Testimony of Hon. Richard E. Constable, III
Commissioner, Department of Community Affairs
Hearing of the Senate Budget Committee
April 29, 2014
State House Annex, Committee Room
10:00 AM

Good morning Chairman Sarlo, Vice Chairman Stack, and members of the Assembly Budget Committee. I am happy to discuss the budgetary priorities of the Department of Community Affairs. I am joined today by my Deputy Commissioner Chuck Richman, my CFO Cindy McDowell, and my Assistant Commissioner in charge of housing programs, Ana Montero.

During the past year, the Department of Community Affairs has continued to serve its core mission of providing guidance and financial support to local governments, community development organizations, and the business community.

****

As you know, the DCA also oversees the State's Sandy recovery programs funded by federal Community Development Block Grants (CDBG).

In the 11 months since we received the first CDBG allocation of $1.8 billion, we have gotten $1.3 billion in the pipeline or out the door. This money is helping individuals, businesses and communities recover from the worst natural disaster in our State's history.

We're also proud to report that in our Sandy-related housing programs, more than 70 percent of the money awarded has benefitted low-to-moderate income families.

Further, our recovery resources are being distributed faster in response to Sandy than in any past major natural disaster. One example is our Homeowner Resettlement Program. This program provides incentives to homeowners to stay in their home counties and recover. These grants are used to pay local property taxes, mortgage and rent payments, and insurance premiums. Over $185 million in Resettlement Grants has been disbursed, and about 99% of

the more than 18,500 eligible applicants have already received their grants.

By contrast, because of bureaucratic federal mandates, getting money out the door for construction-based housing recovery programs is far more challenging. Notwithstanding, we have seen significant progress in our construction-based RREM program. More than 5,000 RREM applicants have received preliminary approvals. Almost 2,400 have signed grant awards, obligating over a quarter billion dollars. This includes $50 million in reimbursements for work these Sandy-impacted homeowners had previously completed. Just last month, almost 600 grant awards were signed, almost doubling the total signed in February. We are on track to do another 600 grant signings this month.

Yet, we recognize that the process can still be frustrating and time-consuming. Much of this stems from federal rules we must follow:

- **Federal rules require us to validate duplication of benefits and construction cost for every RREM applicant;**

- **Federal rules require us to complete time consuming environmental and historical reviews on every RREM property; and,**

- **Federal rules limit us from reimbursing RREM applicants waiting to sign grant agreements.**

These are examples of some of the common complaints we hear about the RREM process.

We've also heard the customer service complaints and we have taken steps to address them. Beginning in January, DCA has built out a Sandy Recovery Division to increase our administrative capacity and make us less reliant on contractor support. We have increased training in our 9 Housing Centers. We have revamped RREM in substantial ways, and allow homeowners more choice in the rebuilding process. Further, when an applicant chooses their own contractor, we allow half of the RREM grant award to be immediately disbursed so the homeowner can quickly pay for necessary expenses.

Unfortunately, there is no playbook for recovering from a storm like Sandy. This State has never done anything like this before. Indeed, while we are comparable to NY State in terms of dollars obligated in the RREM program, NY City's RREM equivalent has doled out less than $200,000 in grant awards. Clearly, this is difficult work, but we are working every day to make the process more efficient, within the bounds of the federal rules.

More than RREM and Resettlement, we also designed programs for low income renters. We project that our initial CDBG investment in rental programs will create or repair more than 7,000 affordable housing units.

Much media attention has been focused on one of these affordable rental programs, the Fund for Restoration of Multi-Family Housing (FRM).

These 36 projects, selected through an open and transparent application process, will rapidly increase the supply of affordable housing in the nine most impacted counties.

The New Jersey Housing and Mortgage Finance Agency (HMFA) scores and ranks applications to the FRM program using the same system it has utilized for decades in financing affordable housing developments. The HMFA board selects projects during public meetings where every potential project is discussed and voted on. Projects must be "shovel-ready" so construction can begin quickly. Developers – not municipalities – need to proactively apply for these Sandy recover funds, and must have the support of a municipality to move forward.

More than this, we designed several rental programs where we repair smaller rental properties, provide housing for special needs populations, and create affordable housing in blighted neighborhoods in Sandy-impacted counties.

****

As you know, our department also has a direct role in assisting Sandy-affected local governments.

Our Division of Local Government Services has provided tens of millions of dollars in Sandy recovery funds for Essential Services grants to counties, municipalities, and school districts in tandem with FEMA's Community Disaster Loans. The Essential Services grants maintain the police, fire, emergency and government services on which our communities depend and help Sandy-impacted communities avoid raising taxes.

We are supplying code enforcement staff to assist Sandy-impacted towns with inspections. As an example, we have about 30 inspectors working in more than a dozen communities in Monmouth and Ocean Counties.

****

Importantly, we have built extensive integrity and oversight measures into our programs, and federal oversight is both continuous and exhaustive.

Finally, on March 25, we submitted our second plan to HUD for the allocation of $1.46 billion in CDBG funds. More than 50% of the funds, $775 million in total, are dedicated to homeowner and renter programs.

****

Now, I would be remiss in not addressing the issue of property taxes.

By any measure, this administration's property tax reforms, which took effect in calendar year 2011, have helped stem the tide of skyrocketing property tax bills. Over the last three years, the total property tax levy increased at historically low rates.

In 2011, the total New Jersey property tax levy on all payers increased by 2.5 percent. In 2012, we did even better with a statewide increase of just 1.6 percent. And in 2013, there was a statewide increase of 1.7 percent.

We accomplished this because, together, we enacted a historic bipartisan property tax cap, and real reforms to combat spending – like binding arbitration reforms, and reforms to pensions and health benefits. Obviously, true success would be an annual decrease or at

least property taxes remaining stagnant. In many places this actually has occurred. For example, last year, the total property tax levy decreased in approximately 80 municipalities, and in another 80, the increase was less than 1 percent.

Finally, as you know, the provision of our binding arbitration law that gives weight to the 2 percent cap expired on April 1. Local government officials I speak with state the obvious: that the law has helped keep property tax increases in check and has made managing a municipal budget workable within the confines of a property tax cap. Without it mayors will lose an important tool that keeps employee costs reasonable. While the Senate unanimously voted to extend the cap, your Assembly colleagues failed to act on the measure prior to its expiration. However, we must extend this provision of the law or make it permanent. The results of the Assembly's failure to act will be exactly as local officials, newspapers and others have predicted -- either increases in property taxes up to the maximum permitted, or more fire fighter and police officer layoffs.

Thank you for the opportunity to come before you today. I am happy to answer your questions.