



A Perspective on Comprehensive Housing Policy

Testimony before the Housing and Local Government Committee

Mayor Douglas H. Palmer – Trenton

May 22, 2008

I appreciate the opportunity to provide the Committee some perspective from the standpoint of the Mayors – and in particular, the urban Mayors – of our state.

Urban and suburban communities in New Jersey need the ability to foster mixed income communities. As a mayor, I strongly support the legislative initiative of A.500 to address the need for workforce housing. The middle-income families earning up to 110% of median income are the lifeblood to a city like Trenton and the key to revitalization.

Specifically I ask for consideration that the 2.5% nonresidential fee introduced within A.500 be broad in its use, to allow for the funds to be targeted to this most burdened population ... our middle income families. It seems natural to connect the jobs created by nonresidential development directly to the workforce, which will be attracted to these jobs. Our recommendation is that this fund's primary purpose should be development of transit-oriented projects and housing directly related to job growth initiatives, which promote smart growth goals of the state.

Moreover, as we have experienced in Trenton, the HMFA can provide a valuable resource to cities developing middle-income workforce housing. However, due to historic limitations known as **the 6/7 times rent rule**, many middle income people cannot take advantage of the housing opportunity because of their

income. In particular, the Broad Street Bank Building, which seeks to attract State workers to live in Trenton, has been forced to turn aspiring renters away because of this ineffective and outdated calculation. Therefore, we hope that A.500 can address this issue so that the actions you intend for middle-income families can actually be put into reality.

Cities must continue to receive the financial support we have come to rely upon to support revitalization of our neighborhoods. We accomplish this not only through rehabilitation, but with new construction as well. We therefore strongly endorse the amendment to utilize the new urban fund created by the legislation for new construction as well as rehabilitation.

I must further stress that 20 million dollars – or the equivalent of 200 units of housing per year for all the eligible urban and receiving communities – is nowhere near the need or the historic production receiving communities have realized through the Regional Contribution mechanism.

This \$20 million allocation cannot be viewed as an equal substitution for the millions of dollars we currently have available through the RCA mechanism. In order to address the true financial loss of the RCAs to cities like Trenton, the committee must consider a phase out approach over a 3-5 year period. This would provide time for the State to build up the necessary resources to adequately deal with the financial needs of the RCA projects, which will now be left in limbo.

In Trenton alone, we have secured more than \$20 million in RCA funds in recent years. Knowing we had a secured payment stream allowed for us to take a long term, well thought out approach to our housing plans. The proposed substitute will instead create a stop-and-go pattern of development based on competitive

cycles and funding availability, leaving urban New Jersey competing for small, precious dollars.

If the true legislative intent is to remove the RCA from the funding landscape, then urban centers need a predictable and reliable funding source. We encourage the committee to consider a formula-based allocation for multiple years, so that we can continue to develop comprehensive plans, acquire land, and support private development without “roll of the dice” funding allocations.

The legislature must also understand the long-term effects of low-income housing on neighborhoods. I strongly urge the legislature to deal with the issue of perpetuity within A.500. Although the bill sets forth minimum deed restrictions for 20 years, COAH and the DCA have forced projects to agree to affordable housing in perpetuity. This may sound politically correct, but what we are creating is a class of property that no owner has incentive to maintain – and for which no municipality will have a right to rehabilitation dollars in the future. More than 60 years of federal housing policy has required that housing must be on the brink of LOSING its affordability in order to participate in a rehabilitation program. Current preservation programs used in this state would not be eligible for the much-needed rehabilitation dollars had a deed in perpetuity been imposed. I believe we can protect affordability, but the Legislature must not create an inventory that, in 20 or 30 years, only will look and act like the public housing failures of the federal government.

Thank you.