



HMFA

New Jersey Housing
and Mortgage
Finance Agency

Charles A. Richman
Acting Commissioner

Marge Della Vecchia
Executive Director

August 23, 2007

In accordance with Executive Order No. 37 issued by Governor Jon S. Corzine on September 26, 2006, the New Jersey Housing and Mortgage Finance Agency's 2006 Annual Report also serves as the comprehensive report of the Agency's operations. This report highlights the significant action of the Agency for the year, including the degree of success the HMFA had in promoting the State's economic growth strategies and other policies through our programs to support and provide affordable housing in New Jersey.

The report of independent auditors, Ernst & Young LLP, dated July 17, 2007, is attached and completes the HMFA's requirements concerning the preparation of a comprehensive report required by Executive Order No. 37.

In addition, I certify that during 2006, the HMFA has to the best of my knowledge, followed all of the Agency's standards, procedures and internal controls. Also attached is an overview of actions taken to enhance internal processes.

Sincerely,

Marge Della Vecchia
Executive Director



FY 2006 Annual Report: New Jersey Housing and Mortgage Finance Agency



The Mission of the New Jersey Housing and Mortgage Finance Agency.

The People We Serve:

The New Jersey Housing and Mortgage Finance Agency (HMFA) provides funding for affordable homeownership and housing opportunities for New Jersey residents.

Our Expertise:

HMFA responds to the needs of its residents by implementing creative programs and establishing alliances that:

- ▶ Fund affordable home mortgages for first-time home buyers;
- ▶ Promote construction and rehabilitation of rental housing;
- ▶ Encourage mixed-income, owner-occupied housing growth as a means to stabilize urban neighborhoods;

- ▶ Advance the growth and development of municipalities;
- ▶ Contribute to the quality of life of older adults, disabled residents and individuals with special housing needs; and
- ▶ Formulate partnerships to foster the economic development of New Jersey and the personal development of its residents.

Our Resources:

HMFA raises program funds by:

- ▶ Selling taxable and tax-exempt bonds to private sector investors in national financial markets;
- ▶ Applying for and administering federal and State grants and housing assistance programs; and

- ▶ Fostering cooperative relationships with State, municipal, not-for-profit agencies and foundations.

HMFA does not rely on any direct funding from the State Treasury to meet its core operating or administrative expenses.

HMFA does rely on progressive federal and State housing legislation to contribute to the vitality of the state's economy and the quality of life of its residents.

NEW JERSEY HOUSING & MORTGAGE FINANCE AGENCY

Greetings from Commissioner Susan Bass Levin and Executive Director Marge Della Vecchia.

Dear Friends,

We are proud to present the 2006 Annual Report of the New Jersey Housing and Mortgage Finance Agency (HMFA). We have achieved many successes in our 39-year history. These successes were made possible through our partnerships with the state's housing professionals, government officials, our participating lenders, housing developers, community leaders, nonprofit and for-profit housing groups.

In 2006, Governor Jon S. Corzine set an important affordable housing goal for the State of New Jersey – to produce and preserve 100,000 affordable housing opportunities in 10 years. HMFA stepped up and we are well on our way to achieving this goal through the hard work of our talented and dedicated staff. We ended 2006 with a 20 percent increase in the number of housing units financed as compared to 2005.

This report highlights many of our accomplishments and showcases housing projects HMFA financed in 2006. Thank you for your continued commitment to creating and preserving affordable housing for all of New Jersey's hardworking individuals and families. We look forward to working with you as your partner, as we build a better New Jersey and create *"One Community with One Future."*

With regards,



Susan Bass Levin
Commissioner, DCA / Chair, HMFA



Marge Della Vecchia
Executive Director, HMFA





Revitalizing A Neighborhood, One Home at A Time.

Affordable and sustainable home ownership has always been synonymous with the American Dream, but today owning a home in New Jersey is increasingly more expensive and becoming an option fewer and fewer families can afford. To ensure the American dream remains a reality for New Jersey's residents, the CHOICE (*Choices in Homeownership Created for Everyone*) program was created.

This new program combines a construction loan and subsidy financing to encourage the development of a mix of affordable and market rate single-family for-sale housing throughout New Jersey.

Southwest Village at Spring Street is a typical CHOICE project. Located in Trenton's Canal Banks Area, Southwest Village consists of 19 single-family homes that have been rehabilitated.

These new homes provide an affordable option to first time homebuyers and offer the entire neighborhood a foundation for revitalization.





Providing First-Time Homebuyers A “Smart Start”.

Homebuyers are faced with a number of common barriers to purchasing a house; one is accumulating the money for down payment and closing costs. The Smart Start Program assists potential homeowners in clearing those hurdles by offering a second mortgage for down payment and/or closing costs in an amount up to 4 percent of the first mortgage.

Smart Start is available for those in the HMFA's first mortgage homebuyers program who are purchasing homes in Smart Growth areas.

The Smart Start Program has helped many residents buy their first home including:

- ▶ A single mom with five dependent children purchase a home in Pittsgrove;
- ▶ A family with four children move from an apartment into a newly constructed home in Paulsboro;

- ▶ A single man purchase a home in Salem;
- ▶ A recently discharged veteran with a wife and two children purchase a home in Camden;
- ▶ A single clerical worker for the IRS with no assets purchase a duplex in Newark;
- ▶ A low-income couple with no assets purchase a home in a redevelopment area in Newark;
- ▶ A divorced mom with two children who teaches baking classes at the ARC of Gloucester County and receives \$43 per month from social security in lieu of child support from her ex-husband's disability purchase a condo in West Deptford.





HMFA, Housing Tax Credits and Balanced Housing Funds at Work.

Countryside Village is the quintessential before and after story. Prior to its rehabilitation, the apartment complex consisted of 57 one-story military barracks-style buildings dating back to the 1940s when they were used to house Japanese internees during World War II. Dilapidated and deteriorating, the 326 units contained within the buildings were extremely small – ranging from 300 square feet for an efficiency apartment to 530 square feet for a three-bedroom unit – and dysfunctional.

Under a three-phase redevelopment plan Countryside Village is now being rebuilt. Where barracks-style housing once stood, two-and three-story townhouse style units with backyards, porches and other amenities are rising. The first phase consisting of 100 apartments is completed and fully occupied. HUD issued authorization for 106 of the

existing tenants to receive housing vouchers. Seventy-seven of the tenants chose to remain and have moved into the Phase I units.

By supporting this redevelopment through Low Income Housing Tax Credits and financing through the Balanced Housing Trust Fund, the state is investing in affordable housing opportunities that are making a difference in the lives of hundreds of families.

Funding:

The HMFA awarded \$2.6 million in financing, and federal Low Income Housing Tax Credits added \$ 17.5 million in private equity for Phase I.





Replacing Lost Affordable Housing.

When the state demolished the Amity Village apartments more than 10 years ago, residents were skeptical that they would ever be replaced. But with the leadership of the HMFA and the commitment from a group of local stakeholders known as Amity Leadership, a new, affordable 72-unit opened this year.

The \$14 million development includes the first multifamily solar powered facility with more than 400 solar panels generating energy and saving tenants' utility costs. The complex also includes a community room, underground parking and ground level commercial space.

And while more than a decade has passed, 15 residents of the old Amity Village are now calling Springfield Commons their new home.

Funding:

HMFA awarded federal Low Income Tax Credits which generated equity in the amount of \$8.7 million.





Providing Seniors Decent, Affordable Housing.

For senior citizens in Burlington County, finding a decent and affordable place to live can be difficult. That's why residents like 62-year-old Mary Watson are so grateful for the Samuel Miller Senior Housing Community.

"I am the happiest woman in the world to be here," said Watson. "God blessed me. I just thank the Lord for this."

The retirement community had suffered extreme deterioration and had become almost uninhabitable. With financing from the HMFA, Presbyterian Homes acquired and rehabilitated the property. The financing package enabled Presbyterian Homes to refinance the existing debt, keeping the debt service low enough to ensure the long-term viability of the project. The extensive rehabilitation included gutting

the existing 35 studio apartments and converting them into 16 one-bedroom and 3 studio apartments with full amenities.

Watson couldn't be happier.

"It is just gorgeous," she said. "I love it! I love it! I love it!"

Funding:

The Housing and Mortgage Finance Agency provided \$733,000 in permanent financing through the Multifamily Preservation Program. The project also received \$769,000 in Department of Community Affairs Balanced Housing Funds and federal Low Income Housing Tax Credits generated \$2.5 million in private equity.





Under One Roof.

Independence Gardens represents a comprehensive approach to housing, providing affordable housing opportunities for various populations under one roof. The 110- unit building provides much needed affordable housing for seniors citizens in Mercer County and residents in need of supportive housing.

Although the majority of residents are senior citizens earning low to moderate-incomes, five units are set-aside for individuals who are blind or visually impaired and ten units are set-aside for adults with psychiatric disabilities.

Independence Gardens is true to its name as it creates a community living environment and ensures the independence that seniors and persons with special needs require to have a full life. The building is located across the street from a shopping complex and is in close proximity to mass transit.

Funding:

The financing for this project is representative of the efforts to serve a variety of populations. In addition to an HMFA permanent mortgage of \$2.5 million, the project received 9% federal Low Income Housing Tax Credits which generated \$12.1 million in private equity and \$4 million in DCA Balanced Housing funds. Financing from the Commission for the Blind and Visually Impaired Shared Living and Rental Housing Program and the Special Needs Housing Trust Fund provided funding for the supportive housing units.





Providing Young People A Place to Sleep at Night.

Nineteen-year-old Veronica Banks sits on the sofa in her new home reflecting on her past and dreaming of her future. “Before I came here, I dropped out of high school, lost my job, and had nowhere to go,” said Bank. “Now, I have somewhere to sleep at night.”

Banks is among the first residents of Life Link Homes by Robin’s Nest, designed to provide 30 permanent, affordable and supportive housing units for individuals 18 and older who “age out” of the foster care system and have no place to live.

Completed in October 2006, the first phase of the project contains ten single-occupancy units in two buildings each with a common living room, dining room, kitchen and utility room. The second phase, expected to be completed by the end of 2007, consists of two buildings designed to have 10 efficiency apartments in each.

Tenants are required to pay 30 percent of their income in rent. The remainder is subsidized through the State Rental Assistance Program under the Department of Community Affairs.

The project incorporates more than \$200,000 in environmentally-friendly and energy-efficient features, which are projected to save significantly on annual utility expenses.

In addition, Robin’s Nest provides supportive services – such a money management workshops and conflict resolution training – with funding through the Office of Children Services, Division of Youth and Family Services.

Ms. Banks has come a long way since she stopped bouncing from friends’ and families’ couches and moved into the Life Link House.

“I’m back in high school getting my diploma, and I have a job,” said Banks, who one day wants to become an advocate for young people like her. “Providing housing like this gets kids off the street. It works.”

Funding:

The Special Needs Housing Trust Fund provided \$4.1 million in permanent financing and federal Low Income Housing Tax Credits generated \$2.3 million in equity. The department of Human Services provided an additional \$95,000 and rental assistance is provided by the Department of Community Affairs.



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Coming Together to Help New Jersey's Most Vulnerable.

Lakeview Country Homes provide decent and affordable housing to people with mental illness, giving them an opportunity to live independently in the community. A model for supportive housing programs statewide, this residential development comprises three, 3-bedroom single family homes, to provide housing for nine consumers. Each resident has their own bedroom and bath and shares common spaces such as the living room, dining room and kitchen.

The homes are conveniently located enabling residents to access mental health services as well as transportation and housing.

The development is an example of how several different state and county agencies can partner to make life better for New Jersey's most vulnerable residents. These agencies provided funding to rehabilitate the homes

and to provide supportive services and rental assistance, which enabled the residents to live independently and focus on wellness and recovery.

Funding:

The Special Needs Housing Trust Fund provided \$1.3 million and the Township of Sparta provided \$105,000. The Department of Mental Health awarded \$90,000 in additional service funding and \$61,400 for one-time expenses. The New Jersey Department of Community Affairs provides the necessary rental assistance.





Continuing the Mission.

Located across the river from New York City, affordable housing has always been in high demand in Bergen County. Originally financed by the HMFA in 1975, the seventy-seven unit Leonia Retirement Housing Project has provided affordable living opportunities to senior citizens for the past thirty years.

Leonia Retirement Housing Corp, a non-profit organization, approached the HMFA in the hopes of continuing their mission of providing quality affordable housing for seniors. Their request was approved and with their accumulated savings after expenses, they will be purchasing a property adjacent to their current building. The new property will provide additional affordable apartments to the residents of Bergen County.





RIPE for Success.

Recognizing that redevelopment projects often need a boost from the public sector to get them off the ground, the HMFA recently established a new program that does just that.

Known as RIPE – *Redevelopment Investment Program with Equity* – the program provides equity investment funding for redevelopment projects that create a sustainable mix of arts, entertainment, commercial and residential properties.

The program is already off to a strong start and is supporting ongoing redevelopment in Long Branch with a \$5 million investment in the Broadway Arts Center District.

The centerpiece of Long Branch's revitalization, the Broadway Arts Center project offers market rate, affordable and moderate priced townhouses, condominiums, university

housing and live/work studios, along with two performing arts centers and a variety of retailers and restaurants – all within walking distance from the beach.

Funding:

The HMFA provided a \$5 million RIPE loan to support the Broadway Arts Center project.



2006 Highlights.

PRODUCTION

- ▶ HMFA originated 1,202 new single- family mortgage loans in 2006 as compared to 847 loans in 2005.
- ▶ Close to 700 new homeowners received down payment and closing cost assistance through the SMART START Program.
- ▶ \$53 million in HMFA financing together with federal Low Income Housing Tax Credit equity of \$151 million will result in the creation of 2,284 new rental apartments.
- ▶ Using \$47 million in HMFA financing and \$26 million in federal Low Income Housing Tax Credit equity – close to 1,700 units of existing housing will be preserved.
- ▶ Thirty-four seniors were able to remain in their homes under the HMFA's Reverse Mortgage Program.
- ▶ Financings totaling \$19.6 million were closed under the Special Needs Housing Trust Fund to fund 220 units of supportive housing.
- ▶ In addition to the Trust Fund units another 36-units of supportive housing will be created under the HMFA's various Special Needs Housing Programs.
- ▶ 537 police and firemen purchased homes using funding from the Police and Fire Home Buyer Program.
- ▶ 52-units of new single-family for sale housing will be built as a result of commitments under the new CHOICE single-family construction loan program.

NEW PROGRAM/INITIATIVES

- ▶ HMFA introduced the new Choices In Home Ownership Incentives Created for Everyone Program known as the CHOICE Program.

CHOICE is designed to encourage the development of mixed-income affordable for-sale housing in the State's urban areas while also funding deed restricted housing anywhere in the state. Construction financing together with subsidy funding provides a mechanism to address the need to provide affordable housing on a statewide basis to low-moderate- and middle-income families.

- ▶ With the cost of housing and land in New Jersey at an all time high, providing the means to assist the typical New Jersey family in the purchase of a home is more important than ever. Prior to June 2006, the Agency's down payment and closing costs assistance program targeted households earning no more than 80% of area median income. However, in an effort to address the housing needs of those above 80% of median income, HMFA restructured the Smart Start Program. Now known as A HOME FOR EVERYONE, the program includes a middle-income tier to allow for down payment and closing costs assistance for households earning between 80% and 140% of area median income.
- ▶ The WELCOME HOME Program is designed to assist the housing needs of foster parents in the process of adopting foster children. Welcome Home funds can be used to purchase a home, expand an existing residence, including the refinancing of existing debt, adding handicap accessibility features, and down payment and closing cost assistance.
- ▶ The KINSHIP CARE HOME LOAN PROGRAM is designed to assist the housing needs of grandparents, uncles or aunts or other close relatives recognized by the

Department of Human Services or the Department of Children and Families as qualified "Kin" who are caring for the children of relatives. Program funds can be used to purchase a home, expand an existing residence (including refinance of existing debt), adding handicap accessibility features, and for down payment and closing cost assistance.

- ▶ The first of its kind in the country, the SUNLIT program supports solar and energy efficient retrofits for multi-family affordable housing. By utilizing the equity generated from federal Low Income Housing Tax Credits combined with a grant from the Board of Public Utility (BPU) rebates, this program makes it financially and logistically viable for multi-family affordable housing projects to install solar energy facilities, for the common area electricity.
- ▶ The CAMDEN HOME IMPROVEMENT PILOT PROGRAM (CHIPP) is a \$1,250,000 program created to provide home improvement loans to income qualified homeowners in Camden. This pilot program is available within five targeted neighborhoods - Liberty Park, Whitman Park, Centerville, Gateway, and Waterfront South.
- ▶ In 2006, HMFA became the administrative agent of the Housing Affordability Service known as HAS. Services are provided to municipalities based on the requirements of the Uniform Housing Affordability Controls (N.J.A.C. 5:80-26.1), as well as additional services that help municipalities maintain their stock of affordable housing. HAS partners with its municipal clients to ensure compliance by offering guidance, training for developers and property managers, monitoring report preparation and foreclosure prevention assistance.

In 2006, HAS successfully sold and resold over 200 affordable units, added 6 new municipalities to its list of clients, and assisted in the development of 12 new projects throughout the state.

FINANCIAL ACHIEVEMENTS

- ▶ **Housing Bonds-** The HMFA issued a total of \$118,865,000 in taxable and tax exempt housing bonds to finance new multifamily developments, to preserve existing housing units, and to refund existing housing bonds.
HMFA secured financing for approximately \$253 million in new single-family mortgage loans and down payment and closing cost assistance.
- ▶ **2006 Financials-** the Agency received an unqualified opinion from its external auditors and posted strong financial results.
- ▶ **Issurer Credit Ratings Upgraded-**
 - Moody's Investor Service upgraded the HMFA's issuer rating to Aa1 from Aa2 with a stable outlook based on our strong and growing financial position, the high credit quality of our bond programs, and our strong and seasoned management team.
 - Standard and Poor's Rating Services raised its credit rating to AA from AA- with a stable outlook based the upgrade on our very strong asset base including single family, multifamily mortgages, and investments; very strong financial performance, continued profitability, and stable equity levels; an experienced management team; and the agency's ability to successfully meet its legislative mandate.
- ▶ In an effort to meet the needs of our developers, the Agency effectuated the first variable rate bond transaction to allow the developer a variable rate of interest as opposed to a fixed rate. The conduit bond issue provided permanent

financing for Meadow Brook Apartments, a 96-unit affordable housing development in Tinton Falls.

CONFERENCES

- ▶ **Housing Conference-** Over 1,500 housing professionals attended the 2006 Governor's Conference on Housing and Community Development in Atlantic City. The conference provided an opportunity for attendees to explore issues such as neighborhood revitalization, green building technologies and smart growth, and to share their experiences and innovative ideas with regard to challenges in planning, preservation and development of housing in New Jersey. HMFA staff planned and coordinated the event and designed all conference materials in-house.
- ▶ **The Governor's Conference for Women-** More than 1,500 attendees came together to learn, network and celebrate diversity. New Jersey women leaders in business, healthcare, non-profit and government shared their knowledge and personal experience on a variety of topics including leadership, science and technology, housing, retirement strategies, domestic violence, cancer, and education. Keynote speakers included Governor Jon S. Corzine, TV Journalist and CNN Co-Anchor- Soledad O'Brien, and C. Vivian Stringer, the head coach of the Rutgers women's basketball team. HMFA staff, together with the New Jersey Department of Community Affairs, planned and coordinated the event and designed all conference materials in-house.

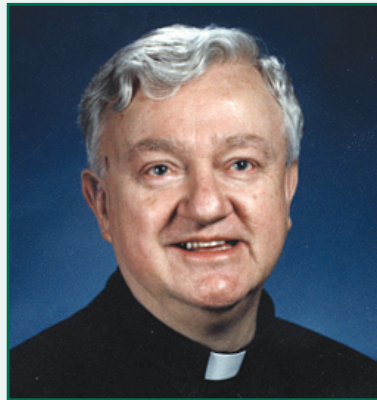
AWARDS

- ▶ HMFA received the 2006 Council of State Governments National Innovation Award for the Housing Resource Center (HRC). The HRC is a free on-line housing information clearinghouse consisting of an easy searchable registry of

affordable housing and/or housing with accessibility features located throughout New Jersey. It is used by consumers searching for housing as well as property owners who are seeking to rent, lease or sell this type of housing.

- ▶ The HMFA received the American Planning Association's National Planning Excellence, Achievement and Leadership Best Practices Award for the creation of the Smart Growth Locator. The Smart Growth Locator is a free, on-line, consumer-driven, and user-friendly tool to help developers and consumers easily determine areas that are identified for growth according to the New Jersey State Development and Redevelopment Plan.
- ▶ HMFA's in-house Senior Graphic Artist received three American Graphic Design awards from "Graphic Design USA In-House Design Awards" for the design of the 2006 Governor Housing Conference Program Book, the 2006 HMFA Annual Report direct mail design and for the "Understanding the Homebuying Process" informational piece which is distributed to new potential homebuyers.

HMFA Board Members.



Top Row *(from left to right):*

- Susan Bass Levin, Commissioner, Department of Community Affairs
- Steven M. Goldman, Commissioner, Department of Banking and Insurance
- Stuart Rabner, Attorney General
- Bradley Abelow, State Treasurer

Middle Row *(from left to right):*

- Jennifer Velez, Acting Commissioner, Department of Human Services
- Monsignor William Linder, Pastor
- Patrick Sheehan, Attorney at Law
- Michael G. Steele, School Business Administrator, Irvington Public Schools

Bottom Row:

- Dorothy Blakeslee, Financial Advisor