMUNITY AFFAIRS

101 SOUTH BROAD STREET

PO BOX 800

TRENTON, NJ 08625-0800

(609) 292-6420

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHARLES A. RICHMAN
Commissioner

October 8, 2015

Governor Chris Christie
Office of the Governor
PO Box 001
Trenton, NJ 08625

Dear Governor Christie,

Pursuant to the requirements of the Superstorm Sandy Transparency Law, I respectfully submit to you the attached report regarding the availability of Community Development Block Grant Disaster Recovery (CDBG-DR) funds and other funds to provide recovery program applicants with interim mortgage and rent assistance while they rebuild.

Please be advised that my department is also submitting this report to the New Jersey Legislature as required by the law. Should you have any questions, please do not hesitate to ask.

Sincerely,

Charles A. Richman
Commissioner



As required by section 6 of P.L. 2015, c.102., commonly known as the Superstorm Sandy Transparency Law, the Commissioner of the New Jersey Department of Community Affairs has prepared this report for the Governor and Legislature regarding the availability of currently uncommitted Community Development Block Grant Disaster Recovery (CDBG-DR) funds and other funds to provide recovery and rebuilding program applicants with interim assistance for mortgage payments and rent.

The Department of Community Affairs (DCA) is the grantee under the U.S. Department of Housing and Urban Development's (HUD's) CDBG-DR program, and has been allocated more than \$4.1 billion in federal CDBG-DR funds to assist the State in recovering from Sandy. Consistent with federal requirements, DCA developed an Action Plan that detailed unmet needs after Sandy and determined how CDBG-DR funds would be used to meet those needs. With HUD's approval of both the Action Plan and subsequent amendments to the Plan, these funds are being utilized to help homeowners, renters, businesses and local governments through more than two dozen recovery programs, including the Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) Program, LMI Homeowners Rebuilding (LMI) Program, Fund for Restoration of Multifamily Housing (FRM) Program and the Sandy Tenant-Based Rental Assistance (TBRA) Program.

Significant progress has been made on a number of programmatic fronts to provide assistance to residents in need, including those displaced as a result of storm damage or construction. DCA continues to assist homeowners affected by Sandy, primarily through the RREM and LMI Programs. In the RREM Program, which is the State's largest homeowner recovery initiative, more than 7,600 of the approximately 8,300 homeowners participating in the program have a signed grant agreement, a step that must be completed before construction can begin. Of these, more than 7,400 homeowners have received at least one payment from RREM to rebuild, reconstruct or elevate their homes, indicating they are under construction or finished with their project. At the time of this report, more than 1,800 RREM homeowners have completed construction on their homes, with approximately 50 homes completing construction per week on average. Importantly, because HUD disbursements were allocated to the State in three rounds of CDBG-DR funds --- mid-2013, mid-2014 and mid-2015 -- not all RREM homeowners began rebuilding at the same time, and some began only a few months ago.

The LMI Program, which was launched in January 2015, is also making substantial progress. DCA sought and received HUD approval to increase funding for the LMI Program from \$40 million to \$69 million to ensure that all of the approximately 500 eligible applicants receive the grant assistance they need to rehabilitate or reconstruct their homes. Grant agreement signings are now underway for applicants in the program. DCA anticipates that most grant agreements will be signed by the first quarter of 2016.

DCA also is addressing affordable rental housing demand that was exacerbated by Sandy through an allocation of \$594.5 million to the FRM Program. Of these funds, more than \$310 million has been committed to develop affordable multi-family rental housing. During the first 90 days of lease up, preference will be given to qualified Sandy-impacted residents. To date,

FRM funds have been committed to 49 projects (representing about 3,700 units) of which 33 projects (representing more than 2,300 units) are currently complete or under construction.

Additionally, in January 2015, DCA launched the Tenant Based Rental Assistance (TBRA) Program, funded with \$32 million in CDBG-DR dollars. This program provides up to two years of rental assistance to low to moderate-income individuals impacted by Sandy. DCA staff is in the process of verifying income and other information on submitted applications and is working with the applicants to secure rental housing.

Different federal funding sources have been used by the State during the recovery to address the ongoing interim financial needs of homeowners while their homes are being rebuilt. They include the Homeowner Resettlement Program (\$185M of CDBG-DR funds) and the Sandy Homeowners and Renters Assistance Program (\$100 million of federal Social Services Block Grant funds). FEMA also provided interim assistance through its Individual Assistance Program.

To continue to address the interim financial needs of homeowners while their homes are being rebuilt, DCA's affiliated agency, the New Jersey Housing and Mortgage Finance Agency (HMFA), on March 16, 2015, launched the Rental Assistance (RAP) Program. The RAP Program helps homeowners in RREM and the LMI Programs pay for temporary rental housing while their primary residences are undergoing repair, reconstruction or elevation. Homeowners in the RREM or LMI Programs who have not yet completed rebuilding their home can receive up to \$825 in rental assistance for the first month and up to \$1,300 a month for up to eight additional months (for nine total months of RAP assistance), provided program funds are available. RAP is funded with \$19.5 million of Social Services Block Grant (SSBG) dollars appropriated under the Disaster Relief Appropriations Act of 2013, and is estimated to be able to serve approximately 1,600 applicants assuming maximum program assistance to an applicant of \$11,225.

As of October 2, 2015, 1,353 applications for RAP assistance have been received, of which 1,185 have been approved. This figure provides an estimate of the need for interim assistance among homeowners in the State's major home rebuilding program. Notably, after an uptick in applications in early September following federal approval of the State's request to extend and expand the RAP program rental assistance to all eligible RREM and LMI Program applicants as opposed to only serving applicants simultaneously paying a mortgage and rent, the number of applications filed per week has dropped considerably. HMFA will continue to evaluate trends in demand for RAP assistance.

As stated above, RAP is supported by SSBG funds. There are insufficient CDBG-DR funds to support activities beyond the allocations already made to existing recovery programs under the State's federally approved Action Plan. Therefore, there are no unused CDBG-DR funds available at the present time for interim assistance for mortgage payments and rent.

Apart from the RAP Program, homeowners who have been assigned a builder under "Pathway C" of the RREM Program have a right to receive rental compensation from the builder for each unexcused day the project goes beyond the 90-day construction time period to which the builder contractually agreed. The amount of rental compensation the builder must provide the

homeowner is based on HUD's fair market rent standard and utility cost formula for the county where the damaged home is located along with the number of bedrooms in the home.

DCA also administers the Sandy Recovery Housing Counseling Program, which offers free HUD-certified housing counseling services to renters and homeowners who were impacted by Superstorm Sandy and lived in one of the nine counties most heavily damaged by the storm. Housing counseling offices are located in Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union Counties and provide counseling programs that address a wide range of financial and housing challenges. While the program does not provide direct financial assistance, the HUD-certified housing counseling can help households develop a customized plan of action specific to their needs. Counseling services are offered in such areas as foreclosure prevention, mortgages, budgeting, and rental guidance.

Additionally, on July 31, 2015, HMFA launched a \$17 million foreclosure prevention initiative called the New Jersey HomeSaver Program (HomeSaver), which offers eligible homeowners up to \$50,000 in a 0% interest, non-amortizing (no monthly payments), forgivable 10-year loan to help bring their monthly household payment to an affordable level. HomeSaver eligibility requires that a homeowner be at risk of foreclosure due to financial hardship such as recent unemployment or a reduction in income. The homeowner must also demonstrate that with HomeSaver assistance they will be able to afford their mortgage. After the fifth anniversary of the closing date of the HomeSaver loan, the loan amount will be forgiven at a rate of 20% per year, to be forgiven in full at the end of the tenth year.

HomeSaver is not funded with CDBG-DR dollars and is not a Sandy-specific program, but being impacted by Sandy can be an acceptable hardship to meet eligibility criteria if it put the homeowner at risk of losing the home.

As previously noted, DCA has determined that there are no unused CDBG-DR funds available at the present time for interim assistance for mortgage payments and rent because there are not sufficient CDBG-DR dollars to fund activities beyond the recovery programs already allocated CDBG-DR funds. As discussed, however, the RAP Program is providing substantial rental assistance to homeowners participating in the RREM and LMI Programs and is meeting current program demand. DCA staff will continue to evaluate unmet needs after Sandy so that, in the event other CDBG-DR programs close without expending all CDBG-DR resources allotted to them, it will be possible to reallocate those resources to remaining unmet needs arising from the storm.