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PUBLIC HEARING

before

ASSEMBLY COMMISSION TO STUDY THE AVAILABILITY OF URBAN HOUSING

(Created Pursuant to Assembly Resolution No. 23)

HELD:

July 26, 1978

Room 212, State Office Building

Newark

New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Peter Shapiro (Chairman)

Assemblyman Emil Olszowy

Assemblyman Charles Mays

ALSO:

James L. Wunsch, Research Assistant

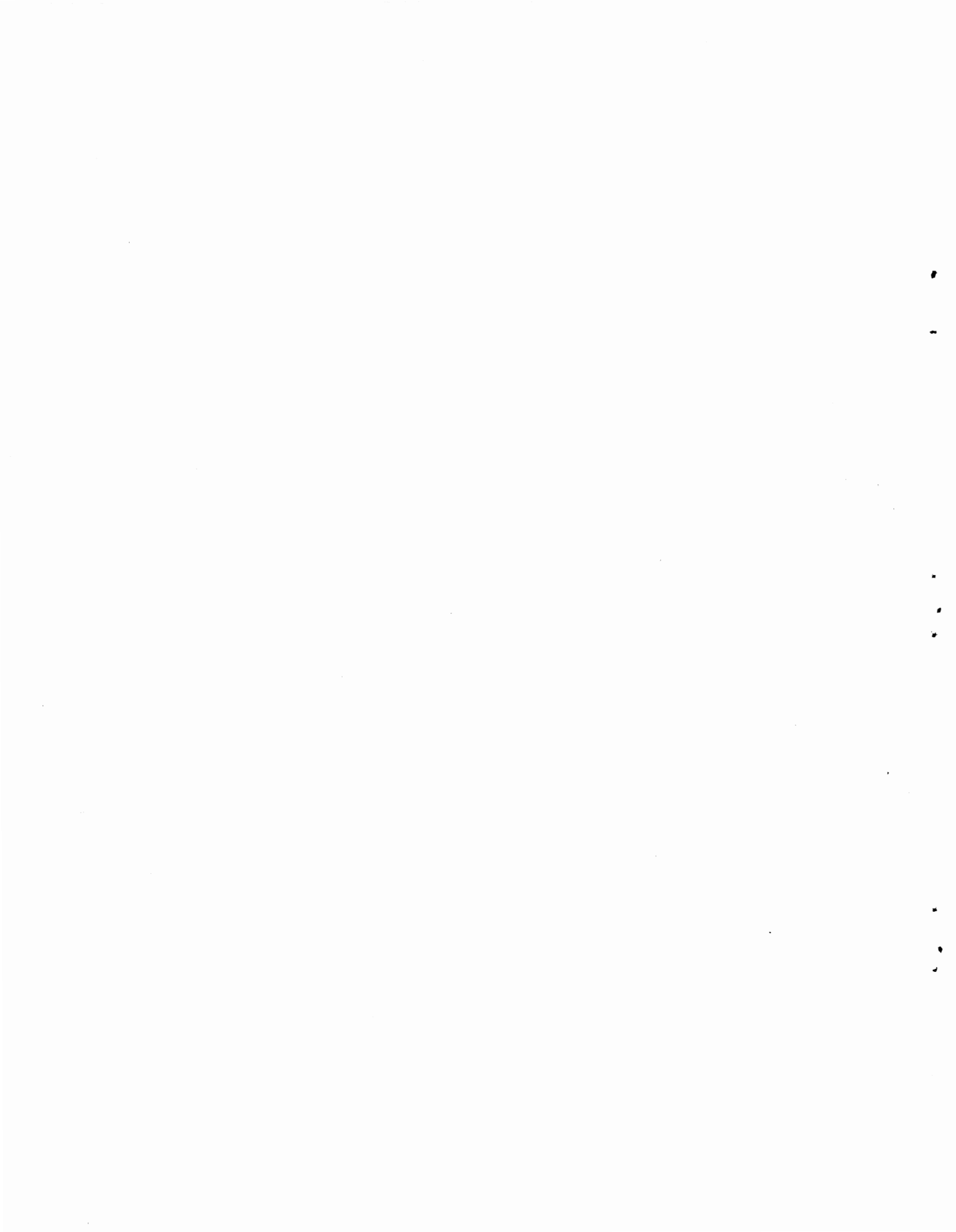
Legislative Services Agency

Aide, Assembly Commission to Study the Availability of
Urban Housing

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ASSEMBLY RESOLUTION No. 23

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 16, 1978

By Assemblyman SHAPIRO

(Without Reference)

AN ASSEMBLY RESOLUTION creating a commission to study the availability of adequate housing in New Jersey with particular emphasis on urban housing opportunities.

- 1 WHEREAS, There is a widespread shortage of reasonably priced,
2 adequate housing in our State, particularly in our urban areas;
3 and
4 WHEREAS, There is a need for the State to review its laws, practices
5 and policies which impact upon the quality and availability of
6 housing; and
7 WHEREAS, There is also a need to increase urban housing opportuni-
8 ties through neighborhood preservation and the rehabilitation
9 and conversion of existing structures to adequate and decent
10 places of habitation; and
11 WHEREAS, The rights of existing tenants must be protected con-
12 sistent with the goal of up-grading the existing housing stock
13 in our urban areas; now, therefore

1 BE IT RESOLVED by the General Assembly of the State of New
2 Jersey:

- 1 1. There is hereby created a commission to consist of four mem-
2 bers, to be appointed from the membership of the General Assembly
3 by the Speaker thereof, no more than two of whom shall be of the
4 same political party, who shall serve without compensation.
5 Vacancies in the membership of the commission shall be filled in
6 the same manner as the original appointments were made.
1 2. The commission shall organize as soon as may be after the
2 appointment of its members and shall select a chairman from
3 among its members and a secretary who need not be a member of
4 the commission.
1 3. It shall be the duty of said commission to conduct a study
2 of the housing market in New Jersey with particular concern for
3 the availability of decent housing in our urban centers. The com-

4 mission shall also determine the impact of the laws, practices and
5 policies of the State upon housing opportunities and shall make
6 recommendations for State action to increase the supply and avail-
7 ability of decent housing for all residents of the State. Additionally,
8 the commission shall consider the need to promote the rehabilita-
9 tion of urban housing while preserving and protecting the rights
10 of existing tenants.

1 4. The commission shall be entitled to call to its assistance and
2 avail itself of the services of such employees of any State, county
3 or municipal department, board, bureau, commission or agency as
4 it may require and as may be available to it for said purpose, and
5 to employ such stenographic and clerical assistants and incur such
6 traveling and other miscellaneous expenses as it may deem neces-
7 sary, in order to perform its duties, and as may be within the
8 limits of funds appropriated or otherwise made available to it for
9 said purposes.

1 5. The commission may meet and hold hearings at such place
2 or places as it shall designate during the sessions or recesses of
3 the Legislature and shall report its findings and recommendations
4 to the Legislature and Governor, accompanying the same with any
5 legislative bills which it may desire to recommend for adoption by
6 the Legislature. This report of findings and recommendations
7 shall be submitted to the Legislature and Governor within 6 months
8 of the date of appointment of the committee.

ASSEMBLYMAN PETER SHAPIRO (Chairman): Good morning. I would like to call the hearing to order. My name is Peter Shapiro. I am Chairman of a Commission established by the General Assembly to study the housing needs of New Jersey citizens.

First, let me take a moment to explain why it is appropriate for us to be meeting in Newark today for the purpose of a hearing. Eleven summers ago there ensued - from July 12th to July 17th - six of the most terrible days in the history of this City and of the State. The 1967 Newark riots left in their wake twenty six dead, hundreds wounded, and fifteen million dollars in property damage. How quickly we forget that the phrase "long hot summer" was a euphemism for something a good deal more terrible than last weekend's ninety degree heat. The Governor's select Commission on Civil Disorders attributed the Newark disaster to a lack of jobs, a lack of education, and a lack of decent housing. At the time of the rioting, state involvement in the urban question consisted of the following: The 1904 Tenement House Law, 12 tenement house inspectors, and a small bureau gathering statistics on housing. That was it.

Following the riots, New Jersey awoke from its 63-year sleep. It passed a housing package creating, among other things, the New Jersey Housing Finance Agency, the Housing Development and Demonstration Grant Fund and other programs to be administered by the new Department of Community Affairs. In 1968, voters approved the Housing Assistance Bond Act to spur construction of low and moderate income housing. Two years later the New Jersey Mortgage Finance Agency was created, and last year an Anti-Redlining Law was enacted. Ten years or so is not, after all, a very long time in which to tackle the housing question - a problem as old as the cities themselves.

The test of review and reflection after ten years seems absolutely necessary. To do otherwise, to fall back asleep, is to court disaster. What I am looking for today is a broad range of inquiry and airing of the issues with the focus on the City of Newark, but also on other urban areas, and particularly on the adequacy of the flow of public and private mortgage financing for the construction of new housing, and the rehabilitation of older dwellings. I would also like to review the progress of providing relocation assistance for persons displaced by the new developments, as well as any other areas which people testifying before the Committee today think are appropriate. The witnesses will be given ten minutes for a presentation, and five minutes for questioning. These time limits are flexible, by the way, if you really feel you have important matters to go over.

I will call now our first witness, Thomas Massaro, Executive Director of the Newark Housing Development and Rehabilitation Corporation.

T H O M A S M A S S A R O: Thank you, Assemblyman Shapiro, and members of the Committee. First, on behalf of Mayor Gibson, who will not be able to attend today, I would like to welcome the Assembly Committee to the City of Newark, and thank you for the interest you are expressing, not only in housing problems of the City of Newark, but for those sister inner cities throughout New Jersey as well.

My name is Thomas H. Massaro. I am the President and Chief Executive Officer of the Newark Housing Development and Rehabilitation Corporation. The New Housing Development and Rehabilitation Corporation is an independent neighborhood-based, private, non-profit corporation. Under contract with the Mayor's Office, it is

dedicated to the stimulation and implementation of collaborative, private and public sector endeavors to comprehensively revitalize Newark's neighborhoods. Established at the outset of the Gibson Administration in 1971, the organization received its programmatic and administrative funds from the City of Newark's Community Development Block Grant from the New Jersey Department of Community Affairs, United States Department of Housing and Urban Development, private contributions, and private foundations.

HGRC's policies and programs are guided by a fifteen-member board of directors which is comprised of neighborhood, civic, business and banking leaders in Newark. Under HGRC's board of director's policy, a minimum of ten neighborhood residents must serve on the fifteen-member board of directors.

I am going to address my comments along two specific lines. One is the need to speak on the issues of promoting and preserving home ownership for the low, moderate, and middle income families in the inner city and, second, is to speak somewhat less briefly on the rental assistance programs, principally the Section Eight Program.

I would like to start with some comments, first, on the Section Eight Program, which is the principal vehicle for the construction of a large volume of rental housing for low and moderate income families. There are some positive aspects to the Section Eight Program, and I think they should be identified. First, in concept and in program design, the Section Eight Program is highly effective for the quality construction and quality management of low and moderate income housing in the inner city. The rents generated through the Section Eight Program thoughtfully places a heavy accent on the feasible operation and management of the development for the full extent of the amortization period. The Section Eight Program as designed represents a much more discerned approach than the Section 236 Program, whose one-shot, up-front subsidy already reflects and portends the greatest problems of high vacancies, minimal and inferior maintenance, poor management and default as unsubsidized management and maintenance costs increase quickly and escalate beyond the ability to pay threshold of low and moderate income families who reside in these Section 236 developments throughout Newark and other inner cities in New Jersey.

The second positive aspect of the Section Eight Program is that although its inception three years ago was followed by two years of very low productivity, the Section Eight Program in New Jersey, principally through the very aggressive efforts of the New Jersey Housing and Finance Agency, has demonstrated a laudible ability to generate a high quantity and quality of Section Eight Housing.

The U. S. Department of Housing and Urban Development in HFA are to be lauded, as the Section Eight Program has demonstrated an unparalleled ability to attract the private sector in community involvement as full and active partners. Through the Section Eight Program, Secretary Harris has honored her emphatic commitment to secure the reinvestment of banks, institutional investors, private developers, builders, and Wall Street underwriters in the revitalization of urban communities.

The outstanding problems in the Section Eight Program, which I will address in a minute, if resolved, will further enhance and increase the hard cash investment of the private sector in this program. We would like to add that most of the

development done through Section Eight in the State of New Jersey, through the Housing Finance Agency, is done on an uninsured basis and private investors are buying those bonds. I think that reflects most incredibly on the State of New Jersey.

Under the Section Eight Program, I think, one of the most outstanding things that has been done is we have provided much attractive, comfortable, and secure housing for senior citizens in the inner city. Over 2,000 units of new and rehabilitated Section Eight housing for senior citizens will soon be completed or is in construction in Newark. However, the fair market rates that are allowed for the construction and the rehabilitation of family housing is sorely inadequate in this City. There is not today in the City of Newark, after three and one-half years, one unit of family housing generated under the Section Eight Program for new construction, not one. And I think that needs to be addressed not with the State Housing Finance Agency that has been fighting to change it, but with the U. S. Department of Housing and Urban Development. In three and a half years, gentlemen, there is not one new unit of family housing built under the Section Eight Program. I think that fact speaks for itself.

The problems are as follows: First, the substantially inadequate fair market rents for new construction of family housing is just unreasonable. Immediately preceding and in the wake of a tragic two-year Nixon moratorium on government assisted housing, it is nothing less than a shocking tragedy that the Section Eight Program has not generated the new construction of one single unit of Section Eight Housing in the City of Newark, a city long suffering from the most severe levels of overcrowding and structural squalor. During the past two years, the construction industry in the State of New Jersey suffered its worse oppression in thirty years, blue chip builders and developers starved and made massive layoffs, or ran out of business, but we are still not able to move ahead with the construction of one new unit of family housing under the Section Eight Program in New Jersey. How can these fair market rents be justified in light of three years of zero production during the period when builders were going out of business due to lack of new construction ventures.

The second serious problem of the Section Eight Program is the current HUD allocation. I think, in terms of a limited authorization for the Section Eight program, this is more a problem with Congress than it is with HUD. But I think HUD has to continue to push for it. The current HUD allocation for the New Jersey Housing Finance Agency for the calendar year 1978 is really a shocking disregard for the desperate need for new housing in the City of Newark, especially for mid-sized and large families. And up until three months ago, there was no category allowed from the Federal Government for the new construction of four and five bedroom apartments, which is the severest need in the City of Newark. They had a category of one bedroom, two bedroom, and three-plus bedrooms. Now, obviously, it costs a lot more money to build a four or a five-bedroom apartment than it does to build a three-bedroom apartment.

The third and last problem - principal problem - that we see with the Section Eight Program is the compelling need to upgrade HUD's minimum property standards. It is the judgement of this corporation and the Office of the Mayor, and the people in Newark in the local housing development agencies that HUD strive to develop housing that very closely conforms with its minimum property

standards. Newark is a tragic but most vivid example that housing of the most minimal standards will not survive for even a decade in the demanding inner city environment. I would ask that the Committee take a ride out to the Timothy Still homes that was developed about five years ago, in the area surrounding the Medical School, at enormous cost. The project from day one never provided safe, sanitary, and decent housing, and now, five years later, it is just about destroyed. The people have always suffered from poor management, and HUD now owns it. It was developed at the absolute, most minimum standards, using absolute minimal standards for maintenance and management. In five years, after it has been rehabilitated, it has gone into default and the mortgage has been foreclosed -- five years later, gentlemen.

The minimum property standards cannot masquerade for maximum property standards in the inner city. Mason reconstruction, adequate room sizes, on-site recreation areas, humane densities, and on-site community facilities must be included, lest unmaintainable and/or defaulted projects become the only reasonable expectation a quick five years after the ribbon is cut amid smiles from government officials. I would like to clearly and firmly state for the record that the government would be doing a far greater service to the low and moderate income citizens of this City if HUD were to choose forty-five new units of minimum-plus housing over the choice of fifty or sixty new units of bare minimum quality housing. While many thousands of families who currently live in terrible squalor may be perceived to be better off than a move up to bare minimum housing, I find it far more cruel to develop a standard of housing that may only insure a new source of blighted and abandoned tenements in the next decade.

As long as HUD and HFA are committed to paying off the mortgages of these developments for the next forty years, and we are asking our people to live in them, reasonable design and construction quality must be allowed today if we are to avoid the unmaintainables, the abandonment, and the defaults during the course of the thirty-year payback - period. I would confidently suggest that HUD's current costs from excessive repairs and default payments and foreclosures on its distressed portfolio are a far greater cost than the 10% quality increase that I strongly urge be spent today. I will hope that my colleagues from the New Jersey Housing Finance Agency speak on this issue as well today.

Unless there be subjective interpretations of my recommended quality standards for inner city housing that can measureably insure a long and viable project future, I would cordially invite this Committee to tour the Reservoir Site Townhouses, the Pilgrim Baptist Village currently under construction, Georgia King Villages, and new community homes in the City of Newark, to get a sense of what I think the State Housing Finance Agency, our organization, and the Mayor's Office considers quality housing. So, I think there has been a lot of progress under the Section Eight Program, and there is a lot of potential, but I think the problems I outlined need to be resolved as soon as possible, so we can have an even more productive program for the low and moderate income citizens of this City.

The other issue I wanted to address briefly was the problem we have with promoting home ownership in the City of Newark. The City of Newark suffers from the fact that 92% of its housing stock is frame, and during the course of the last two decades there has been an enormous amount of subdividing of homes which has accelerated the intensity of use, and to some extent has accelerated the deterioration

of the units. The Urban Renewal Program in Newark in the sixties was perhaps the nation's most glaring example of the failure of urban renewal under a corner-to-corner clearance concept of just demolishing homes, relocating people outside the community, and then beginning the long pregnant pause of ten to twelve years before housing is put back into the community -- and Newark has some of the most severe problems. I don't have to tell anyone about the medical school problems, and some of the problems in the Belmont and Bergen Street areas of Newark.

So, while we are moving ahead in the City of Newark with an aggressive program, in partnership with not only the Department of Community Affairs, but the New Jersey Housing Finance Agency, we are also moving at the local level, principally through the Community Development Program, to stimulate the preservation and the promotion of home ownership in the City. Our corporation has run several programs. One is called the Neighborhood Improvement Program whereby, through funds provided from a CB Block Grant, we give low, moderate, and middle income people a 25% rebate on the cost of the home repairs. To specifically deal with some of the lower income home owners, we allow them to do the work themselves. We give them full credit, under our Sweat Equity Program, for the cost of their labor and everything else -- again, to give them additional leverage not only to preserve but to improve and maintain their homes.

The impact of the Neighborhood Improvement Program has been to use a large amount of private sector funds as leverage by us providing the 25% rebate to the homeowner who is apt to come up with the other 75%, principally from loans from Newark Banks. We we started the Neighborhood Improvement Program, in August of 1976, seven out of every ten home owners in this City in our program could not get a loan either conventionally or on a federally insured basis from a Newark bank. Seven out of ten people could not. At this juncture, through the very attractive program of the New Jersey Mortgage Finance Agency, and through the efforts of the State Assembly, the Department of Community Affairs, Commissioner Sheehan, the Mayor's own efforts, and through the success of his program, we now have much more bank involvement, and about seven out of ten people now do get a loan. So, they can go ahead and improve their homes and get our rebate. While we feel that perhaps not everyone can carry a loan - and not every family that would like to have one should get one, because some people have an income so low that they really can't afford it - maybe 90% of the home owners, at least in the City, are entitled to and can carry a home improvement loan. So, we are pleased with the dramatic turnaround from a 70% denial to about a 70% approval. We still feel that there needs to be an increase, especially in light of the attractive incentives being provided by the New Jersey Mortgage Finance Agency and HUD's Title One Program.

Another program that we are moving on is our Homesteading Program, which takes a lot of the abandoned homes from HUD, and give them to our organization for the cost of \$1. We will be rehabilitating those homes, subsidizing part of the construction costs, thus giving low and moderate income tenants the opportunity to become homeowners through a 3% mortgage, spread out over a twenty year period. We are going to do that through the section 312 program. We have six homes that are starting out under the program. We are working with HUD to do upwards of 50 to 100 in the course of the next year to eighteen months.

In terms of recommendations to promote home ownership, which I think is a very important component, we just can't view the housing problems of Newark as being rental problems. I think we have to try to assist low, moderate, and middle income people buy, maintain and improve their homes. We would again recommend that there be a de-centralization of concentrations of poverty in the inner city and that the State Legislature take a very straight and severe look at the fact that the suburbs of this State exclude low and moderate income people. There is no question about that at all. I think the State Assembly ought to move aggressively in conjunction with the Governor to open up these suburbs so that low and moderate income people will not be relegated to life in the inner city if that is not what they choose. They should have the full freedom to go out into the suburbs if that is where they would like to live. I don't think cities should be forced to be repositories of all the State's poor. I think the poor should have opportunities out in the suburbs as well.

I think banking institutions in this State have made some improvements, but I still think there is a considerable way to go in terms of opening up credit to low and moderate income families in the city. I think there should be a strong movement of the Mayor's top priority, and that is for a really significant property tax reform in this State which forces the city of Newark - who gives up 63% of its land to tax exempt institutions that serve the State for the low, moderate, and middle income people left in Newark - to pay the full burden of giving tax exemptions to State and Federal institutions.

There is going to be a lot of talk today, and I am not going to belabor the point, about redlining and the problems low and moderate income home owners have with getting credit. But there is also redlining - not in terms of home improvement loans and mortgages - in terms of insurance premiums in the City, and that needs to be looked at. Insurance premiums are usually between 5% to 7% of a home's carrying cost for operation - the cost per year for fuel, mortgage and depreciation and amortization. In the City of Newark it often runs as high as 15% to 18% of the home's operating expenses. And, for a house that is worth \$20,000 a year to have to pay an \$800 or \$1000 premium every year obviously is not fair and equitable, and I think the Assembly ought to look at that as well.

Something that needs to be done concomitantly with improvements in housing is certainly an improvement in the schools. We have found - and we operate the only neighborhood improvement programs in the City of Newark; we are now in nine neighborhoods - the only other program is the neighborhood housing services. One of the main complaints from homeowners who have not really kept up kept up their homes or who have expressed an interest in being able to but have left -- the main concern outside the environmental issues of keeping the physical quality of the neighborhood up is that they really need to have a much better school system in the inner city. I think some progress along those lines has been made in Newark, but I would hope that the Assembly will appreciate the very strong correlation between the quality of education and the quality of neighborhood life in the inner city. So, what I think we need to have in the State of New Jersey is what we are trying to put together in the City of Newark, and that is to have a balanced program of rental housing and home ownership housing. Home ownership should not just be for middle income people. We should have low and moderate income people assisted in the ownership, maintenance, preservation and

improvement of their homes. I would really call upon this Committee to go out into the field, not with a lot of press, and not with a big entourage, to walk through and see conditions the way they are, not by giving some landlord eight month's notice that you are coming through, but by taking a day, unannounced, and walking through a lot of the government-assisted developments and some of the private neighborhoods in the city and observing conditions as they are.

I thank you very much for your interest. On behalf of the Mayor and myself, we look forward to working with you in whatever capacity you wish, to make some of the improvements that we have brought forth today. Thank you.

ASSEMBLYMAN SHAPIRO: Thank you. Are there any questions?

ASSEMBLYMAN OLSZOWY: I don't have any questions, but I would like to enter into the record a series of articles which were published in the Passaic Herald News in the last two weeks in June, by Meriam Todd, which cover the subjects basically covered here today -- the population shift back to the cities, and unattainable home ownership. I would like to present this to the staff for reproduction to be distributed to our members. I think it is a most interesting article indicating that the cities can be saved.

ASSEMBLYMAN SHAPIRO: Thank you. I have a couple questions, Tom, if I could. You spoke very strongly in favor of the Section Eight Program which has been criticized by a number of people for a number of reasons: It is very costly to the government; two, it inflates the cost of other housing in adjacent areas; and, three, it is very unreliable as a source for spurring continued private investment in the housing area. Those are the three basic criticisms that I have heard.

How do you find that those tend to add up? When you look at new construction costs, particularly for the family housing which you talked about that is so badly needed, what do you see as the price per unit -- the cost per unit, I should say?

MR. MASSARO: Well, first of all, I said the Section Eight Program, as designed, is, in concept, much better than the 236, anyway. There are some problems, as I mentioned, in the 236 Program. I think one thing that needs to be recognized is that you can't look at the Section Eight Program in the City of Newark as strictly a housing construction program because there are other components added.

We have tried to a maximum extent - and I think we need to do more - to inculcate our affirmative action in training programs into the construction of government assisted housing in this City. We have put on trainees; we have put on people who can work a few days a week on a construction job and go to school. That cost is absorbed in the construction costs. You have to recognize that in a City like Newark, that is land starved, some of the land costs would be higher than out in the suburban areas where you have larger spaces. And there certainly is a need in the City of Newark to create as many job opportunities as we can for skilled craftsmen and unskilled craftsman. We can train them to participate in this program so it would involve a higher labor cost, possibly, than you would find out in some of the suburban areas where the non-union wage is paid.

I think we have to look at the costs. I know HUD has just finished an extensive study of how to diminish costs. I think we are going to try to do what we can to support that report. But I would say one final thing, you could take a look and say that the Section Eight Housing that is built, especially in

New Jersey - and we have had this criticism with Mr. Johnson and Commissioner Sheehan - is high. I would say, as I have said before, that I think our quality is higher. I think those developments are going to be around for thirty and forty years, and a lot of the housing that you could build for ten or twenty percent less has not proven that it can be maintained. If you look at the public housing projects in the city, maybe a lot of people were satisfied with the cost of that construction, but ten years later, look at it. Even five years ago, it was like this. And look, now, through HUD's target projects program, we have had to go back into those projects and spend another \$15 or \$20 million to restore some kind of minimum level of habitability.

There is a commercial out on T. V. where the gentleman says, you know, you can pay me now or you can pay me later. And I think the costs that we are putting in now in conjunction with HFA to have a basketball court for the kids to play in, to have off-street parking, to have brick construction instead of frame, to put in two bathrooms where you have four bedrooms--- I mean, for years, they used to have a policy in a lot of government assisted housing that the living room for a one-bedroom apartment was the same size as a living room for a four or five bedroom apartment. Now, you tell me, when you have eight children living in an apartment that they can play in the same size living room as a senior citizen needs in a one bedroom apartment. We put those things in. I think where the State and the City of Newark can take pride is in the quality of the construction we are building for families, and I think that is what the higher cost is. But, I think instead of coming back to defaults and excessive repairs in five and ten years, the investment we are making now in terms of quality would pay off over the thirty year amortization period.

ASSEMBLYMAN SHAPIRO: Is there anything that we can do, for example, to reduce land costs? That is something that puzzles me. When you look at the amount of open and available land, it would seem that that shouldn't be a high cost. That should be one advantage we could have, if some other solutions were looked for. Do you have any ideas there?

MR. MASSARO: Well, we kind of have mixed feelings about that in the City of Newark. The problem is that we are a land starved city, and we have tried through the Real Estate Commission in Newark to give an inducement to development that we will give city owned land to community sponsors and even private developers for, certainly a reduced cost. We have done that effectively with the new community corporation in the City of Newark. We are trying to do that now in conjunction with HUD to get some abandoned houses for \$1 as an incentive there. I think that is one of the beneficial aspects, the land is conveyed to community sponsors as we have had at Georgia King and New Hope Village, and Pilgrim Baptist Village, and Eastern World, and Grace Manor in Newark where the land is conveyed at a substantially written down cost.

I think HFA can talk later, but what we have tried to do is to keep the land acquisition cost to the development at anywhere from \$800 to \$1500 per unit which is not really excessive. Now, it could be less, but the City of Newark does need some revenue from the sale of its property. So, I think the \$800 to \$1500 per unit land acquisition cost is reasonable in terms of the City of Newark.

ASSEMBLYMAN SHAPIRO: Thank you. Carlos Ortiz, Roseville Coalition, and the Reverend Testa.

F R A N K T E S T A: Thank you. Good morning, gentlemen. I am the Chairman of the Housing Committee of the Roseville Coalition, an organization of 32 churches, community groups and block associations in the Roseville section of the City of Newark.

The housing crisis nationally and with greatest intensity in northeastern cities such as Newark continues unabated. We could discuss the impact of anti-inflation policies on housing, taxes, cost of land, and mortgage money, construction costs, dis-investment and suburban exclusionary zoning. All these factors account for much of the housing crisis. I have given testimony on the housing crisis in New Jersey many times before this occasion. I have looked at every angle of the crisis. I have been involved on many levels of the issues. I say this as preface to my remarks not to toot any horn, but really to indicate that I have had some acquaintance with the issue of housing. I have been a community advocate in housing for about fourteen years. I am a founder of a non-profit housing corporation that built family housing in the City of Plainfield, 236 housing. I have been a HUD certified housing counselor. I have been president of two state citizen coalitions, the last of which was the New Jersey Housing and Land Use Coalition, and I would summarize my remarks about what needs to be done to deal with the housing crisis in New Jersey.

First of all, there is need for more money. Secondly, less red tape. There is needless red tape that goes on in State and Federal agencies that just hamper and just deny and raise up, consequently, the costs of housing construction. And, thirdly, stop the waste by incompetent city housing and planning agencies and private development corporations. I have seen more confidence and dedication in getting housing built by community based non-profit housing corporations than I have seen in government agencies. I urge greater amounts of direct funding of such groups to cut down on urban government bureaucratic wastes, and to insure neighborhood involvement in planning and development of housing.

Urban neighborhoods will never be rebuilt until native people are actively involved in decision making such as planning and implementation of housing projects. For example, there have been needless delays, and I would charge, incompetence of personnel in the Neighborhood Preservation Program which received \$500,000. According to the authorities responsible on the State and City level, only \$100,000 was spent by the beginning of 1978, and only one home repair loan approved.

New construction - Section Eight is good for senior housing. It has proven good for senior housing, but there is a great need for family housing. However, the need for senior citizen housing is important, and it is there; it is real. The most defenseless people in our society go without good housing. In Newark there are hundreds of seniors on the waiting list for public housing authority sponsored housing for seniors. I want to give you a couple of examples. I don't usually do this in testimony, but I think it is important, because it is just aggravating to see what people have to go through, and heartbreaking.

There is a woman in her eighties who applied four years ago for senior citizen housing, and there was no response at all from the Housing Authority. The woman has taken almost daily trips on the city subway. She is from my neighborhood. She takes trips on the city subway to the end of the line just to look at the new housing that is going up there. We, through the coalition, have contacted the

Housing Authority and the Councilman for our ward, and we have said, what is the story with this woman's application. They brought her down there to Broad Street again, and they upgraded her information with the hope that maybe now something is going to happen. Maybe they had forgotten about her. She was just told there were 600 on the waiting list for 249 units that have just been completed up in the Franklin and Sixth Street area, near where she has gone daily, because that is where she has spent all her vacation time, and everything, because she has never been able to afford going on a vacation. The woman said she was heartbroken to hear just recently that there is such a waiting list before her, and there is probably no chance that she will, during her lifetime, get a place. There is no reason for that.

Recently, there was a story in the Star Ledger about cases that we brought before them. There was a marginally senile gentleman living in the worst conditions in a house owned by the Board of Education, City of Newark. The Relocation Office of the Housing Authority was responsible for relocating the family. They were never moved, after months and months of coalition pressure on eight city agencies and the local city councilman, although he denies communication with the coalition on this matter, but it is true. No one took any action. The coalition took them meals daily. It took one of the young gentlemen to be mugged on the street and brought to the hospital with a broken hip for them to determine that he had an active case of T. B. These gentlemen have waited years to be relocated.

Let me say, in my opinion, the Newark Housing Authority is a disaster. And their relocation responsibility which it has is a disaster as well. It doesn't relocate, it chases people, and it doesn't tell them of their rights under State law, what assistance is available. Carlos will get into that. There is need for a county housing authority to build senior citizen housing.

In the area of rehabilitation, there is one million dollars which the City of Newark uses with this year's HCDA grant for Newark Housing Rehabilitation. This is pathetic in view of the fact that there is seventeen million dollars coming in and only about one million dollars going in directly for the rehabilitation of housing.

The State Home Improvement Program of the Mortgage Finance Agency, 7 3/4% repair loan is okay. But \$20,300 income limit for a family of eight precludes home ownership, and \$18,600 for a family of six precludes many home owners who live in our cities and who are most able to repair their homes with loan indebtedness, and we have seen the many home owners in our neighborhood who want to repair their homes, but do not qualify for this program. I realize the business of the banks; the banks don't want to lose their higher interest loan programs.

An interest reduction subsidy program was active in Essex County, but not in Newark. The coalition submitted a proposal for HDA grants to be used for this, and it was not approved. It would help a lot of people to fix up their homes if they could reduce that interest, because of the cost of living, and inflation, people cannot take on even 7 3/4% indebtedness. There is need to deal with the boarded up homes. The HFA and VA should be pressured into putting them on the market right away before they are vandalized. We have approached VA, and they said we would have to wait until someone comes out to look at the house. There was a house that we recently focused our attention on, and it demolished now; it is not fit to sell, not even for the VA. It is of use to

no one, not even for the VA. They just hold on to it too long until they are vandalized.

I don't know of any city in New Jersey where there is any serious problem of code enforcement. At best there are public programs of housing inspections. There is an insufficient number of competent and certified inspectors who don't take slumlords to court. Politically appointed housing court judges go easy on landlords who have strong political organizations that protect their interests. Tenants should have the right to take landlords to court for failure to provide basic services and repairs, and not be forced to withhold rent and wait to be taken into court by the landlord for non-payment to hope for some relief from the judge.

And, finally, city government should be required to maintain funds for emergency repair within a certain period of time, when landlords fail to act on repairs that are essential to health and safety.

I have some copies of my remarks and a monograph which I wrote bringing the housing issue into a global framework. This was done in conjunction with the local education associates.

Carlos Ortiz will now give his remarks.

C A R L O S O R T I Z: Good morning. I am Carlos Ortiz, the Community Organizer for the Roseville Coalition. My responsibilities entail tenant and Hispanic affairs. In dealing with apartment renters, I found that the most pressing issue in Newark is the existing housing and the actual enforcement of the housing codes. The Roseville Coalition has done a study of 97 structures in our neighborhood which are in an advanced state of deterioration, 74 of which are owned by absentee landlords, these being the City of Newark, HUD, the Board of Education, and people residing in Maplewood and the Oranges, and other surrounding suburbs, giving evidence to the fact that the real culprits in urban decay are the people residing outside the urban areas, and not the residents of this City, as is generally believed.

A copy of this study was sent to the Bureau of Code Enforcement in May of 1976. To date none of these landlords have been dealt with effectively, and conditions of the buildings continue to worsen.

Presently I am concentrating on Code Enforcement activities on some apartment buildings in Roseville which we consider to be "unfit for human habitation." A few examples of these are: 351 Seventh Avenue, owned by Leonard North, which has been inspected several times because of the pressures of the tenants, and eventually many violations were found, and the landlord was taken to court and fined \$500; 1-7 North Twelfth Street, owned by Leonard Schlesinger, the tenants in that building went two months this winter without any heat or hot water. That landlord was taken to court - and there were other violations, rats, roaches, holes in the walls, faulty plumbing - and fined \$500; 112 North Seventh Street was inspected on June 15th by one inspector who found 36 violations. It was re-inspected by another inspector on June 30th who only found 3 violations. These were 36 major violations, and there was no way that that man could have repaired 30 violations in fifteen days.

These are the types of inspections that are being done. The results of the inspections done on these buildings seem to reflect an attitude of "benign neglect" or the possible existence of a profitable relationship between property owners and

housing inspectors. Whichever the case, apartment dwellers are on the receiving end of these abuses.

Along with the lack of actual enforcement of the housing codes, there are a multitude of other factors which make the housing problems in Newark even more bleak: Political appointments of judges; censured judges sitting in landlord-tenant court; slum property actually owned by judges; code enforcement's unwillingness to declare structures "unfit for human habitation" because the city has no monies for relocation - I called Trenton in March, and the City of Newark had not applied for relocation funds, because they were unwilling to put up the 25% matching funds - fines given to landlords are low, and many would rather pay the fines than spend the money on repairs; lack of effective laws on the books to protect tenants, such as an emergency repair law which would give the City the right to make emergency repairs and bill the landlord; an effective and efficient Rent Control Board and staff. The present Rent Control Board and staff takes an adversary position toward tenants seeking information on their landlords.

I thank you for this opportunity to speak, and I hope that some positive suggestions will be made to state officials by this body.

ASSEMBLYMAN SHAPIRO: That was very interesting.

ASSEMBLYMAN OLSZOWY: I wanted to ask Mr. Testa a question. Do you find in your area, where the owner-landlord resides on a premises, that you have the same problems as the residences where there is an absentee landlord?

MR. ORTIZ: They are more willing to fix up their buildings.

ASSEMBLYMAN OLSZOWY: Well, Mr. Testa, maybe I should be asking this question of you, do you think subsidized housing or construction of new homes should be limited to high-rise, or would they be better off staying four-family or six-family residences with a lower density.

MR. TESTA: Well, generally, I think people across the country, sponsors of housing, prefer medium density to low density for family housing, and not high-rises. This has been a disaster, certainly in public housing.

ASSEMBLYMAN OLSZOWY: That was what I was trying to get at, do you feel that the projects that we have been constructing have been disastrous?

MR. TESTA: Yes, they are poorly planned, and they are certainly not for families and certainly not the families, in most instances, of public housing, because they are usually the families with severe pressures and problems that they must face. The concentration of children in areas that do not provide activities, and the defined uses of areas by the planners, is poorly conceived for families. They have been poorly planned.

ASSEMBLYMAN MAYS: Where is Roseville in Newark; could you describe that section?

MR. TESTA: It is the eastern portion of the west ward, and it is very close to the north ward of the City of Newark. It is east of the Parkway, between Central Avenue and Bloomfield Avenue.

ASSEMBLYMAN MAYS: You have stated that some of the problems that you have are more money needed, red tape, stop waste, and the money that is coming in should be directed to the community itself.

MR. TESTA: Yes, that is what our position is.

ASSEMBLYMAN MAYS: What kind of housing do you recommend for Newark?

MR. TESTA: Well, I would say that we need construction without public

hallways, townhouses where people might have some direct access to their apartments, and places that are secure, and areas where there is planning for what is happening around them, and not just plunking structures down without any idea of what is happening in the area with regard to other services and facilities in the area.

ASSEMBLYMAN MAYS: Some of the problems you have mentioned have to do with administration and management. What are you doing as a community, and what can we do as a Committee to help your community improve?

MR. TESTA: Well, there is need, certainly, for greater pressure on those who have responsibility for these public agencies to be more accountable to people and to use the dollars more wisely, and not have them isolated from the community.

ASSEMBLYMAN MAYS: Is there a Housing Committee in Newark that can work with us?

MR. TESTA: Well, there is the Newark Tenant---

ASSEMBLYMAN MAYS: I mean somebody from each community who knows what they need?

MR. TESTA: Yes, we have done that. Our housing committee and our coalition has done that for our whole Roseville neighborhood. The City has ignored our proposals for HCDA Grant monies to be used for housing in our area for two years in a row.

MR. ORTIZ: There has also been a city-wide coalition of neighborhood organizations that have been trying to have some input into the monies coming into the Mayor's Policy Development Office, and they have been met again with an adversary attitude.

ASSEMBLYMAN SHAPIRO: Thank you very much. Next we have Mr. Joseph Barry.

J O S E P H B A R R Y: My name is Joseph Barry. I am an Attorney and I am also principal of Applied Housing Associates which is the largest rehabilitator of subsidized housing for occupancy by low income families in New Jersey. I want to address myself to several things which are alluded to in my prepared statement, but which will be amplified in this testimony.

Unlike new construction which cannot subsidize because of the market rent levels, family housing in New Jersey, Section Eight subsidy, can subsidize and makes economically feasible the rehabilitation of family housing in New Jersey. Thus, rehabilitation which is cheaper, substantially, than new construction has gone forward at a pace in New Jersey using both Section 236, and Section 8 and rehabilitation is the only vehicle which can produce family housing at this time.

We have produced approximately 1500 units of subsidized family housing in Hudson County New Jersey, the bulk of it being in Hoboken, New Jersey, of about 1000 units. Hoboken and we have received national attention for the quality of the work, and unlike 50% of the rehabilitation in this country, our projects are not only not in default but are actually as well maintained or better maintained than when they were first built.

Before we can understand the process of rehabilitation and the problem it faces in New Jersey, I think a little bit of background of the urban multi-housing scene is very appropos. You just heard a couple of community leaders involved in the housing field discuss absentee landlords, slumlords, arrangements between code inspectors and landlords and so on and so forth. While many of those considerations may be accurate, they certainly aren't at the heart of what happens to housing in

the urban centers. The deterioration of multi-family housing in the urban centers is an economic phenomena that is abstracted from and has very little to do with the personalities of people who own housing and the corruption that may be involved in housing or anything else.

Simply put, over the last twenty or thirty years, what happened was, the class of people who were renters in the urban areas became lower and lower in income as compared to the rest of affluent America. As those who made money moved to the suburbs or moved to single family houses, the people who were left in the older multi-family housing stock had less money to pay for housing services than they did previously. That, in turn, meant that as housing costs rose dramatically in the late sixties and seventies, this class of people with less money to pay for housing could not afford the long-term costs of maintaining this asset and the services associated with it. That is the reason for the subsidy programs to begin with.

As that fact began to dawn on owners and banks who lend, for the purpose of sales transactions, multi-family housing became an asset that was non-liquid. It could never be sold again for cash, because banks wouldn't finance acquisition and purchases, and therefore, housing, which is a very high leverage asset - and what I mean by that is, housing is a very expensive asset, and generally the purchase of housing involves a down payment and a mortgage for many, many multiples of the downpayment. So, for instance, I as an owner might put down, as a conventional house owner, \$100,000 and might get a mortgage for \$900,000 and wind up with a \$1 million building. But in order to get out my \$100,000, if I wanted to and invest it in the stock market or some other form of investment, I can't make \$100,000 sale. I must make \$1 million. To make \$1 million sale, something must finance that \$1 million sale. As soon as the banks stopped lending to finance the re-sale of multi-family housing, they became assets with no liquidity, and in turn, the owners attempted to get their \$100,000 investment back by milking the building. And that is the process of urban deterioration all over this country. In other words, the phenomena is, once multi-family housing becomes an asset which has low market value, the owner's decision and the lender's decision is, milk the capital investment out of the building, so that you will walk away with some of the cash you invested.

What happens, then, as a result of that, the operating expenses are lowered, repairs aren't made, maintenance isn't covered, and the building is milked until it finally becomes abandoned, or it is maintained as a slum as long as people will be willing to live in it and pay a few bucks rent. That is the process of multi-urban deterioration throughout the State and throughout this country, and it does not deal in personalities. It is an economic phenomena having to do with the cost of housing as compared to the ability of people to afford it.

Now, socially the deterioration of multi-family urban buildings unwinds whole neighborhoods. Because everybody here knows, if you go to Jersey City, or Newark, or Hoboken, what you will have, on major streets or major corners. There are old big apartment houses, and on the back lots, you will have the one, two, and three-family house, which I call the working class house. In other words, the route to middle class in America was, as soon as you could, you bought a two or three-family house, and the tenants helped you pay off the mortgage, and you lived there as a tenant yourself. That is an entirely different class of housing than the huge

apartment houses that were built in the booms of the twenties, and then after the second World War. That was an entirely different type of housing. That is not housing; that is owner-occupant housing. That is an immigrant mentality which says, I am not here for investment, this is my life savings, and every nickel paid off of the mortgage is a penny in my pocket for old age, whereas an investor in huge housing says, this is an investment I can make as compared to stocks, bonds, oil wells or anything else. It is a completely different attitude and completely different approach. Once the multi-family buildings, the big apartment houses, start to deteriorate on the corners, they unwind the stable one, two and three-family homes on the side streets. You can go to the Greenville section of Jersey City and you will see what I am talking about. You can go to the sections in Newark in the north ward where urban blight has not spread as fast and as far, but you can see the buildings unraveling the local neighborhoods. The south Bronx is a perfect example, because there was block after block after block of investor apartment houses. That was housing which unraveled the neighborhood in ten years and made a bombed out area.

The process of urban multi-family apartment house deterioration leads directly to the unraveling of whole neighborhoods in urban areas. Now, the State of New Jersey, I will tell you frankly right now, with regard to rehabilitation of subsidized, or otherwise deteriorating, apartment houses is in a drastic state because of a meshing of several laws that New Jersey has passed presuming them to be tenants rights over the last five, seven or eight years, but which in fact have crippled the rehabilitation of these urban multi-family buildings, and I will get to that in a second.

The milking process and the devastation of multi-family buildings in urban areas and in fact the inability of people to pay for the cost of housing in urban areas led to the subsidy programs in the United States Government. They led to Section 236, Section 8, and all the various subsidy programs that they have had. The intent was to lower the cost of housing to the families who would live in housing which costs much more than they could afford to pay, maintain, or otherwise.

Mr. Massaro described to you the dismal failure of much of subsidized housing under Section 236, and it is found that the simple addition of money is not sufficient to overcome the problems of urban living. There is apartment size, and minimum standards, and also density, but the main emphasis, and the main key to operating urban housing, is management. Why are absentee landlords so bad? Because they are absentee management. They do not pay attention to the buildings, besides not investing in them. In the same way, the subsidized housing program has been produced predominantly by two classes of developers. On the one hand, non-profit sponsors who get 100% mortgages, and contrary to the testimony of Mr. Ortiz, their record was dismal. Non-profit sponsored housing fails at the rate of two to one. In this country for privately undertaken and privately available housing, it takes two times as long a process. That is not to say that community participation shouldn't be involved in it. It should be a one-way, but a whole housing program. On the other hand, the simple answer that community non-profit sponsored groups for decent housing is the answer is not borne out statistically in this country over a period of ten to fifteen years.

Alternatively, the production of housing has been by profit motivated,

limited dividend, housing sponsors who make their money not in the operation of the buildings, because the rent and profits that you make from the buildings is controlled, and limited, but from the sale of tax shelter to very wealthy people who get a tax break for investing in subsidized housing.

Once again, this housing has absolutely no market value; it is not an asset comparable to stocks, bonds, or anything else. It is a tax shelter generated, and the tax shelter benefits have nothing to do with the efficiency of operation of the housing. In other words, the housing can be losing money, but the tax shelter benefits continue to flow, because they are based on the cost of the housing, not the efficiency of operation in the housing. So, we have created the form of new housing and rehabilitation of housing, but not the substance of what I call immigrant ownership, which was, this is my building, and I am going to see that it works right. All right. You have to bridge that.

Our own particular circumstance, in the millions of dollars of housing we have done has been so successful, and it has received such national fame for reasons that are based on economics also. We have pledged, and we personally guarantee the operations of the building to our tax shelter investors for fifteen years. That is why we are very concerned with the operation of the buildings. We have a personal stake in it for fifteen years and for that we make more money. I mean, we don't do it for nothing, out of the goodness in our hearts, but for that we make more money, but it at least gives us an incentive to live in those buildings for a very long period of time. However, I must announce today that our program which has been the most valid use of rehabilitation in this state, and probably in the country, is going to come to a close. We are going to withdraw in New Jersey from the rehabilitation of buildings which are occupied by tenants anywhere in New Jersey because we have now found that it is impossible - given the welter of laws and the misguided notion of many tenant advocates centering on the whole relocation process, we are now - and I announce this today - withdrawing from the rehabilitation of any occupied buildings in New Jersey from here on, until there is a major change in the whole legal structure and the attitude of community groups regarding the rehabilitation process.

Let me tell you what I mean by that. Let me make a medical analogy. You may have a deteriorating section of a city that is physically deteriorated, slums, but it maintains a community strength in fabric which is not yet gone. You have another section of the city bombed out, empty buildings, where no one lives any more and no one wants to go any more. The attitude within the law of the State of New Jersey now says, in the area where people are hanging on, and the facilities are terrible, they have been milked, and the slumlords have done the ravages and so on, in that area, the laws of the State of New Jersey say, let it die. That is what they say right now, let it die. Let that area die, because we do not want any program that approaches the saving of that area in terms of rehabilitation and relocation. Instead, the State of New Jersey is now saying, go to the bombed out area, or go to a factory somewhere else and produce a unit there while this neighborhood dies.

All right, the secret of Hoboken, and the secret of rehab that is the best anywhere in this country is, you go to an area where people still want to live, where there is still a community. There is a surgery that takes place, just as in the medical analogy that I am using. You can't save that neighborhood without a

substantial physical improvement of a housing stock so that it is decent to live there. That involves, if you are going into a substantial rehab. program, the shoving of people around. It involves relocation, because you cannot have a substantial rehabilitation with the people in the place. But, after that is done, that neighborhood, which still had some community strength, will attract back, and people will fight, to get into that housing. Its original spokes of strength will do nothing but encourage the creation of a stable, strong community with physical improvement. Down in the south Bronx where all the buildings are empty, or anywhere where it is empty, 80% of any class people, low income or otherwise, do not want to go where they are afraid they are going to be mugged, where they are afraid that junkies are hanging on the next block, where they are afraid their kids can't walk to school. If anybody saw the article in the New York Times last week, there was an article which said that about \$30 million worth of rehabilitative housing done in the south Bronx finished as late as 1973 in a bombed out area where there was no relocation problem, because there was no one living there. Today it is abandoned and vacant in the same situation it was five years ago when it was accomplished.

You heard about the Timothy Still Program, and there are many horribles to parade before this Committee, but the best use of rehab is rehabilitation in a community that still has strength, and if the community still has strength, it will still have people living in that neighborhood, and you must dovetail a relocation process for the rehabilitation process.

We have made a decision to withdraw from this, at this point, and not have anything to do with occupied neighborhoods at this point, for the simple reason that there is under present New Jersey law no way in which you can reasonably approach a relocation process while the law does not permit relocation for the simple purpose of rehabilitation. Two, in those instances where it does permit it, which is, when the building is so bad it is dangerous to life and limb - and that is the only time you can relocate for the purpose of rehabilitation - the appropriations of the State Government for the relocation benefits are so low that you could produce perhaps--- I think the appropriation this year was \$700,000 and the ticket called for poor families to receive \$4,500 per family. Divide \$4,500 into \$700,000 statewide, and you can see how many units of rehabilitation housing you can produce in this State.

The attitude of tenant advocates at this point has been, any change in the relocation law to permit rehabilitation is a dilution of tenants rights. You will hear this, I am sure, from somebody today. In any event, the process, at this point, is encumbered so, and we have been working for a year and a half with various legislators and the State Department of Community Affairs and so on to solve this problem - meeting with Legal Services, meeting with David Baslow and the New Jersey Tenants Organization. We have been meeting with anybody we can to work out some approach whereby a rehabilitation process, which is the only process that produces family units in the state at this time, can be accomplished, but to no avail.

Our pulling out of rehab in occupied buildings doesn't mean it won't be done. What will happen is, we will watch neighborhoods go down to abandonment, and if that neighborhood is then salvageable, and there are no people living there, we will move in. If we don't do it, what will happen is, unscrupulous developers who can bomb out buildings, who can terrorize people, will come in, because there is plenty of money in Section 8, let me tell you. Twenty outfits have come over from New York in the last two years, because this is a program unlike Section 236, and

there is a lot of money if you get a Section 8 project, because the government pays the increases annually in accordance with inflation. So, it is a very attractive program. You will have a state of developers who are not concerned at all with the issue of relocation, or the converse issue which is the then rent up of the buildings, because the other focus point we are finding, which has crippled our rehabilitation effort, is the following:

The secret, as I said, to rehabilitation is not only the physical newness of the buildings but the establishment of community strength in the buildings and areas in which they are. That requires a strict and a hard look at tenant selection. The housing I am describing is low income housing, low income family housing. But out of any other economic group or class in this country, low income or not, people demand decent, safe, living in, nice surroundings with nice neighbors. Ten percent of the people, whether rich or poor are nuts, are crazy. Rich people, fortunately, can buy mansions to live in; they can buy single family houses and can insulate themselves through their wealth so that they don't bother anybody, and on the other hand, people are afraid to take on rich people. Poor people, on the other hand, live in high density situations, and if a poor person is living in a high density situation and has many problems, if the kids are junkies and steal, if somebody is crazy and rips the place apart, poor people, like everybody else, don't want to live with that problem family. Nobody wants to live next to a crazy family, and we have found in the rehabilitation process that if in the removal of the rehab you then opt first to problem families, which is a characteristic I have described - and this is not a question of minority, it is not a question of welfare recipients, it is a question of a problem family versus a family that can cope, all right - if you rent up first with problem families, no one but problem families will move into that building. Because, no matter how desperate the needs for housing are, a family that wants to live in peace and dignity is not going to live next to somebody they are terrified of. So, the tone of renting up a building sets the tone for the entire life of that building. Because, we know for a fact that this is the exact experience of Stella White and this whole tenant matter that has been spoken of. If you look at Stella White's tenant selection criterion, it is stiff, and they have a program because they have recognized, the tenants have recognized, that the question of who you live with is very important.

What is the answer for 10% of the people who are excluded in such a tenant selection process? We, as a project developer, have no answer. Mr. Ortiz as a non-profit developer will have no answer. Public Housing doesn't have an answer, and the government doesn't yet have an answer. But I say that you cannot destroy a program because you don't have an answer for one aspect of a housing program. In fact, the problem of those who are excluded from housing is not a housing problem. It is a problem having to do with many, many other things. It has been demonstrated time and again that the simple fact of renewal housing does not insure the fact that the problem family has thus solved its problems. That is not the case. It does not work.

On the dual issue of what I have described, the ability to relocate so that a rehabilitation process can go on, and the ability to make tenant selection so that what you rehabilitate can become strong and solid, the State of New Jersey has failed miserably. There is no way we can proceed from here on in. Until we do something - and in the documents I have left with you, I think the problem of the

law is described in more detail. Until that is accomplished, I think you are going to see the deterioration of the rehabilitation process, rather than a picking-up.

Let me see if there are any more points I want to make and then I will stop. Yes. There is one last point. A question has been raised with regard to relocation: Why not do housing rehabilitation in factories - empty factories and abandoned buildings - rather than do it in buildings which are deteriorated but occupied. I think I have answered that question but I want to make it very clear. The best use of rehabilitation is to be able to use the strength of a community that exists, rather than rehab in a bombed-out area that has a reputation which causes people to avoid going there. That has been the most successful in Hoboken. Thank you.

ASSEMBLYMAN SHAPIRO: Are there any questions from the Committee?

ASSEMBLYMAN MAYS: Give me the definition of a problem family.

MR. BARRY: A problem family is a family with kids who are junkies and have a history of stealing - okay? The neighbors know that family has kids who have stolen and broken into apartments - which is common. You can be in a rental office and somebody will say, "That kid is going to rip your home off." That is a kid from a problem family.

A problem family is somebody who is an alcoholic; someone who gets drunk and turns on the gas jets, putting the building in jeopardy of blowing up, or who puts the plug in the tub and lets the water overflow so that all the ceilings in the apartments underneath fall down. That is a problem family - okay?

Somebody who is a wife beater is a problem. There is constant terrible fighting, screaming, yelling in that apartment and everybody is petrified of this person.

A problem family is basically a family who disturbs the rights of others in that building, someone that neither you nor I would want to live with because they are so threatening or so disturbing that they upset that community - which is a building. All right? That is generally the description. It takes various forms but I have given you a few.

An example of a problem family would be a family so unable to cope that they can't clean or keep a house in order. Everything is filth. There is garbage on the floor, and so on and so forth, which attracts vermin, roaches and everything else.

What I am giving you are all examples of actual fights we have had in tenant exclusion. I am not making them up. All right?

ASSEMBLYMAN MAYS: All right. Now, what are we supposed to do with these people?

MR. BARRY: I don't know what the answer is. I think in any event the responsibility for the ten percent, or the five percent - or whatever it is - of the families that no one wants to live with is a governmental approach - all right? I, as a private developer and owner of housing, in conjunction with the tenant association, am not going to take on that problem. We may take one. We may take two, but we are not going to take a building full. So, the approach to that family is not a housing approach.

What do I think lies behind it? I think it is caused by the lack of jobs, the lack of being a productive member of society, and the lack of dignity. That is what I think causes it. How do you solve that? Through housing? No. What are you going to do with that family? I don't know -- public housing.

ASSEMBLYMAN MAYS: I just have one more question because we are running over the time. Isn't this what happens to the people? People don't want to live with them. They put the people out to pasture. This is how the so-called ghetto starts.

MR. BARRY: No. No, not at all.

ASSEMBLYMAN MAYS: You said that they beat their wives, they drink.

MR. BARRY: Right.

ASSEMBLYMAN MAYS: They steal. This is common in the ten percent and the twenty percent; it happens to everybody. The suburbs have it.

MR. BARRY: I said that. The rich, unfortunately, have money to protect themselves. I didn't say it was confined to the poor.

ASSEMBLYMAN MAYS: But you said they should be penalized for it.

MR. BARRY: Absolutely not. All of our housing is for the poor and for those of low income. The question is, how does the 90% of the low income families live - the ones who don't want to deal with the other 10% who are a problem? That is the question.

ASSEMBLYMAN MAYS: We are talking about the 90%. Why would we want to live with them?

MR. BARRY: Why does who want to live with them?

ASSEMBLYMAN MAYS: Yes. Why can't they be the problem?

MR. BARRY: I think you are misunderstanding what I said.

ASSEMBLYMAN MAYS: I think you are misunderstanding me. I am telling you that that is what is happening now. So-called people who make a couple of dollars don't want to live with a person because he wears a different color suit than they do. It is not because they steal.

MR. BARRY: Mr. Mays, we are talking about one class of people - low income people. We are not saying 90% of low income people are problems. We are saying that within any class of people there are a certain group of people and a small percentage of those people are problems - all right? The tenant selection process is keyed to that.

On the question of income, we are dealing with one income class. We are not comparing suburbanites to low income people and saying, "They are not the problem and the low income people are." We are saying that within any class there are problems of one kind or another. What is the answer? I don't know. It doesn't have to do with race. It doesn't have to do with income. It has to do with--

ASSEMBLYMAN MAYS: It has to do with every combination you just said. I hate to say that but I would like to bring you back at another time and talk to you about it.

ASSEMBLYMAN SHAPIRO: We are running a little overtime. I would like to invite you back because there is a lot more to go over here. Maybe you can come when we have future hearings in Hoboken and Jersey City.

MR. BARRY: I would like to invite the Committee to come and see, so you will have an understanding of what I am talking about.

ASSEMBLYMAN SHAPIRO: Assemblyman Olszowy has a further question.

ASSEMBLYMAN OLSZOWY: You stated that New Jersey has failed miserably in some of these programs, especially in rehabilitation. Is it New Jersey law, rules or regulations, or must we follow federal regulations?

MR. BARRY: No, in this case it is New Jersey, rules and regulations.

ASSEMBLYMAN SHAPIRO: Thank you very much.

MR. BARRY: Thank you.

ASSEMBLYMAN SHAPIRO: Senator Wynona Lipman. Welcome, Senator. We are running a little bit behind. Actually, we are running considerably behind schedule this morning. We would appreciate whatever you can do to help us out.

SENATOR WYNONA M. LIPMAN: That's all right. I have two young people with me who want to supplement what I have to say. I will be extremely brief. Let me just introduce my two companions first. Vickie Donaldson did a housing feasibility study for the Newark Watershed and she has some ideas about new designs, and so forth, that I thought you should hear about.

Winnie Edwards is in management, so he can talk about those unruly tenants that we just heard about and what is good management.

All I wanted to do, really, was to congratulate this panel for making such a timely study and to say that we are happy that you are having your first hearing in Newark. We have been trying to make a few steps in rebuilding this city. You have heard from Mr. Massaro, who has been in rehabilitation and who has performed some miracles with rehabilitation of apartment houses. I see representation here from the Housing Finance Agency. The Housing Finance Agency has put up almost 4,000 multi family units in the 10 years that it has been in existence.

In new design, the Newark Housing Authority has gone into apartments using solar energy. The Newark Chamber of Commerce is rescuing old brownstone houses, making modern condominium dwellings inside.

So, we have been moving toward rehabilitation. It is a massive job. It is a massive effort. It takes massive attack. It takes everybody to work together.

I am just going to summarize the most often-heard statements that I have heard spoken across my desk concerning Newark housing. The first thing is, in design the residents seem adamant in their dislike of any further high-rise apartments. The preference is for garden apartments and town houses - garden apartments with a little patch of green in front and in back, if possible. It seems that tenants would like to take more pride in this. They would take more pride in this sort of living arrangement, rather in those high-rise, low-risk ventures that we put up. We are still building those high-rise, low-risk ventures for senior citizens. The priority of funding monies in urban areas seems to have been concentrated in senior citizen housing. This kind of housing has been sorely needed, but also the rest of the urban residents should not be forgotten. And, must the housing for senior citizens still be high-rise, low-risk ventures?

In the construction of new buildings -- I would like to get on that a little bit -- we should begin with better quality building materials than the materials that are now found in relatively new structures in Newark. There are State standards and there are State minimum standards. If an architect designs to State minimum property level standards and the contractors build to State minimum standards for property, then the result is poor quality housing. I think that perhaps this Committee should examine the property standards - you know, the uniform construction code - and see if these standards are adequate for their use in urban housing.

Those involved in financing new housing must also be morally committed and strongly committed to making adequate financing available for good design and good building materials. The dollars are going to be spent anyway in constant repair if poor quality materials are used. A leaking roof in a new building

is not damage that is caused by the tenants that live there.

Good management is essential to insure that housing, once built, does not deteriorate. Good management can deter the graffiti-covered walls, the smudged doorways, the smelly elevators, and the invasion of cockroaches. It can also deal with tenants that are destructive of property. However, neither management nor tenants can be faulted for thin walls, faulty plumbing, or a central heating and air conditioning system that is not designed for the capacity that is needed, so that on the coldest days in winter there is no heat and in the hottest days of summer there is no air.

Finally, a key component of any local housing improvement project must be an aggressive code enforcement program. We have already heard from Mr. Ortiz and others today about the difficulty with relocation monies. The law in New Jersey says that a municipality must pay the resident, or the tenant, when he is displaced. The municipality then turns to the Department of Community Affairs for assistance with relocation monies. Unfortunately, in cities that most need help with relocation monies, there is a dollar-for-dollar match. Every dollar the city puts up, Community Affairs puts up. So, in a city like Newark, where there is a great deal of relocation necessary, there aren't available funds. It would seem a fit subject for this Committee if you would study how we could improve the payment of relocation monies to assist these neighborhoods. It really does not pay to put up a lovely, large housing arrangement in a neighborhood that is full of deteriorated buildings - other deteriorated buildings.

Now, I am going to stop talking. I wanted to just mention that there is legislation in now. One bill has passed the Senate and the other bill has passed the Assembly. I suppose they will meet at some point. They enable a municipality to give notice to an absentee landlord that he is supposed to come in and have his building demolished if it has been condemned and if he doesn't come in and have it demolished, then the city will and he will be charged to cart away the debris. That is new legislation which has not been passed yet and I hope you Assemblymen will look at it very favorably. It is already in your House.

I am now going to introduce Vickie Donaldson first and then Willie Edwards will speak second.

V I C K I E D O N A L D S O N: During the years 1975 through 1977, I directed a study for the Newark Watershed Corporation, which essentially looked at seven counties. Part of the regional market area for that study was the city of Newark, as part of Essex County. It is the most urban community in the seven-county market area.

Part of what we looked at was the impact of cost, density, and design in the attempt by the City of Newark, as a landlord, to develop some 5200 units of housing. The thing that became most apparent during this two year study was the fact that in the construction and provision of housing - either in terms of new construction or rehabilitated housing - a major problem is the attraction of developers with incentives that, while they enhance the probability or the possibility of providing housing for some, automatically and by definition excluded many others from having access to that kind of housing provision.

The thing that sort of kept creeping up was, developers without incentives were reluctant to come into areas like Newark, creating a sense in the community of what was phrased popularly during the early '70's as benign neglect in the area

of housing.

The impact of diminishing resources on the creative element of housing design, created, or helped to perpetuate an "either/or" rather than a "together with" concept of the population to whom, or for whom, housing is provided. By that I simply mean that in the 1970's - the early 1970's - the emphasis was on low and moderate income housing. After that, there was an emphasis in the City of Newark on housing for the elderly. Today there is increasing concern about housing for middle income families. What that meant by definition was, because the resources were always diminishing, it was either/or rather than "together with."

The thing that we concluded in our study was that the answer - as much of an answer as we could get - was, the most preferable form of housing in terms of design and concept was the whole concept of mixed housing. Mixed housing does not simply mean a mix ethnically or racially, it means a mix in terms of economics and social character. The only thing that I would suggest as an area of study for the Committee would be an investigation of the possibilities of mixed income housing that begins to address a concept of "together with" as opposed to "either/or."

What this does is, it penalizes middle income families if moderate and low income housing is built at the expense, sometimes, of senior citizens, who are also in need of housing. The mixed housing concept allows a community to be re-generated without excluding or isolating - and a classic definition of ghetto is to surround or isolate - people. Without the isolation and by bringing people together into situations where they share the same economics, and the same social prescriptions, or ascriptions, you create a community that is not built on the isolation but rather on the inclusion of many different segments and elements of a community. The whole concept of mixed housing, for example, does not allow a developer to use as a "cop out" the fact that we can only build within a given density prescription, which again addresses "either/or" rather than "together with" and allows a developer to say, "I will spread out the cost of housing so that it does not out-price, or price out of the market, a middle income family, but allows a middle income family to absorb part of the cost of including - maybe in clustered housing, or whatever - that lower income family which, except for that definition, isolates us." It requires, of course, a conscious attempt in public policy, on the part of the State and the city, which has to encourage developers. It implies that there has to be a level of cooperation and consciousness that says we are, in fact, the same people with the same needs. It does not suggest, however, that a family on welfare who can live in the same cluster as someone who makes \$20 thousand a year be identifiable. That gets to creative design.

There are examples throughout the country where, with creative design on a small scale basis, mixed housing has been able to be built and has been able to withstand all those things that traditionally says that urban housing has to be either inferior or has to deteriorate more rapidly than other areas.

I have no prepared statement. The Senator asked me to simply come and talk to you about my thoughts on the subject and as to the conclusions that were evidenced in that two-year study. Those were the basic things that we concluded. Thank you.

ASSEMBLYMAN OLSZOWY: I would like to comment on what you said. Basically if you take a welfare family and put it in with a wealthy family and don't identify them, the children will go to school and they will then become

isolated because one child will have the benefit of going to camp and the other child will not have the benefit of going to camp. This child will be able to afford a car and the other child will not be able to - or a bicycle. That in and of itself will tend towards isolation. They will not mingle.

MS. DONALDSON: I would respectfully suggest to you that it is very difficult to tell if I drive a Cadillac whether or not I am on welfare or, in fact, make \$30 thousand a year. I would also suggest--

ASSEMBLYMAN OLSZOWY: Do you mean to tell me that a person on welfare can drive a Cadillac? That is where I draw the line.

MS. DONALDSON: I would also suggest to you that what I was using was an extreme analogy. All people in Newark are, number one, not on welfare. All low and moderate income people are not on welfare, just as all middle and upper families are not always flamboyant in what they do with their incomes.

ASSEMBLYMAN OLSZOWY: I agree with you there.

MS. DONALDSON: I was simply suggesting, conceptually, that mixed housing can work and address problems, such as social differences and economic variables in terms of what a family is actually able to make and therefore actually able to purchase. I did not mean them to be perfect analogies, but conceptual ones.

ASSEMBLYMAN OLSZOWY: That is the only reason I raised the question.

ASSEMBLYMAN SHAPIRO: Could you provide the Committee with a copy of the feasibility study you did?

MS. DONALDSON: Yes, it was financed by the State.

ASSEMBLYMAN SHAPIRO: It is good to know we can get a return on our investment. Thank you.

Mr. Edwards, I don't want to be rude but I have to emphasize that word "brief."

W I N N I E E D W A R D S: Thank you very much, Mr. Chairman. I will try to be brief. My name is Willie Edwards and I am with the firm Social Enterprises Associates in Newark. I would like to talk with you, very briefly, to express my opinion regarding the advantages of good management.

It is impossible to discuss all the aspects of good management. I will address only a few. All of the reports that you heard this morning and those that you will probably hear this afternoon will touch upon various aspects of management.

The basic requirement for good management is to have a good building to manage. There has been some discussion about that. That statement says an awful lot.

I am a partner in a management firm which manages approximately 1800 units in the Cities of Newark, Paterson, and Westfield. We are professionals at Social Enterprise and we have a professional staff. Two of our members hold Master's degrees in social work. Two members are certified property managers. Two members are in the field of business, one with a MBA, and one is a candidate for a Master's in Business Administration. We feel that we are able to relate to all boards and tenants in buildings which we manage.

Good management takes many forms. Number one is the ability of management to properly budget the development's resources and to account to the sponsors. Number two, management has to have the ability to get the maximum production from staff. Number three, management has to have the ability to get the cooperation

and appreciation of the residents among themselves and with the management firm. Number four, management has to have the ability to keep the boards informed of the status of the development and to properly advise them of the alternatives available to them for decision-making. And, number five, management has to have the ability to relate to the funding agency and to comply with the many and varied regulations.

Budgeting is probably the single most important factor in good management. This includes reporting the financial status of the development to the sponsor in such a way that the board members understand the solvency of the development, including the accounts payable as well as the accounts receivable. Too often the sponsors - usually non-profit groups, and that has been alluded to this morning - are not prepared to oversee the development's operation. Many times they are not willing to make the tough financial decisions that are required, even upon the advice of good management.

Budgeting basically takes two forms. One is to determine the needs of the development and increase the rents to cover those needs, or accept the income that is available and determine priorities based upon that income. The latter method is too often used and it leads to disaster, especially with the ever-increasing cost for goods and services. Good management stresses the former.

The second most important factor in good management is supervision of paid staff. This requires complete control of paid staff by the managing agent and non-interference from boards. If relatives or friends of board members are utilized and management does not have the power to discipline or terminate those staff persons, many services are limited and/or non-existent. If this occurs, dissatisfaction by the tenants will occur and will lead to a development's downfall by uncooperative residents. If tenants get the feeling that staff is producing to capacity, they will invariably pitch in and help. However, because staff is always in a fish bowl at all times, if tenants get the feeling that they are loafing on the job, tenants will not cooperate and will start to create more work for the maintenance staff. Good management monitors staff performance and insures tenant satisfaction regarding maintenance.

The third most important factor is the ability to get cooperation and appreciation amongst the residents and management. We have found that this can be brought about by tenant orientation, preferably in groups, at the time of rental. This was addressed earlier this morning. One of the speakers talked about the tenant selection process. Group orientation, with as many residents or potential residents as you can get, in a single group is the best way to insure that each person understands the type of development that is to be maintained, what is expected of each tenant, and what each tenant can expect of management.

We have also found that the formation of a good tenant association with good by-laws for the tenants and staffing by the management is one way to get tremendous cooperation from the tenants. Usually tenants do not want management at meetings because they are usually working against each other. We encourage otherwise. Response to the concerns of tenants is the one way to obtain tenant cooperation and appreciation. Good management attempts to respond to tenants and recognizes that "he who pays the fiddler calls the tune."

The fourth factor is the ability to keep boards informed of the status of the development and to promptly advise them of the alternatives available to

them to make good and sound decisions. Good management dictates that a monthly written report is the safest way to cover all of the vital points of a development. Many times important recommendations are overlooked by boards and a good manager brings the board back to the task of a problem at hand. We also attempt to get all of the board members involved in the decision-making process. If a single member on a board dominates the board and makes all of the important decisions, usually problems develop that are almost impossible to solve. Management invariably sides with the power structure in order to maintain a contract, often at the expense of the good of the development.

Finally, good management makes every attempt to comply with the various regulations of the funding agencies and to keep the agency informed of the problems as they develop and assist the agency. This becomes the most diplomatic task because of the relationship that exists between management and the board and management and the agency - the funding agency. Too often the problems are caused by poor construction and/or poor quality material used in construction. You heard from Mr. Massaro on that and you heard from Senator Lipman on that.

My suggestion - and I want to deviate from the prepared statement - is that newly formed groups and boards who sponsor the development should have their own paid person to monitor the various stages of development and not leave it solely up to the inspectors. That is no reflection on inspectors. Poor construction forces management to utilize staff man hours to correct construction defects. Therefore, we get right back to where I started in my opening remark: The basic requirement is to have a good building to manage. Thank you very much.

ASSEMBLYMAN SHAPIRO: Thank you very much, Mr. Edwards.

Our next witness will be Mayor Grant Gille from Montclair. Welcome, Mayor. We are sorry for the wait. We seem to be running consistently behind time and whatever you can do to contribute to lessening that, I would appreciate.

G R A N T G I L L E: I hear you loud and clear. First of all, I want to thank you for the opportunity to be able to come and offer some thoughts on this matter. I will try to be very brief and limit myself to maybe some major points that might be of help to the Committee. I commend the Legislature for creating this Commission and I hope that whatever legislative outcome results from your hearings will prove very helpful.

I would like to introduce Bob Edwards, who is Town Planner for the Town of Montclair and has been for 27 years. For the last 12 years or so he has been the Executive Director of our Urban Renewal project. I took the liberty of bringing him along with me.

Very briefly, I would like to give a quick profile of Montclair, even though members of the Committee and also the audience probably are quite familiar with the town. In brief, Montclair with a population of approximately 44,000 people represents very much of a microcosm of Essex County as well as the State, if not the nation. One-third of our population is black. In terms of any demographic barometer that could be applied to the makeup of our population, we run the complete spectrum from one end to the other within the town of Montclair. I think this is important in understanding how the community works.

We are designated by the State as one of 28 urban centers within the State. Yet, because our population is under 50,000 and because of the general makeup of the population of the town, many of the State programs currently designed to benefit urban centers do not necessarily have particular benefit to

Montclair - and I will give you some detail on that in a moment.

In terms particularly of our housing programs, Montclair has been involved in the federally-assisted code enforcement program, going back to 1964. We are currently, I believe, on our seventh - or maybe eighth - code enforcement program within a designated area and as a result of the grants and 3% loans, a substantial amount of our sub-standard housing has been able to be improved, as our neighborhoods have been improved with street and curb improvements that have gone along with the improvements to our residential properties.

This year for the first time we are engaging in code enforcement in a commercial area that is on Bloomfield Avenue - this is a county street - and adjacent to our redevelopment project area. We are hoping that with a fairly small supplement of money that is available through the Community Development Block Grant Program, we will be able to see the faces and, ultimately, the interiors of many of these stores improved to the betterment of the whole community. This will improve the image of one of our major gateways to the town.

In addition to code enforcement, we have been involved in two community development block programs in the last few years. Despite the fact that we are a community of under 50,000, because of our code enforcement program and because of our urban renewal project, we have qualified for a hold harmless town entitlement. This program, to be phased out over a five year period - and we are now in the fourth of those years - has provided close to \$2 million to the town for a variety of programs, many of which are housing related. A great deal of that money has been used to carry some of the local cost of subsidizing our urban renewal project.

We also participate with 11 other communities in Essex County in the Urban County Community Development Program that is run by the county. Montclair received \$96 thousand the first year, \$126 thousand the second year, and the equivalent of about \$250 thousand in the year that is about to start in September.

In addition - as I have already noted - we have an urban renewal project within the community - a 48 acre tract on Bloomfield Avenue. The project has been underway for approximately twelve years. The present land use plan that has been approved by HUD, our urban renewal agency, and all the town agencies, calls for a combination of commercial development as well as housing. We have recently begun construction on 126 units of low and middle income housing which is being put together by Union Development Corporation, a non-profit corporation within the town. It was initially spearheaded with the support of many of our churches in the community. The additional housing needs within the urban renewal project will largely be - they are proposed to be - senior citizen housing, possibly condominiums - Section Eight housing - and hopefully some market rate housing. In any event, a mixture of housing is proposed under the plan. We are currently in the process of being in final stages of interviewing developers and we hope that within a few months we will know more about the nature of that housing.

As far as state housing projects are concerned, we are involved in three HFA projects at the present time. They are in various stages of completion. One is our Union Gardens Project, which provides 87 units adjacent to our urban renewal project. The project was created originally to provide for many of the relocation needs of the project area and Union Gardens itself has been a very successful project. It is clearly bi-racial in its makeup. It also has a mixture of economic groups within the project area. The project, which is now about 3 years

old, has seen virtually no deterioration within the structure or the surrounding recreational and parking facilities that go with it. The units contain from one to four bedrooms. The building is always fully occupied and we have a substantial waiting list. It has partly been the result of that project's experience, where the demand was particularly for one-bedroom units, that caused the same group that built Union Gardens, Union Development Corporation, to undertake the 126 units of low to middle-income housing in our urban renewal area along Greenwich Avenue, very close to the Greenwich borough line and also a block from Bloomfield Avenue. That project would call for about 100 of the units to be one-bedroom apartments and the balance would be two, with a few three-bedroom apartments. This project has now broken ground and we would hope by a year from now, or the latest the end of 1979, to have that project ready to go and, we hope, fully occupied.

The third HFA project is a senior citizen housing project. Montclair has a substantial number of senior citizens, well above the county average. Approximately 23% of our population is 60 or over and 15% or more is 65 and over. As a result, we are embarrassed that we are as late getting into the senior citizen housing field as we have been. First Montclair Housing Corporation, which also was a non-profit project spearheaded by a number of local churches, has developed plans for a more-than-100-unit senior citizen complex that would be approximately three blocks from the urban renewal site. It would be very close to convenient shopping and also to transportation. This project has had all of its reviews and plans approved and, unfortunately, right now it is stymied because of the lack of Section Eight funds from HUD, which prevents us from being able to break ground.

I should note the two Union development projects are under Section 236. The only Section Eight project we currently have which involves new construction is the proposed senior citizen housing project.

As to some of the specific issues raised in the invitation to this hearing, the first point had to do with the encouragement of reinvestment opportunities for rehabilitating existing housing. The principal problem we see here is the conflict that exists between State and Federal regulations. For instance, the State, presently, will not entertain, nor participate in, programs that involve less than 50 units. As I indicated before, the profile of the town of Montclair is one of 28 designated urban centers, yet it is doubtful we would ever have 50 units available for rehabilitation in any given year. I think it is particularly significant in light of the trickle of funding coming through from HUD that New Jersey try to encourage small projects. This would permit a wider distribution of funds that are available and also it would permit urban centers, - such as Montclair - other than the core cities, to be able to participate in these programs more fully. I would note that the Federal program does permit projects of far fewer than the 50 units.

Also, the State does not entertain proposals for scattered-site Section Eight substantial rehabilitation. As I think you know, the Federal regulations allow for rehabilitation even of a single family home and Montclair currently has no apartment complexes that we can project will be available for substantial rehabilitation. So, once again, we think that if the State regulations were made more flexible to permit scattered-site Section Eight substantial rehabilitation, possibly even to include single family homes, that there would be a possibility for communities such as Montclair to be able to participate in these programs.

What we would recommend would be to encourage the State to make it possible for us to apply for twelve-per-year units under the Section Eight Substantial Rehabilitation Program.

Another problem to identify - where we think the State would be very helpful - would be the need for funds to help create temporary relocation facilities. The principal problem that we have encountered in our relocation problems and projects that come up in the town is the tremendous cost involved, both for the families and for the community, in relocating families. Frequently, we found - this involves single family or two-unit homes within our urban renewal project - families who had been able to maintain a very nice residence for their family and who were now faced with relocation, got relocation benefits but they were inadequate to replace, in kind, what they had before in some other part of the community.

Another problem that we encountered is where premises are designated for rehabilitation work, the permanent relocation funds have to be obtained and provided to the family. We think it would be very helpful if the State could make funding possible for temporary relocation facilities so that families that are in rental units that have to be rehabilitated could be moved on a temporary basis into something that could be conceivably as small as a six-unit building, which could then be occupied by the family while the rehabilitation of their own quarters was going on. They could then conceivably move back into the same quarters and another family could move into the temporary facility and occupy it. This might also be coupled with programs that maybe could be developed under Institutions and Agencies, who could provide for emergency housing either for families that have been burned out, or where because of problems with water pipes, or whatever, there is a lack of hot water in a facility temporarily. By doing this, some of the crisis kind of housing needs that we meet up with in all of our urban centers could be alleviated.

Another issue that was identified in the invitation to these hearings was the problem of displacement and relocation of existing tenants. Most of this displacement - we have found - is in multi-family structures. Now, state law provides that the code enforcement in the multi-family buildings is a state responsibility. The state, of course, has a budget for displacement under zone code enforcement activities. However, the state is also, under the State Local Cooperative Housing Inspection Program, encouraging town takeover of the multi-family inspections. Yet, the town is required to pay these benefits. The state does provide reimbursement for 50% of the relocation costs in some cases -- not all. But, even this program does not cover the complete cost of the inspections themselves in the multi-unit buildings.

Montclair, which has a tenant population representing about 40% of our total population in the town, has on various occasions considered - and currently has a recommendation from the Citizen Housing Advisory Committee - taking over the inspection of our multi-unit buildings and, yet, we are faced - particularly under the Cap Legislation - with projections of increased cost if this were to be done. There is a possibility we may not be able to afford to assume this responsibility. The State program calls for inspections every five years and, by and large, currently, because of the tremendous responsibility the State has inspecting multi-unit buildings throughout the state, the general feeling is that these inspections are less

adequate and that there is less follow-up than with those inspections that would be administered locally. So, we would like to see greater state funding to municipalities that do participate in the State Local Cooperative Housing Inspections Program, both as to assisting in the subsidy of the cost of the town's taking on the inspection responsibility, and also additional benefits for relocation cost, where that becomes required.

Finally, we were asked to comment on the utility of the existing state programs and suggested alternatives. I would like to commend the State of New Jersey's Mortgage Finance Agency for its very good program for new mortgages in specific neighborhoods. We have a program in Montclair, currently, involving the Monclair Savings Bank, which has proved to be a very good program, to date. The Bank has committed \$300 thousand and, of course, it is designed to provide mortgage money in areas that otherwise would be considered to be redlined, and that would cause lenders to be reluctant to provide money. Our experience to date is somewhat limited but we do feel this is an excellent program.

Second, the New Jersey Mortgage Finance Agency Neighborhood Loan Program is also felt to be a very good program. The Montclair Savings Bank has committed \$50,000 to the program and we hope this will work well. One problem that has been identified here is the one that exists for counties, such as Essex, who already have community development programs offering loans at a 3% rate. This program, with its 7 3/4% rate, isn't nearly as attractive. I think this program is particularly advantageous in counties that don't have the 3% loan programs available.

Another comment regarding new construction loan programs is, we would like to see some kind of down payment assist program that could dovetail with bona fide relocatees, programs that would assist in helping relocatees get some subsidy. I gave this kind of example before regarding a family in a one or two-unit building in our redevelopment project who has trouble replacing housing in kind when they are forced to leave because of the plans of the urban renewal agency. I think some kind of a down payment assist program, such as has existed in the past, would be very beneficial for this kind of effort.

Those basically are some of the comments I wanted to make. I would be happy to try to respond to any questions. I would also like to invite Mr. Edwards to also respond to anything that you might want to ask him.

ASSEMBLYMAN SHAPIRO: Excellent testimony. Are there any questions?

ASSEMBLYMAN OLSZOWY: Just one question. Do you object to the state housing inspectors versus the local inspectors? Would you rather not have the state inspectors go in and inspect the multi-dwellings?

MR. GILLE: I wasn't really objecting to state inspection programs. I was really making two points. One, generally in Montclair we have found that the state program has brought criticism. We currently are experiencing a lot of concern on the part of local tenants groups, both within buildings and in town-wide tenant's organizations, and we find that their concerns are at least as much directed at the maintenance of buildings as they are to what they may regard as unfair rents being imposed on them by landlords. Our own inspection program doesn't provide for the inspection of multi-unit buildings. The general comment we seem to hear is that the state program, partly because there is only

a requirement for inspections every five years, is probably inadequate and frequently doesn't provide appropriate follow-up. We have had some experience recently where violations were found in a building that has been particularly cited as a bad example as to the maintenance of the building. Some fines were levied. We are not even sure whether the fines have been paid. But, beyond that, very little follow-up seems to have occurred with the state program. To some degree this is very understandable, given that there are 567 municipalities the state has the responsibility to try to work with.

What I was saying was, I think the accountability and the access and the follow-up opportunities would be better provided for local level and, yet, in light of the caps and other kinds of fiscal restraints, municipalities are sometimes a little reluctant to get into these programs, even though the State does provide some subsidy, because there is not really enough to cover the cost both of the inspections and possibly the relocations that might follow.

ASSEMBLYMAN OLSZOWY: I am glad you said that because in my five years on the local council I found that the state inspectors were one level of bureaucratic boys that we did not need. If they want to apply them to inspection, maybe they can stick them in the commercial field. But, as far as inspecting the dwellings, I think it is just an unnecessary expense for the taxpayer.

MR. GILLE: Provided appropriate help could be provided to municipalities to carry out the program.

ASSEMBLYMAN MAYS: I have just one question. What is the length of time as far as temporary homes for relocation is concerned?

MR. GILLE: What would be the guidelines?

ASSEMBLYMAN MAYS: The time limit, yes.

ASSEMBLYMAN SHAPIRO: What is the total time period for those temporary relocation shelters that you are talking about?

MR. GILLE: Well, I would think a lot would depend upon how the temporary facility was defined. I think if we were talking about, for instance, families that were relocated as a result of a burn-out, six months would not be an unreasonable period of time.

ASSEMBLYMAN MAYS: Let me ask you it another way: What is the maximum period of time?

MR. GILLE: I would think a year.

MR. EDWARDS: The whole idea is to have a relocation resource so that you can rehabilitate units and the length of time it takes to rehabilitate a unit would be the length of time that this tenant would be displaced from his original dwelling.

ASSEMBLYMAN MAYS: Temporarily is what I am talking about. Up to a year is not temporarily anymore.

MR. GILLE: Yes, I agree with you. Hopefully, we can encourage even more turnover, if that is possible, so this can be available to as many families as may need it.

ASSEMBLYMAN MAYS: Thank you very much.

ASSEMBLYMAN SHAPIRO: Thank you very much, Mayor.

MR. GILLE: Thank you again for the opportunity.

ASSEMBLYMAN SHAPIRO: Nellie Grier, Director of Emmanuel Senior Citizens Day Care Center. Welcome, and whatever you can do to help our time problem, we

will appreciate.

N E L L I E G R I E R: Thank you. My name is Nellie Grier. Thank you very much for asking me to testify at this hearing today. However, so many things have been said about what I would like to talk about, that I won't take up too much of your time.

As you can see, I am a senior citizen and I speak directly for senior citizens - on their behalf. Senior citizens are persons who have experience; we have paved the way for those who are coming up behind us. We worked very hard, very diligently, through the past years. I can remember, in my coming up in 1908 - and way back there, probably in 1905 - where we worked clearing new ground, pulling roots from the roads and places to make way for you, for today. To build cities, we have cleaned up your ground. We have done a little bit of everything. Therefore, I say we are experienced senior citizens.

Today you kind of put us behind. But, we have so much information that if you would accept it from us - such as history - we could give it to you. We know about it. You don't know anything about studying by lamplight and when the chimney was so black, you took newspaper to wipe it out. You don't know anything about that. You don't know anything about living in the houses where you could look up and see the stars shining through the roof. You don't know about that. Yet, today you call yourselves builders of houses for senior citizens, and you build the new houses. However, the interior is bad and the walls are thin. Go over to 1060 Broad Street and you don't have to call the neighbor on the telephone; you just talk through the walls and you hear each other. That is how thin the walls are over there. You are not doing too much. You are making it worse because you are putting us in one room and you are putting us so high up that we can't even come out unless we come out on the elevator. If the elevator breaks down, then we are hustling and bustling to try and get upstairs. You are not doing too much for us right now. You are putting us in worse shape than we were in before. You give us one room to live in and it is not big enough hardly for a cat, unless you are backing out.

We need two bedrooms, at least. We need someone to stay with us. We don't need to be alone. What if we get sick? We don't have anybody to come in. If you know that somebody is coming in during the night, you feel better. But, to just stay all alone, by yourself, all night-- Sometimes you don't get out all day. It may be weeks at a time that some of the senior don't get out. We need two bedrooms, one for a friend or a child or a grandchild to be with us.

You won't even let us have a dog to accompany us in our apartments. I really think this is terrible. You are not really helping us too much.

We are looking for places where senior citizens can be happy. I run a day care center, although I am 78 years old. I run a senior citizens day care center where we pick up the seniors - those who have been shut in for years and didn't have a way of getting out. We pick them up and bring them to the center. We give them breakfast. We give them lunch and then they can sit around and converse with each other. They eat better when they have someone to eat with. You, yourself, like to have someone to eat with too you know. They eat better. They last longer. If they have to eat alone, they don't eat.

We have, right now, a problem with a young lady. Her mother is here. She has a mother. She had a stroke. The mother is very bad. We went to pick

her up yesterday morning. However, it was impossible for them to get her down the stairs in the wheelchair and put her on the van and bring her to us. Therefore, the young lady left her job. She came home and got someone to help her to bring her mother downstairs and put her in her car and she brought her to our center. We then delivered her back, by using a ramp to move her from the building to the bus. We carried her back. But, this morning I got a call that the fellows didn't pick her up. We are having problems like this.

Seniors are not crazy. It is said that they are senile. They are not. Some of them just need attention. They need love. They need care. Some of them need food. They need a decent place to live without being packed up in a 10, 12, 15 story building. It is not good for them. Give them four rooms. Give them two bedrooms. Give them a living room and a kitchenette and a bathroom.

I know one place that is hounding me now to help them get senior citizens in the building. It has one great big open room. The only thing that is closed up is the bathroom. Everything else is wide open. That is no good. I wouldn't want to live there and neither would you.

The gentleman is talking about problems. He don't know what problems are. He don't know about problems. Let him become a senior citizen and have a stroke and your children don't want you and nobody else wants you. Then you have problems. There are some children who don't want to put their mother or father in a home - nor a child that is incapacitated. They don't want to put them in a home but, yet, they have to go to business. So, this is why we have this place.

We have another thing in mind but we are not saying anything about it, Mr. Shapiro, until we know that we are getting it because once you say something the younger persons come along and they try to build it up before you get started with it and then they make a mess of it. You then have to try to get it together. They get the money and we get the work. Now, this is what we don't want. But, I am hoping. I will let you know when we get this proposal written. We are not letting anybody know what it is right now. I guess I am a dreamer because I was the first to mention the senior citizens day care center, I think, in the United States. It is the first of its kind. It came to me through a dream. I am hoping that this will work out.

It is successful. We do not have the amount of money that we would like to have to run it. However, we are carrying on as best we can and we want to thank the county who has cooperated with us beautifully. Mr. Gallagher has cooperated with us and has given us quite a few of the things that we need. Right now, we are short of space because, believe it or not, we have some 40 to 55 seniors a day and most of them are in wheelchairs or have crutches or canes or walkers. This is the way we handle them. We have a trained nurse who is working for less than \$200 per week to help us out. She is an R.N. and she works for that a week just because she feels a sympathy for these people who are blind, etc. We have blind ones there also.

You are welcome to come. We would love to have you come visit our center just to see what we are doing and how we are doing it. We took 50 of them to the ball game the other day and the attendant thought, "when are you going to get finished taking out wheelchairs?" We had seven wheelchairs. We had three blind persons. We had I don't know how many senile people. From 21 up, we have them. So, come anytime and visit us.

We are not going to take up any more of your time. But, if you would like to know anything more about what I am doing and how I am doing it, you just write to Senator Harrison Williams and ask him for the first session of the newest hearings of the Senate. It is in here and you will read from 1366 to 1370 and you will find out all about what I have to say about senior citizens and their needs.

I have one friend right now who is 81 years old. She gets around \$200 per month. She has to pay, when she goes to be examined, \$85 to her doctor, who is a heart specialist. Then, she has to pay \$15 for her medicine. Plus, if we don't take her in the van and carry her to the doctor, she has to take a cab to go there and come back. So, you see the problem that we are having now. She is now living at -- I think it is 180 South Orange Avenue, in the new apartments. And, incidentally, they are having blow-ups right now. The radiators are leaking. Everything is happening over there. A girl told me yesterday that she went to connect her toaster and everything blew out. Her television blew. Everything is happening, so you see you are not doing too much for senior citizens. Give them some decent houses so that they can have four rooms. You won't even let them have the dogs and sometimes your dog is a friend to you. I don't live under the Housing Authority so I have a dog. He is by my bed each night. When the boys don't come in, the dog lets me know who is coming in. Thank you very much.

ASSEMBLYMAN SHAPIRO: Thank you very much. Where is your day care center located?

MRS. GRIER: It is at 228 Chancellor Avenue. It is the Emanuel Senior Citizen Day Care Center. Right now, we are in the basement and we are trying to get out. We have to leave those who can't be wheeled downstairs, to get their breakfast and lunch upstairs and we bring their breakfast and their lunch up to them. This is the way we have to do it and we are hoping that we can get a building with a ground level. Maybe the state or the county has one that they can give us to work this out.

ASSEMBLYMAN SHAPIRO: Thank you very much. Next is the representative of the Mayor's Policy and Development Office, Mr. Walker.

Let me just, if I may, restate that, as you have heard, we are running behind schedule. If you could keep your remarks to 10 minutes, or under, we would appreciate it.

J A M E S W A L K E R: My name is James Walker. I am Acting City Planning Officer for the City of Newark. I would like to speak with you today to share with you some of our priorities and concerns related to urban reinvestment and the current and future state of State legislation.

We are pleased that the General Assembly has indicated, by establishing a Study Commission on Urban Housing Opportunities, their desire to address some of the serious and on-going problems.

Although I will center my comments on housing, a narrow focus on housing will not address the entire problem that we speak of today. Housing is only the symptom of the problem, not the total thrust of the problem. We must talk about the interrelatedness of economics and housing decline, not only housing alone.

In the recent past, many state, federal, and regional programs have started to include economic development as a part of many of their housing and

related programs. We, in the City of Newark, would like to list some proposals - city proposals - for augmenting housing financing and promoting economic development. I will list a number of those proposals.

With regard to Section Eight housing allocations, we feel that the State of New Jersey is being seriously short-changed by the Federal Government. The State Housing Finance Agency has the capacity to construct more housing, but without the Section Eight allocation, it becomes useless. We might recommend that the General Assembly, using whatever mechanisms it has at its disposal, should seek to have HUD increase allocations to the State of New Jersey and to the City of Newark.

One mechanism that the States of California and Colorado have used is to allow tenants to pay their share of property taxes, such that when they itemize their income tax returns, they can also deduct the cost of their share of the property taxes to the Federal Government. We think such a law should at least be looked into on the State level and possibly implemented. This would give the tenants a chance to benefit from the property tax that they indirectly pay to the property owners.

We also would like to voice our support for the Senate Bill that would establish a new Department of Commerce and Economic Development. We think that for a long while, in the State of New Jersey, economic development has taken place and has been put forth in a haphazard way. We think that the establishment of such a department would facilitate closer coordination between community-type programs, as put forth by the Department of Community Affairs.

We would also recommend expansion of career-oriented education programs. This would, in effect, help to solve the overall problem. We feel that the problem of housing and housing decline is very much related to the inability of residents of some areas to pay for housing.

We would also recommend expanded funding of labor-intensive projects, that is, projects that would allow and provide for more and additional jobs so that people would be in a position to pay for the types of housing that we feel are necessary.

In addition to the rehabilitation of housing stock, urban reinvestment involves private industry as well as the public governmental sectors. We feel that a number of recommendations could be made and instituted to cause private industry to better participate in this effort.

We recommend that you look into places, such as California and North Dakota. These states have passed laws to cause pension funds and things of that sort to be used by the banks to invest in the mortgage market.

We also feel that the property tax reassessment would be especially detrimental to the City of Newark. We would recommend a legislative solution to this problem, rather than a court-imposed directive.

I might say that we commend the Legislature for enacting the 1977 Chapter 284 law, which increased the assessment value of the five year tax exemption. We might also recommend that this be further looked into for further expansion.

Although the City is heartened by the passage of the in-lieu-of-taxes law, we are disappointed by the inadequate levels that are included in this law. In the City of Newark we have approximately 62% of our land that is tax exempt. This is a serious problem in the City and we recommend that the shortcoming of this law be looked into and possibly have the appropriation system revised.

In the State of Massachusetts, they recently removed certain property tax exemptions from non-institutional college facilities. We recommend that this type of legislation be looked into on the state level, because this again seriously affects the City of Newark and the amount of revenue that we have at our disposal to address a lot of the problems that we have.

We also, through participating in the State Demonstration Neighborhood Preservation Program, recommend that in the future, when such programs are put forth, a more comprehensive approach be taken as far as the funding is concerned. We recommend that we take a good, hard look at the social and economic factors that are related to our neighborhood decline and, therefore, any neighborhood preservation effort that is put forth.

I might also recommend that whatever rehabilitation programs we have in the State be seriously looked at to determine whether or not they are to supplement federal thrusts or whether they are to fill in gaps that are left by the existing federal programs. We think that this kind of analysis will then put us in a better position, on the state level, to develop the kinds of programs that we need in the area of preservation and rehabilitation.

We think that the Anti-Redlining Law was a landmark decision by the Legislature and we commend you for that. But, at the same time we need to insure that the provisions of the law and the intent of the legislation is lived up to by the financial institutions.

We might also recommend that the institutions that participate in the so-called "redline" areas and make loans in these areas have their successes published, so that the public at large would be made aware of this type of activity.

We also support the passage of Senate Bill 505, which is the Housing Allocation bill, but we feel that the bill is not strong enough. We feel that while it takes a necessary step, we definitely need to look further into the intent of this legislation and to insure that it goes far enough to insure that the various municipalities in the State understand the intent, and live up to the intent, of the legislation.

We also support the State Development Guide Plan, although we feel that a legislative solution to this problem is a better solution. But, again, a short-coming of the plan is a lack of enforcement behind the plan. In the State of Massachusetts, they are tied to their development plan and have such controls as the allocation of site improvement, roads, sewers, schools, and the like. Municipalities and towns that do not adhere to the plan, stand in serious jeopardy of not receiving the type of funding for the sewers and schools that I mentioned earlier.

So, we feel that while the effort is being put forth, enough enforcement - enough teeth - has not been into either the Bill, S-505, or the State Development Guide and we strongly recommend that we seek to do those types of things.

I might also say that we stand ready to consult with the Study Commission and with the Legislature, in whatever effort you put forth to improve the housing allocation and the redevelopment in the State of New Jersey. Whatever assistance we can give, we would be more than happy to render to you.

ASSEMBLYMAN SHAPIRO: Thank you very much. Are there any questions from the Committee? (no questions)

Is Peter Buchsbaum here from the Department of the Public Advocate?
(affirmative answer)

I want to reemphasize our time problem. We were hoping originally to adjourn for lunch at 1:00. I could find five more witnesses in the next 10 minutes, so if you could allocate your time accordingly, we would appreciate it. If you can, keep it short.

P E T E R A. B U C H S B A U M: The statement is brief to begin with. We anticipated that you would be receiving a lot of statements and a lot of material, and we would be glad to provide any supplemental statements and material that you might request.

I would like to begin my statement with the first topic mentioned in your letter - the encouragement of reinvestment opportunities for the rehabilitation of existing housing and construction of new housing. We have closely monitored the enforcement of the New Jersey anti-redlining law, which was just described, which is designed to encourage the type of reinvestment with which this Commission is interested. We believe that there are several difficulties with this law which prevent it from having the effect it was originally intended to have. First, the law is not precise as to bank practices which have the effect, although not the intent, of discriminating against inner city neighborhoods. The most crucial example of this occurs when banks refuse to make loans on multi-family dwellings. We have received complaints from Newark and Plainfield which suggest that a large number of banks serving these communities will limit their mortgage lending to single family dwellings or to dwellings occupied by one to four families.

Commissioner Blaze may describe this in more detail, but we had a case of an investor who had a successful rehabilitation record and who was interested in buying a 29-unit property in Newark that was in relatively good shape and was told by most of the 14 banks - or at least 14 banks - that they simply would not make loans on multi-family properties.

I was also in a broker's office in Plainfield and just as an experiment he called the bank and said that he had a seven-unit property on such-and-such a street in Plainfield and asked if they were interested in making a loan. I heard over the phone that they just did not make that kind of loan.

These limitations have little effects on the suburbs, where single family housing is the predominant type of housing. However, in the cities the practice of refusing multi-family mortgages can deny bank credit to the great bulk of the housing stock. The situation is perhaps most severe for the relatively small buildings in the five to 30 family range which are common in many of our cities, since the owners of these buildings are not usually large corporations with ready access to financial markets.

Another concern is raised by the reluctance of banks to make FHA loans. These are loans that typically go to moderate income people who cannot afford the down payment required by a conventional mortgage. If the banks are out of that business, they are out of a large part of the moderate income housing business. That is very unfortunate.

We believe that the existing law does proscribe practices such as these, however, the law is not as clear as it could be and the Department of Banking and the courts would be much more likely to take action against these forms of discrimination if the text of the law were strengthened. And, we hope that your Commission will consider that.

Another problem with the anti-redlining law is the apparent loophole in the definition of discrimination. It requires that there be a rejection of a written application before you can make a case of discrimination. This amendment means that banks can orally inform the potential applicant that they are not interested in receiving an application and, thereby, avoid the law. Clearly, practices such as that should be ended and the law should be so amended.

We would note that the regulations recently promulgated by two federal agencies require an accounting of all rejections of oral, in person applications. At the very least, the Legislature should go that far. It probably should also deal with discouragement of applications over the phone because citizens typically call a bank to request information of this sort and if they get a negative feedback, they may never try again.

Finally, we feel that the New Jersey law should require disclosure of a bank's appraisal standards. The Federal Home Loan Bank Board requires Federal Savings and Loan Associations to make public, in writing, their appraisal standards so that when you go to a bank you know the standards under which the bank is judging your application. We think that similar practices should be required in New Jersey.

Our remarks are brief on the other two subjects mentioned by your committee - displacement and alternatives to existing programs. With respect to displacement, I would like to point out that, first, we have received a lot of complaints from Atlantic City regarding action by private landlords. This isn't something that triggers the relocation laws right now because it is not something the city is doing; it is something private landlords are doing. Although the law prevents - or makes it illegal - for private landlords to evict without cause, there are no penalties when they do so. In other words, it is not criminal violation. We would suggest that the Legislature consider making violation of the eviction laws a criminal, or at least a disorderly person offense, which would deter some of these landlords.

Right now, if the tenant moves out, that's it. There is no redress if the tenant is scared enough. That is the end of it. There should be some sort of redress.

The problem of relocation with rehabilitation has been mentioned previously. We also think it is a very difficult issue that is going to require further study. We want buildings rehabilitated. On the other hand, we are concerned about the middle income people especially who don't get the subsidies and can't afford the market rents. What happens to them when the building is redone?

Finally, we have some comments to make concerning the nature of alternative programs. It is clear to us that cities cannot become vital again if they remain the sole housing resource for lower income persons. Newark, for example, cannot regain its full fiscal, social, and economic health if it continues to bear a disproportionate burden of housing for poor people in New Jersey.

We, therefore, urge this Commission to support an end to exclusionary zoning in the suburbs, which for years has had the effect of channeling lower income people into cities. We believe that the fair share approach embodied in the Governor's recent housing allocation plan and in the New Jersey Mount Laurel decision strongly support the goal of urban revitalization by seeking to give

both the cities and suburbs a balanced mixture of people. The cities cannot continue to be the sole repository of the poor while at the same time re-attracting the middle class and achieving fiscal stability. The supposed conflict between urban revitalization and Mount Laurel type fair share is, in our judgment, illusory because the cities cannot stay as they are - not getting better - unless the suburbs help them with their problems.

We therefore believe that it is crucial that the goals of urban revitalization and expanded suburban housing opportunities be pursued in tandem. We pledge the utmost effort of our Department to assist you in achieving such a synthesis, which we believe will serve the basic interest of all of the citizens of New Jersey.

If you have any questions, I would be glad to answer them. Again, if there is anything the Commission would like from our Department, we would be glad to provide it.

ASSEMBLYMAN SHAPIRO: Thank you very much. Perhaps what we would like is, we are having a hearing in Atlantic City next week concerning the special problems that are being faced there because of the rapid turnover in a lot of the apartment houses there due to the casino developments. If you would like to testify down there specifically with regard to that situation, we would appreciate it.

MR. BUCHSBAUM: Okay. Either myself or someone else from the Department could possibly do that. I could see if they would do that.

ASSEMBLYMAN SHAPIRO: Perhaps you can put together cases that would be interesting for us to hear.

MR. BUCHSBAUM: I could discuss that with staff.

ASSEMBLYMAN SHAPIRO: Thank you very much.

Why don't we go forward with a few more witnesses before breaking for lunch. Art Thomas from the Metropolitan Ecumenical Ministry will be our next witness.

A R T T H O M A S: Thank you, Mr. Chairman and members of the Commission. I do not have a prepared text, in view of the time. I am glad Mrs. Grier spoke because it is clear that we are talking about something that is basic to all of us. It is a requirement of life on an individual level and on a social level that we have adequate housing. And, the nature of that housing is very important to every one of us.

It is also important how that housing is obtained - how it gets to be. Because every one of us has to deal with housing, individually or socially, it provides the opportunity to bring out the best in us, or it provides the opportunity to bring out the worst in us.

I would like to show you some pictures I took on the way to this hearing this morning. I don't claim to be a photographer.

ASSEMBLYMAN SHAPIRO: I can see that.

MR. THOMAS: Three hundred families lived on those vacant lots in Newark - on South Orange Avenue and High Street. On November 8, 1976, a letter went to the people living in those facilities, signed by Arthur Grey, Executive Director of the Essex County Improvement Authority: "You people are living in a place where we want a parking lot; get out. Your rights are guaranteed; if you have any questions, come see us in Fairfield." This letter went to the property owners: "You own property, but we want to have a parking lot. We will contact you and give you two weeks to sell us your property. If you don't agree, we will institute

legal proceedings to condemn you and your property and acquire this property." Two weeks. Those pictures were taken today of those blocks in the city and there are not even any cars parked there. Where are the 300 families?

We were concerned about this and we went to the Essex County Improvement Authority to ask them about the plans for the people in this area. They refused to talk to us. We went to the Freeholders and they said that all of the Essex County Improvement is independent. We went to the State of New Jersey Department of Community Affairs and they said they didn't have enough staff to enforce requirements for relocation due to redevelopment projects in this State.

Where are the 300 families today? Well, by word of mouth we discovered that there are documents that show that the Essex County Improvement Authority made arrangements with the Newark Housing Authority to relocate these people. After we worked through the Legal Services and were assured that the law would hopefully be pursued in this matter, we discovered that in the budget 60 families were going to be provided with relocation cost of \$500 a piece. Where are the 240 families?

This contract was proposed by Miss Perl Beady, Chairperson of the Housing Authority of the City of Newark, and Mr. Robert Nodi, the Secretary of the Newark Housing Authority. Where are the 240 families today? For that matter, where are the 300 families today? Nobody cares.

We have families in this city who have been moved three, four, five, six times already - from one redevelopment project to another redevelopment project and supposedly there are funds in these programs for their relocation and presumably every person is being relocated in an area in which they have equal, or better, housing, which meets the standards.

Well, you can't always document the worst in us, but if you talk to the Department of Community Affairs staff and if you talk to the Newark Housing Authority staff - as we have done - they will say to you, "Look, the name of the game is to put out a notice and then you scare people out. That saves you money, it saves you relocation costs and it saves you maintenance costs. That is the name of the game. By law, we are required to say that there is housing for people but the name of the game is, we know there is not enough housing in this town for people, so we want to scare them out so we don't have to take care of them."

Those documents indicate that at least 300 families - or 240 families - in the heart of Newark, depending upon your concern and your arithmetic are in the process now of itinerancy. You might say this is a city matter.

We just heard from Mr. Walker of NPDO and I have here copies of letters to NPDO and replies from Mr. James Walker. Some of us in Newark-- Let me just read to you who "some of us" are: The Community Committee for the Revitalization of Newark; St. Patrick's Church; Unified Vailsburg Service Organization; Project Encounter; Essex-Newark Legal Services; Tri-City Citizens Union for Progress; Ironbound Community Corporation; St. Colombo Neighborhood Club; Roseville Coalition; Metropolitan Ecumenical Ministry; Newark Tenants Organization; Central Presbyterian Church; Architect Community Design Center; La Casa De Don Pedro; Trinity Cathedral; Puerto Rican Legal Committee; Social Concerns Action Network; Campus Christian Foundations; Communis Unitus; and the League of Latin American Citizens. We contacted Mr. Walker at NPDO and asked him, "What are the plans for housing in our neighborhoods?" And they refused to give them to us - they refused to give them

to us.

This is from Mr. James Walker: "Attached, please find a copy of the City of Newark's Planning Area map." If you write to the Mayor the Mayor says: "This is to acknowledge receipt of your letter regarding several matters of concern to the religious community. Your letter has been forwarded to the Newark Human Rights Commission and you will be receiving correspondence concerning this matter."

We need State laws that have enforcement in them. We need appropriations that have enforcement in them. Theologically, perhaps we can objectively recognize the best and the worst in all of us. But, in legislation and in appropriations that has not been recognized. We have too many programs operating in our urban areas, in which people say, "This is for your good; we are going to be doing this for your good." We try to check on enforcement then and we find that there is no money and no staff for enforcement.

Beyond that, each one of us knows something about the kind of housing we would like to live in. Each one of us has some sense of our neighborhood. And, each one of us can participate in the development of plans for our own neighborhood. Perhaps that is the burden of our argument. For too long citizens, neighbors, block associations have all been excluded from the planning and developmental process for housing in our towns.

If the Essex County Improvement Authority is going to continue to be the agency that relocates people in this county, it should be open to the citizens of Newark and Essex County to be on that Essex County Improvement Authority. If NPDO is going to plan for us, there should be active citizen participation and not just a review of the plans the staff produces. There should be active citizen involvement in the development of plans. And, if the State is going to encourage us in our urban areas to improve our housing, you have to have more appropriations and more staff to bird dog the whole process.

In lieu of a written statement, gentlemen, I thank you.

ASSEMBLYMAN SHAPIRO: Thank you very much. I have one question, if I may. Of the 300 families that you spoke of, only 60 have been relocated to this point?

MR. THOMAS: Only 60 were budgeted and I would defer to the Newark-Essex Legal Services, who is representing the residents of that area, for the exact figures on who and how many have been relocated.

ASSEMBLYMAN SHAPIRO: Just to give the Committee a rough idea. You know, the detail on this gets overwhelming at times. The other 240 people -- what has happened to them?

MR. THOMAS: They have gone.

ASSEMBLYMAN SHAPIRO: They basically have just been cast to the winds?

MR. THOMAS: They know that if they stay, they may be in a building in which some of the people have already left and there will suddenly be a problem with the electricity and there will suddenly be problems with maintenance - fires. So, if they hang on for their legal rights, they know that the way this is handled by housing authorities and developers forces them out. So, people don't want to go through that again. As I said, they have been through it once, twice, three times already. So, they go. The first word of redevelopment, and a significant number of people go.

ASSEMBLYMAN SHAPIRO: A pretty shocking story. Are there any questions

from the members of the Committee?

ASSEMBLYMAN OLSZOWY: I would just like to make a comment. I think the reason this committee was formed was to see what we could do to help housing and how to bring people back into the cities. We have been hearing a lot of complaints - all negative - and we haven't heard anything too positive so that we could concentrate on it and work on it. We will be meeting in Atlantic City, Hoboken, and Jersey City and I think at that time, if you have anything positive on what this committee could do to help out, we would like to hear that.

MR. THOMAS: One further suggestion, in terms of appropriations for enforcement. I would encourage you to do that. The second suggestion I would make is, here is a newspaper account of legislation that you passed regarding development in Newark. The Chamber of Commerce in Newark decided to redevelop James Street. They decided to develop one block of brownstones to show that the city would be habitable for the middle class. Because of the inability, according to the Chamber of Commerce, of the city to get itself together in a coordinated fashion, the Chamber of Commerce insisted to the Mayor that the heads of seven agencies come to their office every Monday morning to discuss the development of one block in the City of Newark. Out of those discussions came a coordinated City effort, with the Chamber of Commerce, to redevelop one block. And, out of those discussions came the kind of legislation, which was passed, that enabled the people who were moving into those brownstones to have certain condominium tax breaks and this kind of thing. You move off of that block and you find a Hispanic property owner who says to the church, "I have just finished paying my mortgage and the head of NPDO told me at a meeting in the Chamber of Commerce that if I didn't take out another mortgage and redevelop these buildings the way they wanted me to, they would condemn them and take them from me. And, I, as a property owner, know that if I do that I will have another 20-year mortgage, but, beyond that, my friends who live in this building won't be able to afford that."

Can the Legislature insist that the kind of legislation you pass to benefit the Chamber of Commerce be made available to neighborhood groups on James Street and Eagle Street and other sections of Newark? NPDO and the planning agencies are supposed to be for the benefit of the neighborhood and residents in these areas. We can't get them to sit down with us. Yet, the Chamber of Commerce can get them to sit down to deal with one block.

Can there be legislation making these design and development services available to neighborhood groups? Those are the kinds of things the Legislature could do.

I see Aspen is on the list of people to speak today. There are people who can get consideration that enables them to carry out their business. But, if you are from a tenant's group or if you are from a church that has neighborhood groups, or if you are from a neighborhood group, you can go to the Human Rights Commission.

ASSEMBLYMAN SHAPIRO: Thank you very much.

MR. THOMAS: Thank you sir.

ASSEMBLYMAN SHAPIRO: Clifford Blaze, Deputy Commissioner of the Department of Banking.

C L I F F O R D B L A Z E: Mr. Chairman, members of the Commission, in the interest of time, I elected to scrap the majority of the prepared comments I had planned on making here today. I have given copies of those comments - which

includes substantial statistical data relating to mortgages and rehabilitation loans in urban areas, including Newark, Jersey City, and Passaic - to your staff.

The data which the Department of Banking compiles under the Anti Redlining Statute is not complete. We have apologies and not excuses. Unfortunately, early this year the Appellate Division of the Superior Court entered a stay which prohibited the Department from requiring the reporting data which was going to be submitted to us on a quarterly basis by virtually all financial institutions in the State.

As recently as two or three weeks ago, the Appellate Division upheld our regulations but struck down one thing, and that was the requirement for quarterly reporting. So, as it stands now, if financial institutions throughout the State so decide, they need not give us any information for calendar year 1978, until January 15, 1979. This is an intollerable situation. We are working on it. We expect through coercion and the cooperation of a number of financial institutions, that we are going to get voluntary submissions on a quarterly basis from a vast majority of the institutions required to report to us. In fact, despite the stay which was issued by the court, after the end of the first quarter of this year, we had voluntary submissions by a majority of the financial institutions that were required to report to us.

Now, if I may switch gears into the style of perhaps Henny Youngman, I can say that I agree, substantially, with the suggestions as set forth by Mr. Buchsbaum concerning possible avenues of approach to strengthen the Anti Redlining Statute. I don't think I need repeat those here.

I want to give you a warning - and this is a warning that we learned by experience. We had a lot of preconceptions about what we were going to find when we received and tabulated our quarterly data. Admittedly, the data is only quarterly. It represents only one-quarter of a year, not a traditionally active quarter for real estate transactions and also it represents just slightly over a majority of the reporting institutions. But, I am going to summarize some of the percentages and figures which we have developed to demonstrate to you that some things that you expected certainly occurred and some things that you did not expect occurred as well.

First of all, I will give you about three seconds to think about it. Of all the 21 counties in the State, which 3 or 4 counties do you think had the highest percentage of denials for conventional home mortgage loans? Ocean County, Cumberland County, Monmouth County, and Gloucester County range from 10% to 15% denial. What about Newark? Five percent. Statewide average 6%. Now, remember this is conventional financing. It doesn't include mortgaged-back securities; it doesn't include sellers taking back mortgages; it doesn't include the activity of mortgage bankers and brokers.

The denial ratio for home improvement loans on a statewide basis was 16%. Not surprisingly, Essex County lead the list with 38% denied; Union County had 27% denied; and Camden County had 24% denied. I might also add as an interesting sidelight that in Camden County, in the first quarter of 1978 -- excuse me, the City of Camden -- there were two reported formal applications for conventional mortgage loans. One was approved and one was denied. We have received no indication that there were VA-FHA loans in the City of Camden during that period. But, again, remember that we only got 58% of the institutions reporting. Theoretically, we could double that and still it is a ridiculous figure.

Mr. Buchsbaum talked about the effects test. We find that it is a very important factor. A small savings and loan association, or any type of financial institution located in Newark, perhaps with branches in the suburbs, might establish a policy whereby it will only make first mortgage loans on properties that are owner occupied or properties that are only one to two family, or one to four family occupancy - or whatever combinations thereof.

I believe just over 7% of the housing stock in Newark is one-family, owner-occupied. So, if you combine all of the policies of the financial institutions located in Newark it can be stated that virtually 60% to 80% of the dwelling units - whether they be multi family or single family - do not have available to them effective mortgage opportunities from the major lending institutions.

And now for some one-liners, some of which makes sense and some of which do not: The highest mortgage application denial percentages were recorded in the less urbanized areas, as I indicated to you. Second, the denial percentages of home improvement loans were dramatically higher than were those for mortgage loans. Perhaps that is understandable.

Camden and Essex Counties reported conventional mortgage denial rates lower than the State as a whole. As Mr. Buchsbaum pointed out, we only get applications which were filed. You file your \$75 application fee or your \$150 application fee - whatever - and processed it all the way through. We find that there is no appreciable difference between the interest rate charged for conventional mortgage loans in Newark, Jersey City, Passaic, and Trenton as compared to the State as a whole. I found that surprising.

On average, we found that the down payments for these four urban communities were only slightly higher than was required in the State as a whole. And, while it is understandable that the age of the properties upon which home improvement loans, or conventional mortgage loans, were granted in these urban cities was almost double that of the State average, we were surprised to find that the length of the term of the loan, whether it be mortgage or home improvement, was not substantially shorter for these four communities than was reported for the State as a whole.

Finally, I will call this trivia but it is not; it is scary and it tells me that we are far from developing the data source necessary to make affirmative recommendations to you. Of the home improvement loans which were granted, the rates of interest charged in Jersey City were lower than those rates charged, on average, throughout the State.

ASSEMBLYMAN SHAPIRO: Can you explain that last one?

MR. BLAZE: You didn't understand it, or you want a reason?

ASSEMBLYMAN SHAPIRO: I want a reason.

ASSEMBLYMAN MAYS: I don't understand it and I want a reason.

MR. BLAZE: Okay. Of the home improvement loans granted that we studied statewide - and we also yanked out several urban communities - the rates of interest charged to the borrower by the lending institution in Jersey City and Newark were lower - in other words, the percentage interest charged was lower - than the statewide average, which included those cities.

ASSEMBLYMAN SHAPIRO: Is that because they are so careful and they are giving out so few loans that there is nobody even willing to take a risk?

MR. BLAZE: On the spot here, that would be the only answer - or possible theory - I could come up with.

That was very interesting testimony. I am sure the committee will read it over.

MR. BLAZE: I want to assure you that if, as I suspect, we are going to get substantial voluntary compliance from the financial institutions and our data base becomes complete in the not too distant future, we are going to be able to give you hard, specific facts for any communities in which you have an interest and I am sure we will be able to draw conclusions. Shortly after that, we will be able to come here and stand before you and offer specific suggestions. I apologize that we are not at present - today - able to do so.

ASSEMBLYMAN SHAPIRO: Assemblyman Mays just asked if it would be possible for you or for another representative of the Department to come back for our testimony in Jersey City.

MR. BLAZE: Sure. Is that next week?

ASSEMBLYMAN MAYS: It is August 9th, isn't it?

ASSEMBLYMAN SHAPIRO: August 9th? Is that the date?

MR. BLAZE: We just received - yesterday - from the Department of Transportation, who is our computer servicer, a print-out that is that thick (indicating). We will try to compile information specifically for Jersey City and compare it to statewide as a whole.

ASSEMBLYMAN MAYS: Also, bring Newark at the same time.

MR. BLAZE: Pardon me?

ASSEMBLYMAN MAYS: Bring Newark also.

MR. BLAZE: Okay. Fine. Surely.

ASSEMBLYMAN SHAPIRO: Thank you very much. We really want to break for lunch at this time. We have two more witnesses who were originally scheduled to come before lunch, Mr. Atlas and Mr. Hutchins. I see they are both here. Is it possible for you to be back immediately at 2:00? We will then put you on as quickly as possible and if you summarize your remarks, hopefully in a brief period of time the Department of Community Affairs and the other people who will be here will keep it moving at a nice quick pace. Thank you very much.

(Lunch Break)

AFTER LUNCH

ASSEMBLYMAN SHAPIRO: I would like to call this hearing to order for the afternoon session. First, we have two carry-overs from this morning. John Atlas from the Essex Newark Legal Services Housing Unit/Shelter Force, will be first.

I should say that we are starting 15 minutes behind time. I have two carry-overs and that is our status right now.

J O H N A T L A S: I am appearing here not as a representative of any particular organization but rather as an advocate of decent housing at prices people can afford. For the record, I am the senior attorney for the Essex Newark Legal Services Housing. I edit and publish a national housing publication for Shelter Force. I taught at Rutgers University and I act as a consultant on housing policies and programs. My testimony will reflect both my personal and professional views, but these views, however, are influenced by the concerns and prospectives of the housing organiza-

tions with which I work and they include the New Jersey Tenant Organization, where I act as Chair of the Legal Committee; the Essex County Housing Coalition; and numerous city-wide tenant organizations, including the Newark Tenant Organization and organizations in East Orange, Orange, Irvington, West Orange, Bloomfield, Verona, and Montclair.

Now, all these organizations have one thing in common and that is their are advocates of better and more decent housing at pricing people can afford. Now, they also have some other things in common. I hope you will understand why I am making these points a little bit later one. You don't profit from the housing market by lending money, as bankers and mortgage lenders do. They don't profit from rents, as landlords do. They don't profit from land speculation, as speculators and developers do. They don't benefit from tax loopholes, as housing investors do. They don't make salaries acting as government bureaucrats administering Federal, State, and local housing programs. The only purpose these organizations have is to serve and to help the consumers of housing.

I assume that there is no need to dramatize the housing problem. I remember reading a report put out by the Department of Community Affairs, using the 1970 census, which came to the shocking conclusion that 1.5 million Jerseyans were ill housed, or rent poor. We all know, I guess, that housing costs too much, it has minimum standards, and is in short supply.

But, I think it is important to understand that the housing crisis is not just a housing problem. When an elderly person dies in a fire caused by improper electrical wiring, it is a housing problem and a public safety problem. When children are crowded into a single room in the ghetto and as a result do poorly in school, it is a housing problem and an education problem. When a family is terrorized by crime because its apartment is easily broken into, it is a housing problem and a crime problem. When slum housing has been abandoned by the landlords and sometimes by the tenants, it is a housing problem and it is a problem of the cities. And, when capital investors and the banking industry invest in conglomerate takeovers and capital intensive ventures, both here and abroad, and not in housing, it is both a housing problem and an unemployment problem. The housing problem, in sort, is a complex problem, and there are few, if any, easy solutions to this problem.

There are a number of dimensions that have to be considered and I think the critical one is the economic one. At the root of the housing crisis, I would suggest, especially as it concerns poor people, has less to do with housing and more to do with money -- or, I should say the lack of it. Simply put, too many of our State's residents cannot afford decent housing and anyone who has recently tried to buy a house knows this. Obviously, that is why we have such widespread rent control throughout the State.

Because the root problem with this housing is inadequate income - or, perhaps more accurately put, the maldistribution of income - the long-term solution to the housing crisis awaits achievements of such disparate goals as a full employment program, reform of our Federal Tax Laws and local tax structures, and national planning and allocation of resources - including, very importantly, land and credit. Those two things, land and credit, are the highest cost of housing.

Of course, we can't sit still and wait for the long term solution. But,

even worse, we have to avoid advocating new programs with new slogans which merely recycle these past failures. We are not going to solve the housing problem by blaming the victim, by token subsidy housing programs, by the sham game of renewal and redevelopment, which means poor quality housing from one place to another or by legal regulations which are weak and poorly enforced.

By the way, the answer to the question raised this morning of where those tenants went who were dislocated from their community without being re-located, is that those people are now going to make up the slums of the '80's and '90's. As they go into the nooks and crannies of our cities, they will be populating the new slums - the ones that aren't being redeveloped now. They will appear a little later on, down the line.

The fact is, for the past four decades government assistance in housing and urban development has unfortunately been very grim. And, some programs - as we have heard - such as urban renewal have done massive damage to our society -- especially the poor. Others have been crippled, or the original purpose of the program has been completely diverted into other kinds of goals. As a result, we have these very small gains for the poor, with large gains for the rich and more powerful interest groups. Who foots the bill? It is the taxpayers - the middle income, working class taxpayers.

I would suggest that these hearings can do anything -- at the beginning, certainly. They can teach us why these programs fail. Because if we understand why the programs fail, we can address some practical solutions to the problems of the future, without overstating what we can do, nor leading people to believe that government is doing something for them when they are not. Hopefully, my testimony will help move us in that direction.

To understand why past programs fail, we have to understand the political-economic-social-legal relationships that have affected - and affect - past government housing programs.

Since I don't have time to go into all aspects and I have mentioned the economic aspect, I would like to focus the rest of my remarks on the political dimension of the problem. I guess I would like to focus on the political dimension because when various people come before you to testify, I hope that you are wondering what their political and their economic interest is. What political and economic interest are they trying to serve here? I think that is the question that always has to be lurking in the back of your minds.

An understanding of political power and motivation of the major groups that influence housing production and maintenance is basic in designing an intelligent low income housing system. As we shall see, past programs were designed to the direct benefit of the politically powerful groups with only indirect benefit to the poor. That is a major reason, if not the most basic reason, why housing programs fail. I guess I am glad to follow the testimony of Peter Buchsbaum and Art Thomas and others who have underscored, hopefully, the point that I am trying to make. There is an excellent book written by a fellow by the name of Howard Rholman, called "The Politics of Federal Housing." It is probably worth reading for all of us. He basically examines the major influential housing related lobby groups. We have to know who they are. Either we have to win them over to the goals you are trying to achieve, or your goals are going to have to be the same as their goals, or you are going to have to have an interest group

or groups that are stronger than their goals.

Now, the most important and powerful are the major financial institutions - the Mortgage Bankers Association. On the national level they would be represented by the Mortgage Bankers Association, the American Bankers Association, U. S. Savings and Loan Association, the National Association of Mutual Savings Banks. By the way the committees in the Senate and House in the United States - I am not too sure if this is true in New Jersey - are called the Banking Committees. So, it kind of follows.

Now, what is it that they are concerned about? Their primary concern - and I am quoting from Howard Rholman's book now - is that government programs do not interfere adversely with normal operations of the mortgage market. In addition, they wish to insure economic stability and growth. Thus, the financial organizations are likely to react in a somewhat cautious and skeptical manner to efforts to house low and moderate income people, whom these organizations have traditionally viewed as poor risks. In other words, there is no inherent interest in what they are about to deal with -- the problem of low and moderate income housing.

Next we have the developers. The National Association of Home Builders typifies the developers attitude. As it has become more pragmatic, it now favors most programs, most housing programs, which would mean more housing for its members to construct.

Third, Rholman identifies the U. S. Conference of Mayors as the most influential association representing local government's interest in housing and noted, "It supports programs which make available to cities as much money as possible with as few strings attached." That is kind of obvious. Its major effort is thus aimed not at drawing up specific programs, but just bringing in more money for the city. That is what they want.

Fourth, we have NAHRO - the National Association of Housing and Redevelopment Officials. Its organization for employees of local public -- Actually, it is like a union for the organization of employees of local housing and urban renewal agencies. Its main interest is urban renewal and public housing and its main thrust - which is kind of like the Mayors' - is for more. NAHRO has been somewhat suspicious, though, of innovations that threaten to work outside their institutional framework.

Rholman concludes that the influence of labor, minority groups, and housing consumers is almost nil. I might add that in New Jersey I think the important interest group is the Department of Community Affairs, which in some ways functions like HUD on the State level.

Mr. Rholman concludes that the dominant lobbies represent financial institutions -- builders, things like the Chamber of Commerce, local politicians and housing professionals. So, what happens? The programs end up providing government intervention in the low and moderate income housing field that are primarily designed to achieve goals other than the welfare of the intended beneficiaries. It just really reflects the most powerful interest sitting down and drafting and pushing for the housing legislation.

These bills and examination of past programs indicates and dictates in turn the design of the federal housing programs and its impact on the poor and moderate income consumers.

Now, what I have in this testimony that I have written up and which I

will make copies of available to you, is a couple of examples of legislation that was drafted that was supposed to be intended for low and moderate income consumers. I won't go into detail, but my guess is that you could take any piece of legislation that was intended for low and moderate income housing consumers and if you follow its history, you will see how it was diverted from its original intention into different kinds of things. Urban renewal is a particularly horrendous example of legislation that was supposed to benefit the poor, but more and more benefited larger financial interests.

Just very quickly let me state that the 1949 legislation originally was intended solely for residential reuse. Simply put, it meant that if you were going to tear down a slum, you built housing to replace it. What happened was, the act was amended in 1956 to exempt 10% from residential reuse. Then it was exempted in 1959 to 20%; 30% in 1961; 35% in 1965; 50% in 1968; and forget the whole ball of wax if the Secretary of HUD says it is a good idea. So, consequently, you know what we have had. We have had the slums and housing torn down and we have had downtown office and commercial buildings built and we have universities extended and hospitals built. But, no housing.

Public housing is another good example. I will just give you this without going into the details of the legislation. For political reasons, if the legislation isn't drafted properly then the bureaucracy tends to pervert these pieces of tenant-oriented legislation in the name of things like efficiency, control over local bureaucracy by the federal bureaucracy, and things like budget control. Sometimes when you even see some of these local housing and redevelopment projects succeed, particularly in Newark, those parts that seem to have succeeded were probably more as a result of the rent strikers in the Newark Public Housing projects, who because they were causing a disruption in the City, ended up diverting more of the funds of the federal government into Newark. Quite frankly, if there has been any success in that area the Executive Director would not be given too much credit for it -- and I guess you know who he is.

I would like to conclude with - as you asked for before - making some recommendations. It is easy to criticize but I think it is important not just to criticize - because that doesn't get us too much - but to understand why they fail. That is basically what I am urging this committee to do - to understand what is going on. I, hopefully, presented the political reasons why they fail, but there are economic, legal, and social reasons why they fail also.

I would recommend a combination of direct loans and grants to non-profit and neighborhood based sponsors, which would be the most economical use of taxpayers money as well as the most conducive to socially-oriented ownership. I don't know, but something that I think is really worth going into is the examination of how much the federal and state subsidy programs actually cost taxpayers and if we find there is a cheaper way to do it, then we should do it. I would suggest that a cheaper way to do it is to cut out the financial middleman. I think that would save taxpayers more.

However, a more basic reason for stressing non-profit sponsorship is a human one and not financial. These sponsors are community based. They know their own neighborhoods. They can plan and build housing according to the needs and desires of community residents. They are likely to maintain the building, operate it, and provide for tenant participation. Most important, they will not abandon

that housing because it is their community. The social advantages of cooperative and community ownership are well known to housing professionals. People with control over their own housing have a special stake in preserving and maintaining it. Cooperative ownership creates a vital community life, often, as in New York City's Coop City -- too vital for the taste of bureaucrats.

Up to now, when we look at the federal and state housing programs, to quote former Secretary of HUD, Robert Weaver, "We have had a rich man's program for poor people's housing." Organizations representing wider public interest have been relatively powerless to influence specific details of federal and state legislation. The realtors, the home builders, the bankers, and their lobbyists are the people who end up drafting the national and state housing legislation, while labor, community groups, civil rights groups and consumer groups have had to resign themselves with supporting almost any program that would produce housing, at no matter what social or financial cost.

So, I would suggest that if you want to help and work with groups, like the New Jersey Tenant Organization, the Essex County Housing Coalition, the Newark Tenant Organization, the Neighborhood Revitalization Coalition in Newark, we can stop bribing the real estate industry to build and rehab housing in our urban areas and we can begin housing policies that will directly benefit the consumer. Thank you.

ASSEMBLYMAN SHAPIRO: Thank you very much. Are there any questions?

ASSEMBLYMAN OLSZOWY: You spoke here about people who are politically motivated for some special interest. What is your political special interest? Is this your job or it is for profit?

MR. ATLAS: I like to see myself as an advocate of good housing at a price that people can afford. I suppose I am a consumer of housing. My interest is one of a consumer for better housing.

ASSEMBLYMAN OLSZOWY: Do you get paid?

MR. ATLAS: Not really.

ASSEMBLYMAN OLSZOWY: It is a job.

MR. ATLAS: No, I don't get any direct benefits from housing.

ASSEMBLYMAN OLSZOWY: But you get a salary.

MR. ATLAS: But not from anything to do with housing. I have no direct interest.

ASSEMBLYMAN SHAPIRO: Thank you very much. Mr. Frank Hutchins from the Newark Tenants Organization. If you will, please introduce to the committee the two people who have accompanied you and also, please keep your combined testimony under ten minutes. We would really appreciate that.

F R A N K H U T C H I N S: It was my intention to do that. My name is Frank Hutchins. I am from the Newark Tenant Organization. With me is Miss Judith Bateman, who is President of the Zion Towers Tenant Association and also Miss Diane Wilshire, who is Chairman of the Board of the Community Housing Education Corporation. We have come today to express the views of and talk about a tenant's perspective of what the commission can do. We probably will not come up with the kinds of recommendations that the commission is looking for, but we certainly want to enforce and point out the kinds of problems that exist. So, without further ado I am going to turn this over to Miss Bateman.

J U D I T H B A T E M A N: Good afternoon, gentlemen. First, I would like to

comment on Mr. Willie Edwards premise - social enterprise for good management. That is good management. I spoke to him once before in reference to our building. He should try to put in a bid in order to get management for us because I see the way people live in his building.

I feel, as President of the Tenants' Association, that the New Jersey Housing Finance should check carefully any management seeking to become a monopoly management agency for the State. They should check his reputation and other accomplishments as a managing agent; what type of conflicts he has managed and how sensitive he has been to the needs of the tenants. This would assure New Jersey Housing Finance that he would follow the guidelines made up by the State of New Jersey Housing Finance.

The reason for the problem we are having is that the State and State subsidized housing has failed to properly monitor the action of management. This causes poor management which is insensitive to the tenants' needs; producing failure to respond to tenants' problems; lack of security; and poor quality security systems. There is a lack of social programs that would prevent, or cut down on, vandalism, assault on senior citizens, poor maintenance in buildings, and harassment of tenants. The State is overly involved in representing management and never appears concerned with the tenants' comfort. The guidelines state: decent, safe, and sanitary housing for all tenants. This is not practiced by the New Jersey Housing Finance. Rent increases fail to live up to state guidelines. I have written several letters to the New Jersey Housing Finance and Urban Development in reference to their not posting rent increases. This gives tenants less than 30 days notice of rent increases. A letter was sent to the Commissioner and the Assistant Commissioner and we got no response.

Zion Towers Tenants Association sent out a signed petition which was notarized. It was signed by 179 tenants out of 268. It requested the removal of the present management and the replacement with a more suitable and sensitive management firm, one that would respond to the needs of the tenants. This letter was sent out to different authorities and they did not answer. It was ignored. We are beginning to wonder who they represent - the tenant or management?

Due to so many robberies and fires Zion Towers requested a 24-hour guard. Management rejected us, saying, "It would cost us \$16,000 more for you to have a 24-hour guard. When we first moved into Zion Towers we had a 24-hour guard. People have moved out because of the fact that the condition of the building has gone down. For a seven year old building, it looks like it is 20 years old.

Mr. Demarco - he has since passed away - has sat down with us many times and told us to use our influence with the City of Newark. I work with the City of Newark and I know many of our representatives. They tell us that we can have a 24-hour guard or an 8-hour guard - we suggested that during the day we would like to have a guard. We said fine. We were told to just write a letter. A letter was sent out. Management sat down with us and said use your influence and try to get it as fast as possible. We did that. When the guard came, they rejected him. The reason for us doing this as tenants is because we needed protection. During the day our tenants have been harassed. Senior citizens have been assaulted and robbed. And, I don't think this is fair. That is one of the reasons we are asking for help. If our officials cannot help us, then we will have to seek help elsewhere.

When we got the guard, the city assured us that we did not have to worry about anything because there was not going to be any robberies during the day and no one would get hurt. Their guard from CETA is self-insured by the federal funds.

We would like to find out who the New Jersey Housing Finance represents. Do they represent tenants or management? We are tired of sending letters to officials. The fact is, I am tired of writing letters. The Association said to try it this way and I would get a response. I don't understand why I don't. Thank you for listening.

ASSEMBLYMAN SHAPIRO: Thank you very much. Miss Wilshire?

D I A N E W I L S H I R E: My name is Diane Wilshire. As was stated by Mr. Hutchins, I am Chairman of the Board of the Community Housing Education Corporation which is the educational arm of the Newark Tenants Association.

In reference to what Miss Batman has just stated concerning the management of properties and in the prior discussions of management of properties in and around Newark and Essex County, one perfect example is 1060 Broad Street - 1060 being the largest redevelopment structure in the State of New Jersey. I believe it is for senior citizens. The manager of that property has been terminated as being manager of properties for the last eight years and that same manager is the same insensitive manager that Mrs. Grier was discussing earlier, in reference to the lack of decent, safe, and sanitary senior citizen housing. We have now put together, on Broad Street, a very sound structure, a proper structure, and yet the calls coming into the Newark Tenants' Organization and the Community Housing Education are saying, "We are being threatened with arrest for loitering in the lobby." The structure of that lobby, as designed by HDRC, was for the benefit of the tenants who are senior citizens. It is very luxurious, with high ceilings, it has plants, benches, and all kinds of positive facilities for the seniors and the seniors are being told if they sit in the lobby they would be arrested for loitering. These are the residents of the property.

We have had letters go out to all of the various "whoevers" to deal with something as minute as that. But, that is the insensitivity of the management structure that Miss Batman is addressing herself to and that is the kind of thing we would look for from the state agencies, who are the financiers or assistant financiers of projects such as these - whether it is for senior citizens or whether it is, due to the lack of family housing, for proposed family housing that might exist in this area at some point in time, based on the recommendations of this commission. We would hope these kinds of issues would be addressed.

One other major issue that we have been concentrating on - and a number of the organizations that have been described by others are concentrating on this also - is the displacement and the large percentage involved in displacement. In the area that Reverend Thomas was discussing - South Orange Avenue and High Street - and the area that I am about to discuss, which is on the other side - West Market Street, New Street, High Street, and going further out to Central Avenue - are areas where large percentages of people are disappearing and they surround the College of Medicine and Dentistry, the New Jersey Institute of Technology, Rutgers University, and the Essex County Megastructure. The majority of this land housed people 10, 15 or 20 years ago. The majority of this land now is part of the 64% of the tax exempt land that Jim Walker, from the Mayor's Policy and Development Office, spoke of a little earlier.

We are receiving calls now from tenants who are telling us - as described by Art Thomas - that parking lots are going to be made out of their property. These are homeowners who have been in Newark for the last 30 or 40 years of their lives. They are now retired and going on fixed incomes and maintaining two and three family houses, where the children are now on the second floor and the grandchildren are on the third floor. It has remained a family unit. They are now receiving letters stating: "Move or else." They are not being apprised of any relocation benefits, of any sale of property, or any type of positive decision-making in reference to someplace that they have invested in all of their lives. This is the area that we have been hearing about that describes what is now called University City, which surrounds that area.

The Architectural Design Center has done architectural feasibility studies of a great many of these wooden structures around the Norfolk Street, West Market Street area and Central Avenue. All structures are being described as sound, rehabilitable structures -- not even rehabilitable, they just need minor repair. The homes have been maintained and, yet, these are the homes and the properties that are now going to be torn down. The initial letter states that it is, "for a parking lot." I don't believe that. I believe that what Art Thomas showed you is the truth. These people are being told that it is going to be a parking lot, but there is not a car parked there. I believe the land is going to remain vacant for a certain length of time and then it is going to be utilized to support the major structure that sits in the middle of the central and south ward now, which is University City.

This is what is causing a great deal of the displacement. Those 300 families -- I am also the Director of Housing for the Urban League of Essex County. We run a housing counseling program. I know where those families are. They have moved in with their parents. They have moved in with their grandparents. They are causing the overcrowding of public housing. They are causing the overcrowding of large segments of this city. They are now piled up, one on top of the other without choice, and without benefits. We know because we also try to do an apartment listing service. We try to find places for people to live. It is impossible. It is virtually impossible for people in this city, with their income bracket and with the family size that exists in this city to find decent housing that they can afford. The relocation benefits are null and void. The Department of Elderly Affairs contacted me to say that the Department of Relocation of the Newark Housing Authority hung the phone up on them. That is absurd. If you can't do anything, at least be decent enough to discuss it and to come up with some positive alternatives to at least work at doing your job.

All we are saying is - and I believe people are stating this to the commission today - that so far there is no one to hold accountable for the kinds of problems that exist in relationship to housing.

My last comment is, there is not one emergency housing facility in the State of New Jersey and I would like to know why. Fires are occurring in this city, in this county, and in this State on a more rapid basis in the last two years than has ever happened before. The Urban League of Essex County sits on the corner of Central and South 8th Street. On the left hand side, on June 13th, there was a four-story, wood frame structure apartment building with 22 apartments which burned down in ten minutes by four Molotov cocktails, set in there in the

most strategic positions that the fire department had ever seen in their life. The fire department, if you know the area, is right across the street and they did not get there in time to save that building. That wasn't their fault. They were set in the most strategic position that they had ever seen in their lives. That was a rehabilitable structure.

The structure next door to the Urban League, that is connected to the building, was an old rug factory which was going to be utilized by a youth organization in this city, to be set up as a laboratory structure for training so that people could begin to get jobs at the College of Medicine and Dentistry, burned down Thursday, June 15th, with four Molotov cocktails set in the most strategic positions the fire department has ever seen. The building shot up in flames and the entire center was ripped out before they could get there. The fire department sat across the street. They were there instantly. They could not save the building. These fires are occurring all over.

We were at a tenant meeting. The tenants were there. Representatives from the fire department were there. The man said, "Let me call in to the fire department at 7:30." At 8:30 the tenant meeting was over and he called in again and three houses had burned down. It is ridiculous. That is the displacement. If people are not being burned out, they are being forced out through community development. I thought community development was to bring people in and say to them, "We are now going to be providing decent housing." Community development displaces people also. But, the fires, the community development, the lack of emergency facilities -- I don't think in any way, form, or matter we are providing, or attempting to provide at least, the kind of housing that is needed for the residents of the State of New Jersey. There is no emergency housing structure.

I would like to recommend to the commission that the Community Housing Education Corporation, the Newark Tenants Organization, and the various agencies that were listed prior to this - the non-profit agencies - feel that, for one, an emergency facility is mandatory. It is mandatory. The Salvation Army and the Red Cross -- people sit up all night long knowing we can't find anyplace for people to go to and they sit there because they can't be in the street in the dead of winter. All right? They can't be put in the street. We have to sit there until we find them some place to live. That is insane. There must be an emergency housing facility.

There must also be an emergency repair program established by the State, or by whoever. But, some kind of program must be instituted on behalf of tenants and small homeowners so that they themselves learn how to maintain their own structures - their own housing structures. There are 50 or 60 families flooded out of Horthorn Avenue two years ago. If someone knew how to turn off the main water valve, that flood would never have occurred. If the tenants had only known that, the flood would not have happened. That kind of educational facility has to be established. The residents of the properties should know exactly where the electrical boxes, where water facilities are, and how the boiler works. They must know those kinds of things to prevent the kinds of disasters that leave people homeless.

Also, the lack of sensitivity on the part of the management of senior citizen housing has to be dealt with. I personally cannot and will not tolerate

the abuse of the wisest of our community - and they are the elderly of our community. Whenever these abuses occur, we respond to those as well as possible, but it is almost nothing at all because they are saying, "We are of the powers that be. We are hired by the people. We can do whatever we like. If we want to evict senior citizens, we can. If we want to, we will move them around, or we will shove them, or whatever." This will not be tolerated, not any longer. By whatever means necessary, the community is addressing the needs of our older citizens and saying that we are not going to tolerate the abuse any further. Thank you for hearing me.

MR. HUTCHINS: I would respectfully request that we be allowed to submit further testimony in writing. I understand we can do that. We would like to say that there are a great deal of questions that have been raised today. Certainly, Mr. Atlas spoke very well about the co-ops. We have a great many questions concerning co-ops. We are concerned with the insensitivity of Housing Finance Agency. We realize that it is a finance agency, but we are concerned also as to whether or not this agency - which is funded by public dollars - has the responsibility of looking to the social needs of the tenants that it serves.

We in Newark are extremely incensed that this agency has even moved its offices out of Newark, where we have so many problems. We do not now know where we can locate them to get answers and responses to the questions that we have. We have been inundated at our office with requests from co-ops and other people who have no idea of where they can get answers to their problems.

I know that you have a long schedule, so I would like to thank you very much.

ASSEMBLYMAN SHAPIRO: Mr. Hutchins, I think we have a few brief questions from the committee.

ASSEMBLYMAN OLSZOWY: I have one brief question. Have the facilities of the National Guard Armory been offered to you in an emergency?

MISS WILSHIRE: Yes. They have been offered to the Salvation Army. The Red Cross right now uses the Gateway downtown, in which they can only house families for three days.

ASSEMBLYMAN OLSZOWY: I don't know whether the Sussex Armory is still standing. Is the Sussex Armory still standing?

MISS WILSHIRE: I don't know. Is it? (comment by member of committee) It is? There are a number of vacant buildings that I know both of these organizations - I used to work for the Salvation Army - have approached in reference to having an emergency housing facility. There are also community development funds which I am sure the State would be willing to-- There were funds set aside for an emergency housing facility, I believe, in the '76 application that have never been utilized.

ASSEMBLYMAN SHAPIRO: Assemblyman Mays.

ASSEMBLYMAN MAYS: Maybe the city can use these. We have buildings that can be remodeled just specifically for this.

MISS WILSHIRE: One of the responses has been - of course, this is from the largest developers that we have gone to, which are the Newark Housing Authority, HDRC, and the Aspen Group, in reference to having large properties in the city - that there is no system in which people could remain as temporary dwellers. That is the response we have received. The Salvation Army, the Urban League, the tenant organizations, the tenant movements, all social service agencies

have said we accept that responsibility. If we can find housing in seven days, - we usually have less time than that - we can do much better if you would give us 30 days. But, the fact is, Social Service Agency has said, if we were to accept the responsibility, no, it would be an emergency facility and not a permanent facility. We have asked for 100 units. Just give us 100 units of emergency housing and we would see to it that there would be that turnover rate. We have to do it in three days, so give us a little more time and we would do even better.

ASSEMBLYMAN MAYS: Are you saying that you want the managers to be state licensed and we may be able to control them better that way?

MISS WILSHIRE: I don't know. All I know is when you identify certain management corporations and certain management people that are presently in the City of Newark in our new redeveloped developments, these are managers that have been fired from jobs before, based on abuse of tenants.

ASSEMBLYMAN MAYS: They should have a state license and maybe that would control them better.

MISS WILSHIRE: Whatever alternative you can come up with to help avoid this kind of thing would be acceptable.

ASSEMBLYMAN SHAPIRO: HFA and the Department of Community Affairs is up next. I think we will address some of those questions then.

MISS WILSHIRE: Thank you.

ASSEMBLYMAN SHAPIRO: Thank you very much. It has been very enlightening testimony.

Commissioner Sheehan and other representatives of the Department of Community Affairs will be next. Welcome, Commissioner. First, let me apologize on behalf of the committee for being so late. We are now running 55 minutes later than we expected. Whatever you can do to help us out, of course we would appreciate. We will appreciate your testimony as well as your introduction to the committee of the people you have brought with you.

C O M M I S S I O N E R P A T R I C I A Q. S H E E H A N: Thank you, Mr. Chairman. First, let me say that I have with me Gus Escher from the Housing Finance Agency and Chris Kelly who is the Director of the Mortgage Finance Agency. These are two agencies under the umbrella of the Department of Community Affairs and I think, and hope, that the committee would be interested in some of their activities because they rely exclusively on raising money, other than through state appropriations. After I summarize a few of the comments that I would like to make, they will speak specifically to those two agencies.

In addition, I have with me Phil Caton, who is the Director of the Division of Housing and Urban Renewal within the Department of Community Affairs, which maintains direct responsibility for many of the items that I will be discussing with you. Each and all of us would invite your questions at the conclusion of our testimony.

I have submitted some testimony to you, and in the interest of time and also the program generally, I will attempt to summarize the points that I wanted to bring before you. I think much of what you have heard this morning indicates the dimension and the magnitude of the problem, in terms of housing, both in terms of the condition and the age and the quality of some of the existing housing in New Jersey and also our inability, over the last several years, to

respond to the needs for new housing at anywhere near, by almost anybody's standards, an affordable price.

Obviously, national policies - the on again, off again, federal commitment or moratorium, or full steam ahead attitude with regard to its housing - has had adverse impact on New Jersey as well as other areas. In addition, I think it is clear that much of what we have done in the past has had some good experiences for us and some bad experiences. But, certainly, across the country, New Jersey was not exempt from that. One of the problems we had was always coming up with a new single, miracle-making idea which we proceeded to over-sell and under-fund.

I would suggest that we have reached that level of sophistication, if you will, where we recognize that there is no simple answer to the housing needs of the citizens of our state, nor is there one single answer. Our best hope is a combination of bits and pieces brought together in some kind of a coordinated flexible and effective manner to continuously address the problem.

There was some mention, just a few moments ago, about the concern as a result of fires. Not only do we have a need for an absolute increase by any standard in terms of the numbers of units, but in home ownership, in condominiums, in mobile homes, and various kinds of apartments and town houses, and so on. We are faced with the fact that over the course of a year, we lose an additional 50,000 units, roughly, throughout this state because of abandonment, or demolition, or fire or for other reasons.

Specifically, I think you should know - I know that in many areas you have directed your attention to these programs - that the litany, if you will, of instruments within the Department of Community Affairs and the State of New Jersey directed toward the increase in both the numbers of housing units and the quality of those units cover a very significant gamut at this time. These include a neighborhood preservation program, our housing demonstration program, the rental assistance program - which is a HUD financed program - the hotel and multiple dwelling inspection - which is, again, very critical to the condition of housing in this State - relocation assistance, retirement communities and planned real estate development full disclosure programs, the construction code enforcement and uniform construction code, and a new one that we have new responsibility for and will be implementing this Fall, namely the homeowners warranty program and builders registration program. Again, this offers to the citizens some assurance that what they are able to buy is, in fact, what it appears to be and not something else. These are coordinated through the Division on Housing and Urban Renewal with other program within the Department, such as our urban aid and safe and clean neighborhoods program and, most obviously and most directly, the Housing Finance Agency and the Mortgage Finance Agency program.

There is no question that we are faced with the reality that there will not be significant amounts of money to expand and develop either these programs or other programs. Our most effective efforts have to be directed to getting the most advantage out of the dollars that are available to us through state appropriations, but also to look to coordinating, encouraging, maximizing, parlaying - whatever the appropriate word is - to get both private investment, other sources of income within a community, such as their federal community development monies, and other vehicles, sometimes legislative and sometimes community cooperatives, to utilize all of the dollars that are available in the most effective manner.

Our point position in all of that is really the housing demonstration

program which has worked on and developed a variety of programs, addressing particularly the questions of housing abandonment, vandalism in public housing, municipal property management systems, and so on. Particularly, at the moment they have launched, as it were, in great detail, the neighborhood preservation program, which, again, I think is a program whose time has come, in that it pulls together a great number of pieces. It does not promise a miracle but it says, or refuses to say, that the housing crisis is beyond us and throw up its hands and walk away but, rather, it identifies a piece of that crisis that can show some visible result in cooperation with the local government body and the residents of that particular neighborhood.

There are some small amounts of state dollars available for these neighborhood preservation areas. The keynote, however, is to package those tools that are available to address the housing needs and get down to work with a minimum of red tape and a great deal of speed. We are beginning to see results in that effort. It was initiated by Governor Byrne, back in '75, with 12 model, urban neighborhoods. I stress again the emphasis on the word "neighborhood" because that can mean new construction, that can mean rehabilitation, that can mean commitment from the municipality in terms of its roads, or trees, or the stationing of a safe and clean patrolman. It means a package of events and it relies very, very heavily on private investment. It addresses, if you will, a lack of investment in the area up to then and encourages both home mortgages and home improvement loans, either through our own programs, through the federal 312 program, or through - for those who qualify in terms of income - the private market.

What we are finding and what we are looking to expand upon in each and every area is the fact that there is a common thread, there is a set of ingredients that helps make it work, but it isn't a simple A, B, and C and if you just do those three A, B, and C's in any given neighborhood, you will effecuate a miracle.

Nonetheless, the local government can make that commitment to support that neighborhood and the banks can make the commitment to give loans - bankable loans - and restore the flow of credit and, in effect, serve in a partnership with the residents and the municipalities in the state and in the neighborhood. One example right nearby is the Neighborhood Housing Services Corporation in Newark, which involves both bankers, city government officials, and residents of the neighborhood on its board.

Where you can concentrate those resources, in effect you bite off a piece of the pie and say, "We are going to get it done here" and then go on, rather than kind of throw up your hands because the problem is so great, it just can't be managed at all.

Code enforcement on a systematic but sensitive basis is particularly keyed to this. Another very small area, but I think one that has to be encouraged and broad attention given to on the part of builders and architects and others with regard to the cost of housing, was a challenge thrown down by the Department of Community Affairs and other interested organizations with regard to what we call the affordable house competition. It is a very small amount of money in terms of an award for design, but, nonetheless, it says to the professionals in the industry in this State, "What can you come up with that makes a house for a family of a \$15,000 annual income possible in this age when the average cost of

new housing is far in excess of \$30 and \$40 and \$50 and \$60 and \$70 thousand. It seems each time I pick up the paper there is a new figure.

There were three winners. There is to be an in-fill new house constructed in Jersey City on a twelve and one-half foot wide lot which would otherwise be vacant and not utilized.

Again, in Elizabeth and Edgewater two condominiums will be constructed - one sponsored in Elizabeth by a non-profit housing group and one sponsored in Bergen County by the Bergen County Housing Authority. I think that although those three little examples are very small ones, nonetheless they lead the way in terms of addressing the cost of new housing and the cost of in-fill housing within the city.

The question of multi-family housing in New Jersey - particularly the small multi-family units - is in crisis proportion. Again, through the demonstration program, as well as through efforts with community development divisions in various cities across the state, we are attempting to test ways that can resolve that problem. This may require intervention in terms of code enforcement; receivership; better management; non-profit maintenance corporations; management training, or cooperative conversions in terms of the management; marketing in terms of what is financially feasible and what will encourage private investment; defining policies that will make this something to be encouraged rather than discouraged; and the actual financing, whether that is private, public, or a combination of state, federal, and private -- lending pools, rehabilitation loan programs, tax incentives, and so on.

The housing inspection program, I think, is one that requires and deserves special attention because it is critical to the problem of the condition of the housing. We are now reaching the stage where we think the computer possibilities in terms of more direct response and information is now being fully implemented.

We also think the relationships we have established with the courts in the various counties have meant that, again, where prosecution is necessary, or fines are to be leveled, we have a better working relationship than perhaps existed several years ago, where code enforcement really seemed to be no one's priority. The information went back and around. It was always in transit. In terms of the courts, it was seldom, if ever, on a priority agenda. We seem to have both of those very serious problems in hand and see a better result in that regard.

The New Jersey Mortgage Finance Agency, as I indicated, is represented here by its Executive Director. But, I would point, just briefly, to two of their key programs because they are an integral part of how New Jersey is attempting to continue to meet its obligations and needs with regard to housing in this State, often without adequate federal support. This is a means of raising money by investors across this country, and not by appropriations.

The neighborhood loan program is particularly one to finance mortgages in urban neighborhoods for up to one to four family homes. I might report to you that in 1977, as a result of the first bond sale, 486 families purchased homes. What is interesting about that statistic - although it is a small drop in the bucket in terms of solving the problem - is that 98% of them were former renters and are now first-time urban family homeowners. This kind of program, and the

legislation that you have been so quick to provide to implement this program, has been very important to us in making these bond sales successful. Just last week we were again able to sell some \$74 million for this. It works as well with some of the concerns we have had with regard to both federal and state programs in terms of involvement of the financial institutions in our urban areas. This is a means of encouraging financial institutions to participate in the mortgage field in our urban areas. Again, it is very critical.

The home improvement loan program is for below market interest loans to be available to improve homes in areas around and across the state at a below market interest rate.

I cannot point, at least for the moment, to the uniform construction code. It is a relatively new weapon that I think will see its impact reached in the years to come, really, in terms of the processing of the construction of housing and the assurance to our citizens that the standards of performance in terms of the materials and so on are designed to meet their health and safety needs.

I would remind you that at your direction one critical part of that code is an energy sub-code, which again is going to be very critical with regard to energy and how it is utilized within this state.

Obviously, whenever you see me you know that I am always needing, asking, and pleading for additional funds to expand these programs. I recognize that the well is not a bottomless pit. I would point as well to the necessity for you to continue to look at non-fiscal measures that are necessary to encourage both the construction and maintenance of housing units across the state. I know that we have done some of that in the past and that we will be continuing to do so. I think that it will be a while, certainly, before we see the full impact of tax reform and the removal of the property tax as the mainstay in terms of the cost of education. What that is going to do is, it will not continue - as it was several years ago - to be more profitable to abandon a house than to maintain it, which has been an on-going problem in our cities. I think we are going to begin to see the impact of that.

Certainly, the tax abatement proposals that are now available to communities so that a homeowner can improve his property and not be penalized at tax assessment time, versus the landlord next door who is virtually abandoning it and in fact getting a tax benefit because he is not maintaining a property will be a big help. I think having had the Legislature address itself to those kinds of questions has been very important to us in the past and it is going to continue to be important in terms of expanding the supply and improving the condition of our housing.

I mentioned earlier that we will be, in terms of the consumer, implementing your new home warranty and builders registration program. So, where home ownership is being effectuated, we will have some guarantee, and more to the point the homeowner has some guarantee that there is not something critically wrong with that purchase that he is making.

One of the major federal efforts right now, and one where we would continue to seek your help by lobbying with us in Washington to seek its expansion, is the federal program of rental assistance - the so-called Section Eight existing program. Currently, it is the major operating program for assisting families and

handicapped individuals to stay in or find new safe, secure, and sanitary housing. The families who participate - or individuals - pay 25% of their income toward the market rent of the unit, wherever it might be, and the rental assistance program itself pays the balance directly to the landlord. This is a program that is being implemented by many local agencies and where it is not, frankly, the Department of Community Affairs has sought to fill that void and is participating in the program in areas where, because of the size of the units, number of units available to them, or other problems, they are unable to do it themselves locally. In 1954 our first grant of \$1 million was provided for handicapped families who have special housing needs that very often remain unaddressed by anyone because there is just no resource for them. Through that, we were able to implement a rental assistance program for 410 families. I would add that within the first eight months of operation we had a waiting list of an additional 500 families.

We have expanded our efforts in utilizing that federal program and we have now extended such rental assistance to over 1300 families, primarily in Union County, south of here, including Hudson. That only begins to tap the surface. Our newest application was favorably received and we will be able to assist another 954 families in another 7 counties. In toto, our implementation of this program, as well as local authority implementation, has provided benefit to 10,692 families in this State. But, we must continue to lobby for additional funding. The waiting list is almost twice the number of units that are available in each and every instance where we set up shop.

I know that you heard earlier many of the problems connected with the concerns and the needs where relocation displacement of families or individuals becomes a problem. Certainly, that continues to be one. The funding is not generally available and there have been - and I could share them with you, as others have done - horror stories of the past. What we seek to prevent are horror stories in the future. What happens so often is, where a local community does not have the funds for relocation, the code enforcement does not take place, or the rehabilitation does not take place, and the interests of no one are served as a result.

While there are some inconsistencies between the federal and the state law, in general the benefit level is the same to a maximum of \$4,500. One particular problem we have had with regard to that is that HUD has made the determination that the Federal Relocation Law does not apply to Section Eight projects that are undertaken by private developers for the major rehabilitation. As a result, there are no funds available and that kind of relocation is either not taking place or properties that could be rehabilitated for a minimum amount of money are left to abandonment or outright vandalism, and so on, and vacancy before rehabilitation is even undertaken.

So, we are attempting again to see that HUD includes this as an activity under the Federal Relocation Law. What we attempted to do as well is to, in effect, package the cost of relocation among both the public and the private agency so that the benefits would be available to those citizens that have a right to them and are entitled to them, and the program would move forward rather than not being done at all, particularly in the case of rehabilitation.

The Housing Finance Agency I think you are more than familiar with in terms of the financing that it has been able to achieve - again, on the private market - to construct senior citizen housing and low and moderate income multi-family

housing. Without HFA there would virtually have been no multi-family construction of housing in this past 10 years. It has been very, very difficult in terms of the bond market and all the rest of it, to change from a 236 program, which does not have an on-going subsidy so that many of those facilities are faced with rent increases that are rather dramatic each time there is a change in the utility rates or, more particularly, in the insurance rates. But, nonetheless, we have through the last several years been able to continue that construction, with a priority on urban family housing. It is an on-going fight with HUD in terms of getting the units and the dollars available to us, whether they are in terms of the fair market rents or in terms of the management and the amenities and the condition of the buildings, so that we could meet the needs of our citizens.

In brief, gentlemen, and probably not brief enough for your needs, that encompasses parts of the pieces of the program that I think the Department of Community Affairs can pledge to you. We are, in combination with the local governments and agencies throughout this state, attempting to address the needs of the housing for our citizens in all areas at all income levels in our state.

I will ask that you continuously look kindly upon us in terms of direct appropriations, obviously, but almost more importantly to encourage the kind of effort that we are seeing through this neighborhood preservation program, where we package federal community dollars, city dollars and manpower, neighborhood residents, financial institutions, and so on. The various kinds of tax abatement laws, accelerated foreclosures, and so on that you know so well because we have come before you in that regard -- that kind of effort must be continued and so I would ask for your continued support.

Thank you for the opportunity to present that overview to you. Chris Kelly and Gus Escher are here and if they could impose further for a couple of minutes, they will run down the MFA and HFA programs and then any questions you might have, we will be at your disposal.

ASSEMBLYMAN SHAPIRO: I am wondering if we should do that or ask questions of you, directly, first.

COMMISSIONER SHEEHAN: Whichever is your preference, Mr. Chairman.

ASSEMBLYMAN SHAPIRO: I would prefer to ask a few questions right now if that is what the committee wishes. I would like to do this while your testimony is fresh in our minds.

One thing that we are hearing repeatedly throughout these hearings is that there is a critical lack of relocation assistance. In fact, there is a relocation crisis in the state. We are hearing case after case of people being evicted from housing and never being relocated. They are confronted with insensitive personnel. They are confronted with a lack of relocation money. Probably the lack of relocation money is the cause of the insensitive personnel because they don't like to say that there is not much they can do for the person. How big do you feel this problem is and how much would it cost us to solve it and what can we do, short of simply appropriating more money? Is there any other answer that you know of?

COMMISSIONER SHEEHAN: Well, like everything else I guess, Assemblyman, there is a combination of answers. I would agree with you that it is a very difficult problem and whatever horror stories you have heard this morning, I could add to from my own experience.

I think what we really need is - and this is not easy - first and most basic, we need to disseminate the information about rights and benefits better than we do now. We attempt to do that but I would be the first to say that we are not totally successful, particularly if you are talking about a person that is in any way handicapped, either because of language or age or a lack of sophistication, if you will, and they get a frightening letter, or what appears to be a frightening letter - you know, an official letter; it could be a check from the Internal Revenue but if it appears official it can be a frightening experience - or rumors about something that is going to happen - particularly if it is something that has happened before the relocation laws providing for some benefits were in place and it is still fresh in their mind and they still know about what happened to "Mrs. Jones" ten years ago - that combination presents its own problem. That does not take money to solve, but a more effective way of informing them. And, we do attempt to do that. I would just say we haven't done the job enough. The displacing agent is required to let people know, to almost go door to door in terms of being sure that any person who faces a potential displacement knows that he has, or she has, rights and benefits and that every opportunity for those benefits to be given to him or her is, in fact, in place. So, we need to do a better job in that regard.

Over and above that, in terms of displacement due to a program that is a capital construction and that is going to have a bond issue with it, the availability of the funds is, on a scale of one to ten, relatively easy. In terms of relocation costs necessary to build a bridge, or a library, or something like that, some reasonable funds would be permitted to be included in the bond issue so that the funds would be available in that regard.

ASSEMBLYMAN SHAPIRO: Is that a current requirement?

COMMISSIONER SHEEHAN: Yes.

ASSEMBLYMAN SHAPIRO: It must be included?

COMMISSIONER SHEEHAN: Yes. I hesitate to say yes absolutely, but that is my understanding.

ASSEMBLYMAN SHAPIRO: But, it is not required that it be put in there right now? For example, to take one of the stories that we heard this morning, it could occur with a capital project that there would be a relocation of tenants - actually not a relocation but a dislocation of tenants - and other residents of an area without anything being offered to them, nor any provision being made by the dislocating agency?

COMMISSIONER SHEEHAN: No, No. It can't -- it can't; anything could happen. It should not happen under the law because they have to present to us a relocation plan. That is the rap. I wouldn't pretend; I am sure there have been some things that have happened, but they shouldn't happen under the law. They have a way of raising the money.

The two more difficult ones are in terms of code enforcement and in terms of rehabilitation. Let me take code enforcement first. Code enforcement is particularly difficult in New Jersey because we don't have a high vacancy rate. There aren't alternatives there. Where you come upon an apartment that has two, three, or four families there - illegally, notwithstanding - there is no other place easily found to move them to. So, money and supply are the two problems. It is not just money alone. What often happens is, the code enforcement program

kind of grinds to a halt when the municipality does not have enough money to have that benefit, nor does it have the resource if other facilities aren't being built.

The other key, and I will mention that one--

ASSEMBLYMAN SHAPIRO: Can I stop you just about at that point right there?

COMMISSIONER SHEEHAN: Oh, sure.

ASSEMBLYMAN SHAPIRO: In terms of the funding of relocation for displacement due to code violations, we heard testimony this morning that the state picks up the cost if it is done by a state inspection, but the municipality must pick up the cost when it is done by the Cooperative Housing Inspection Program, is that correct?

COMMISSIONER SHEEHAN: That's right. We do not have an appropriation sufficient to cover the \$4,500 per unit in terms of relocation benefits that could be permitted.

ASSEMBLYMAN SHAPIRO: But you do cover it when it comes under direct state inspection?

COMMISSIONER SHEEHAN: To the extent that we have funds. Phil Caton is the Director of that Division and could tell you the details better. We don't have enough money to cover the whole thing.

P H I L I P B. C A T O N: That's right. The funding formula on that has changed from a one-third local, two-thirds state basis two years ago down to, this year, on a fifty-fifty basis because of the shortage of funds.

ASSEMBLYMAN SHAPIRO: Shortage of state funds?

MR. CATON: Yes. Even though the appropriation has increased, the number of families that have been displaced because of code violations and uninhabitable dwelling spaces has gone from 1641 in 1977 to 1845 in '78 and we estimate 2100 in this fiscal year.

One of the efforts that is being made to bring the property owner who is responsible for the code violation into the picture on relocation has been through a resolution which was passed in the City of Elizabeth, which puts a tax lien on the property to cover the relocation costs in the case of relocation displacement caused by code violations. We are now looking into the possibility of recommending that on a statewide basis. It takes the onus of the relocation benefit off the city and the state and forces the property owner, who has allowed this property to deteriorate, into funding part of that problem.

ASSEMBLYMAN SHAPIRO: Aren't many of these properties already in bankruptcy and heavy into tax delinquency?

MR. CATON: They are but they aren't necessarily valueless.

COMMISSIONER SHEEHAN: One of the things that Jersey City has been doing in that regard is implementing the swifter foreclosure procedure so that they can get the building returned not only to their tax ratable list but as a habitable dwelling.

ASSEMBLYMAN SHAPIRO: In a two-year period?

MR. CATON: If I can, I would just like to put this in perspective by citing a recent program that has been proposed by the Carter Administration and to which cities have submitted applications - the Neighborhood Strategy Area Program. There is no provision made in the program for relocation costs. So, although the city may be applying for a certain number of Section Eight set-asides through the Housing

Finance Agency, many of the applications do not include relocation costs, which will be a part of the program in the case of rehabilitating buildings that are occupied now.

HUD's Washington Office has indicated that they expect the cities to use their community development money to fund this gap, in conjunction with existing Section Eight units. There are a number of problems with this which I will be glad to go into in written form if you would like. But, basically, cities - as you probably know - have been exhausting their community development funds. Their hold harmless years are over and they are into a declining, especially in this State, balance of funds in the face of increasing priorities. Relocation, especially relocation attached to a new federal program which was unanticipated two years ago, is just not the kind of thing that they can pay for, especially at \$4,500 per family.

ASSEMBLYMAN SHAPIRO: This strikes me as really reaching crisis proportion. We are going to be in Atlantic City next week and we will be considering a special situation there, which I understand is quite severe.

COMMISSIONER SHEEHAN: It is a little hypocritical to say, either by federal or state law, that a person is entitled to \$4,500 and then no one has the appropriation to actually deliver on that. We should say what we are going to give, and then fund whatever that is.

By the same token, it is even worse to expect to be able to encourage rehabilitation of a building if you add to it \$4,500 a unit in terms of the relocation costs. There is then no way to encourage private rehabilitation of buildings because that kind of chunk off the top makes it economically infeasible.

ASSEMBLYMAN OLSZOWY: Commissioner Sheehan, during testimony this morning there was no end of self-esteem, or self-praise, of organizations and agencies about the good work they are doing and, yet, from other organizations we found criticism. So, this may be a question, a statement of fact, or just food for thought. Testimony was given this morning that nowhere in the urban area did the people want high-rise for housing, either senior citizens or other low cost housing tenants. They are now interested in cluster housing or garden type housing in order to prevent, to use a word, ghettos. That is food for thought. I don't know whether you heard that kind of testimony before or not.

COMMISSIONER SHEEHAN: Well, Assemblyman, if I could just respond briefly, I would say to you that in line with that, the State Housing Finance Agency has really taken the same position and the board has indicated that they would not consider projects for families that were high-rise. We have not taken that position with regard to senior citizens. In fact, some of our most successful new projects are a combination of senior citizen high-rise towers, such as Salem-Lafayette, that is under construction in Jersey City. You Assemblymen may be familiar with this. Around it are town house, low rise, family units. I can agree with you that in putting large numbers of families, particularly children, in very dense, very high rise buildings - I would hope we will learn this - is not a wise policy and we will create too many instant slums. We are much more knowledgeable of that being an unwise practice than perhaps they were five or ten years ago.

ASSEMBLYMAN OLSZOWY: Question two would be basically whether in your Department you have authority over the government agencies who relocate people under the premise - as testimony here indicated - that they are going to need these properties, chasing out 300 or 400 families, because they say there is a

definite need for a parking lot? Now, these families are moved out and the homes are torn down and a year or two later there is still no parking lot, yet this is a government agency that ordered this. Is there any power that you may have over them to force them to put that parking lot in or to pay some type of a penalty if they do not utilize that property for the purpose they said it would be used for?

COMMISSIONER SHEEHAN: Our involvement in that, Assemblyman, would be that before people are displaced by a public agency, they must present for our review a relocation plan - I think Assemblyman Shapiro referred to that earlier - indicating what their intention is with regard to being sure that those who would be displaced received the benefits to which they are entitled and how they are going to get the money, and so on. We have no way, as a State agency, of saying: "Trenton, you can't build an office building; Newark, you can't build a garage; East Orange, you can't build a library." Those are local decisions.

ASSEMBLYMAN OLSZOWY: This government agency says it needs this for the university center parking lots. After they have torn it down, you have no control over it?

COMMISSIONER SHEEHAN: That would be a local decision, Assemblyman.

ASSEMBLYMAN MAYS: But, isn't there a time period in which they must put a parking lot there?

COMMISSIONER SHEEHAN: They might have a time period with regard to their bonds. If they sold bonds they may have to begin on a certain date. But, that would not involve us.

ASSEMBLYMAN MAYS: What I am saying is, say they tore it down in 1977, by 1978 there should be a parking lot there and if not they should be subject to a fine or a penalty.

COMMISSIONER SHEEHAN: I don't know of any way you could enforce that, Assemblyman.

ASSEMBLYMAN MAYS: Then what they did is, they just said they will have a parking lot, whether it be in 1988 or 1999. That is what you are saying. This could be turned into a soft ball field.

COMMISSIONER SHEEHAN: That could be conceivable. I could picture a situation where a town might want to build a library and put an application in for a public works grant to build that library, but they didn't get the public works grant that they thought they were going to get and they might never build a library.

ASSEMBLYMAN MAYS: It just hurts the public.

COMMISSIONER SHEEHAN: But, that would not preclude the fact that anyone who was displaced needed and was entitled to benefits.

Phil, do you want to add to that?

MR. CATON: That's right. Our responsibility picks up from the point of the municipality condemning a building or taking it through the power of eminent domain. They have to certify to the Department that they have interviewed each one of the families; they have set forth certain demographic information about the families, family characteristics, income, and then they have to certify that there are available housing opportunities that are in a comparable price range for those people in the community.

ASSEMBLYMAN MAYS: In your statement, Commissioner, you said that the neighborhood loan program allowed 486 families to purchase homes. How many of those

were from Hudson County or Essex County?

COMMISSIONER SHEEHAN: Let me ask if Chris has that. Mr. Chairman, this is Chris Kelly, who is the Director of the Mortgage Finance Agency.

C H R I S T O P H E R G. K E L L Y: This, by the way, was an entirely voluntary program. These were people who desired to purchase homes.

ASSEMBLYMAN MAYS: Yes, I know.

MR. KELLY: Jersey City, unfortunately, had a very poor representation because of the fact that only one lender in Jersey City participated in the program - Statewide Savings and Loan. As of the 22nd of May, 1978, only three homes were bought in Jersey City under our program.

ASSEMBLYMAN MAYS: How many were there in Newark?

MR. KELLY: In Newark there were 33. In Paterson there were 201. In East Orange there were 141. And, in Trenton there were 166.

ASSEMBLYMAN OLSZOWY: How many were there in Passaic?

MR. KELLY: In Passaic there were 29.

ASSEMBLYMAN MAYS: How was the public made aware that they could get a loan?

MR. KELLY: If I may, when I have a moment I would like to explain the program and how it was made known to the citizens of the State.

COMMISSIONER SHEEHAN: They did advertise it in the papers and I had several meetings with the Mayors and community development leaders in the various communities to encourage the use of this. These were some of the ways that the public was made aware of it - bi-lingual pamphlets, and so on and so forth.

ASSEMBLYMAN MAYS: My question has to do with Jersey City again. The people that left there and relocated, don't they get first choice to go back?

COMMISSIONER SHEEHAN: That is generally my understanding, that the first priority is given to those who were displaced in the construction. Yes.

ASSEMBLYMAN SHAPIRO: Commissioner, I have many more questions and I think other members of the Committee do too. Is there formal testimony by the HFA and by the MFA?

COMMISSIONER SHEEHAN: Yes.

ASSEMBLYMAN SHAPIRO: There is? Could I ask that each of you, rather than summarizing existing programs - which I think the Commissioner has already done very well - just simply point up areas you think need to be examined and to try to do that very briefly? I have some questions for each of you which may touch on other areas of interest. I am sure other members of the Committee do too, based on what we have heard already this morning. But, rather than go through long, prepared testimony, I think we should get right into the meat of it.

MR. KELLEY: Mr. Chairman and members of the Commission, I can be very brief in discussing our program because the Commissioner has alluded to the most important parts of it.

Briefly, our program is a mechanism by which the State has set up a means so that low and moderate income residents of the State who have a desire to own a home with one to four family units, in any one of the urban centers in the State, can purchase that home at a below market interest rate through the means of the agency selling tax exempt bonds and getting itself a low price for its money.

Statistics we can pass over, but generally we have presently dispursed \$35 million since last March - '77 - and we have about another \$120 million in this

program, which will run during the next year.

Assemblyman Mays asked a moment ago how this program has been publicized. The lending mechanism is through 36 institutions in New Jersey who lend this money to homeowners - prospective homeowners - and then in turn sell that mortgage to us. These institutions are publicizing the program. The agency has six full-time employees who cover the entire state talking to the municipal officials, community groups, and lending institutions. We have no advertising media appropriation, as such, but we have been fortunate enough to get public service announcements on radio and television and in the newspapers. It is a program that doesn't cost the State ten cents. We raise our money in the bond market. As the Commissioner said, we sold \$75 million in bonds last week at about an average cost of 7%. That money will go out to prospective homeowners over the next year at 8 1/4%. The 8 1/4% represents a 1 1/4% spread, out of which we service these loans, we pay a very modest agency expense amount, and we have to create reserves because we fully expect to have loans in these urban areas that will go into default and foreclosure.

That briefly is what we are doing on the first mortgage end of the agency's programs. The home improvement loan program presently has \$8 1/2 million to lend to homeowners who have one to four family homes and who are within certain specified income limits. As an example, a family of four in North Jersey has a maximum income limit of \$16,900. They can borrow from us at a rate which is 7 3/4% and the current conventional rate in lending institutions is 12%. So, we can give them below market rate loans. These are loans for improvements that will make the property safer, more comfortable, more energy conserving, and will make the property - hopefully - a credit to the neighborhood.

That briefly is what we are presently involved in.

ASSEMBLYMAN SHAPIRO: Thank you very much. I have one brief question. We have heard testimony this morning about the lack of mortgage availability and lack of any financing for structures of above four units. You don't cover that? Is there any suggestion you have in that area?

MR. KELLY: Yes, we do have a suggestion. This morning, as a matter of fact, I met with Bill Johnston, the Director of the HFA and we are trying to find a point at which they will come down to and we will go up to. In other words, they are not presently financing anything below 80 units. We are presently going to four.

ASSEMBLYMAN SHAPIRO: Eight zero?

MR. KELLY: Eighty units. 8 - 0. We are presently going to four. Well, obviously there is an area that we have to serve. We would need enabling legislation. We have to know we are going to a receptive legislature for that. We would also like to recommend that the private mortgage insurers be permitted to go beyond four units because that is the device under which people can buy homes with a low down payment and the private mortgage insurers insure the lenders against the additional risk.

But, there is an area that is unquestionably going to be addressed. It has to be addressed.

ASSEMBLYMAN OLSZOWY: I think you should get that through as soon as possible. Possibly this committee may recommend that legislation be introduced.

MR. KELLY: Fine. We would appreciate your sponsorship of it.

ASSEMBLYMAN OLSZOWY: You know, being a minority member, if I sponsor it you know where it is going to lay. I will have to be the co-sponsor. (laughter)

MR. KELLY: I didn't even know you were of the minority party until you just said so.

ASSEMBLYMAN SHAPIRO: Mr. Escher.

G U S T A V E. E S C H E R, III: Mr. Chairman, my name is Gus Escher. I am the Assistant Executive Director of the New Jersey Housing Finance Agency. First off, I should tell you that Bill Johnston, our Executive Director had been here and had hoped to present our testimony, which I will keep short. He was called back to Trenton at the last minute, so I will be filling in for him.

Could I take just a minute to familiarize the commission with our urban priority? I think that is important. That has been in all the public communiques which you have given out. The New Jersey Housing Finance Agency is unique in its urban emphasis, compared to every other state agency in the country.

We were established in 1967 to provide direct multi-family mortgage loans to sponsors of low and moderate income housing projects, both non-profit corporations and limited-profit partnerships. We, therefore, finance apartment buildings.

After 10 years of production, the agency reported last year that it had placed 21,000 housing units under construction and this provides for dwelling units for approximately 52,000 low and moderate income tenants throughout the State of New Jersey. Sixty three percent of these units were constructed in New Jersey's urban aid cities. In Newark alone, the agency has built over \$142 million worth of housing in the past 10 years. Over the past 10 years we have accounted for 65% of all the privately owned multi-family construction in Newark. This is not public housing. This is privately owned multi-family construction. We account for 65% of that in the City of Newark. The figure in Trenton is 100% last year and it similarly high in New Jersey's larger cities.

As of this date, New Jersey Housing Finance Agency has issued about \$745 million worth of bonds to permanently finance 107 developments. We have contracted with the Federal Government for \$55 million per year to reduce the rents in these projects. These contracts amount to some \$2 billion in federal assistance over the life of the mortgages - and a mortgage ranges from 27 to 47 years, depending upon other financial aspects.

In addition to our large volume and our national leadership, in the current federal subsidy program, called Section Eight - which you have heard about today - the agency has created more than 13,000 on-site construction job opportunities, a good number of which have gone to minority workers in New Jersey urban centers under our affirmative action plan which was established about three years ago.

With regard to the specific issues that could be mentioned in improving the delivery mechanism of the agency, I wanted to mention a few statute revisions. I think I will dispense with those; there is a better forum for dealing with that. They are kind of technical statute amendments and I would hope to get back to the committee in writing so that all of you could look over them and be supportive of some bookkeeping-housekeeping type revisions in our statute.

Concerning the issues, I think you have properly focused on the relocation payment issue. This was our number one issue today. The state and the federal assistance involved in this are the two critical aspects. To the extent that many

of our projects can financially make relocation payments, they would. That is not typical. Generally, our projects barely achieve feasibility under the existing federal guidelines. We don't have money in the project for relocation payments. This precludes our doing the amount of rehabilitation that local officials would like us to do and that HUD would like us to do.

Also, this morning you heard from Mr. Massaro concerning our insurance industry and the difficulty in obtaining insurance. He was talking about single family. I would like to bring that to your attention with regard to multi-family. It has not been untypical for our projects in our cities - and two-thirds of our work is in the cities - to experience the tripling of insurance policy premiums overnight. In one project, located in East Orange - it just happens to be - the insurance premium went from about \$27,000 to \$100,000 last year.

I wouldn't properly represent the agency if I didn't comment briefly on some issues that we have with HUD. This has been mentioned before. I believe Mr. Barry and Mr. Massaro and others mentioned this. We have mentioned it. It bears repeating. The inability of our agency to produce large numbers of family units is not related to agency policy, administration policy, or the policy of Commissioner Sheehan over the past four years. It has been related to Federal, HUD dollars provided in the fair market rents. The fair market rents in New Jersey have never been, and they are not now, adequate to to the job. It is barely possible for us to produce senior citizen housing in high-rise buildings, which are the least expensive to build and run. Family units should be in low rise buildings. HUD agrees with that. Agency policy concurs. But, HUD will not provide sufficient dollars in the fair market rent schedule to allow us to do family units. They are more difficult to maintain. They are more difficult to manage. And, they require more money. The money isn't there under the Federal system, in fact, just the opposite applies -- the Federal system allows you more dollars when you are doing a senior citizen unit, when in fact it should allow you more dollars when you are doing a family unit. Therefore, out of the 8,000 units right now that the agency has under the Section Eight program, only 10% of those are for family units and a very small proportion of that 10% is for three bedrooms. I would say a handfull. Most of those family units would be two bedroom units.

I would like you to compare that with the history of the agency under the previous program - the 236 program - where, notwithstanding problems there, the agency did two-thirds of all of its 236 units for families. We were established to be an urban-oriented, family-oriented agency, and under the previous program we were able to do that. Under the current Section Eight program, we have been limited to doing principally senior citizens buildings.

I would echo again testimony that Mayor Gibson has given in front of Congressional committees and that Tom Massaro gave to you this morning with regard to the minimum property standards. They are not minimum. They become maximum. HUD requires that we don't build the kind of units that are habitable and appropriate for families and/or senior citizens in New Jersey. The minimum property standards have become maximum property standards. And, we are in a constant argument with HUD. We want to build a better job because in the end it is going to cost the same; it is a question of whether you are going to pay for it now or whether you are going to pay for it later.

The last issue is a very complex one. I will mention it purely for the record. The HUD Fair Share allocation system is not a system; it is not fair; and it doesn't produce a good share for New Jersey. This is a highly complex issue. To the degree that I can submit something in writing to the committee, I would like you to take a look at it. It is a home town kind of issue because New Jersey is not getting what it should get. I just want to say that publicly and I would like to say it for the record. I would be glad to supply the appropriate facts.

I would like to thank you. If you have any questions concerning HFA, I would be glad to try and answer them at this time.

ASSEMBLYMAN OLSZOWY: I have just one question. I don't know whether they could legally do this but you indicated that in this particular case the insurance cost went up from \$27 thousand to \$100-some-odd thousand. Is there any law that would preclude that project from being self-insured?

MR. ESCHER: To permit the project from being self-insured?

ASSEMBLYMAN OLSZOWY: Yes.

MR. ESCHER: I don't believe there would be a prohibiting law. I guess the question I would ask if I could, Assemblyman, would be, is there a law enabling such self-insurance? That may well be a valuable question. I don't know.

COMMISSIONER SHEEHAN: Let me supplement that, Assemblyman. We met with the Insurance Commissioner and some of his staff on that question. An individual project - and I am not quick to give you the numbers - probably could not make it. You know, it wouldn't be safe. What we try to look at is the pooling of resources. You know, it is a on-going area that we have looked at because it is just going out of sight. It is very difficult. We have no single answer.

ASSEMBLYMAN OLSZOWY: That is my living. Basically, I find that where you are self-insured, the losses come down because people have to take care. The maintenance supervisors say, "We have to watch this."

COMMISSIONER SHEEHAN: Yes, but one loss of life would wipe out a project.

ASSEMBLYMAN OLSZOWY: I agree with you. If there is a safety hazard and you are insured with an insurance company, you take care of it next month; but if you are self-insured, you take care of tomorrow.

ASSEMBLYMAN SHAPIRO: Is there currently a lack of statutory authorization allowing for self-insurance pooled by, say, one set of HFA projects?

COMMISSIONER SHEEHAN: I don't know whether there is a statutory prohibition or not, Assemblyman. I do know that we have some insurance experts looking at the whole question of insurance.

ASSEMBLYMAN SHAPIRO: I am trying to figure out whether we prohibit it or not.

COMMISSIONER SHEEHAN: At this point in time I haven't heard anybody say that the reason it is not working is because we can't do it. It is because they haven't figured out a way to make it work.

ASSEMBLYMAN SHAPIRO: I have one other question. We have heard a lot of testimony favoring the idea of an emergency housing facility for sudden dislocations. Do you have anything in the works along those lines? What are the obstacles to setting up something like that? An emergency relocation center -- say something like a 30-day center --- where all the community groups who feel they could take charge of relocating people after 30 days if they were just given

a place to house people would be able to do so.

COMMISSIONER SHEEHAN: We do not have anything in the works in that regard, Assemblyman. Specifically to speak to the question of Atlantic City, we viewed that question in several ways without any answer. I would suggest to you that the real problem is an inadequate number of housing units in this State and the real effort has to be to increase that number.

In terms of emergency housing, through the County Welfare Bureau, the Salvation Army, the Red Cross, and many interested citizens - including the municipal government, or some representative of the municipality on occasion - some kind of make-shift emergency effort is made that is inadequate -- no question -- in the event of a physical disaster. I am not sure. Where would you put a thirty-day facility for 30 families to serve the State? Would you put it in Atlantic City? Would you put it in Newark? You are almost suggesting a youth hostel system, such as they have for bike riders through Europe. I don't know how we could administer that kind of a thing, although there is clearly a need when there is an emergency, whether it is fire or flood or whatever.

ASSEMBLYMAN SHAPIRO: Thank you very much.

Next, we have Director Reita Greenstone from the Essex County Board of Chosen Freeholders.

Freeholder, first let me apologize for the long delay. As you can see, we are running late and, secondly, if you can keep your testimony short, we would appreciate it. We gave extra leeway to the Department because of the large number of questions which they, in fact, are the authority on and must answer. We appreciate whatever your comments are and also would be grateful if you could keep them within our 10 to 15 minute time frame.

R E I T A G R E E N S T O N E: Surely. Mr. Chairman, members of the Commission, I am delighted to have the opportunity of discussing a topic that has been a pressing issue, both nationally and locally since the early 1960's.

In Essex County, a county with a population of nearly 950,000 people, the question of adequate housing is one that is particularly relevant to both young and old alike.

In a county such as this, which incorporates one community where nearly one-third of its residents receive public assistance and another that has one of the highest average per capita incomes in the nation, we find not one but two distinct challenges. One, to provide a safe, clean, decent environment for our urban families at a cost they can afford and, two, to maintain the older neighborhoods of some of our more suburban municipalities so as to sustain property values and encourage both young and old alike to continue to remain in Essex County.

I will touch very briefly on the need for emergency housing and tell you what the county has begun to initiate on a pilot project basis. The Essex County Welfare Department will station a person for the next three months at the Essex County Hospital Center. This will aid the returning patient who is being deinstitutionalized to find, a, adequate housing and, b, to help walk the person through the system so that as they go onto the rolls of the Municipal Welfare Department, they in turn will have the necessary forms filled out and will be ready to be absorbed through SSI, for them to be placed not only in an area where they will be in a housing unit but will also be ready to be tied into the complete system established in Essex County for institutionalized patients.

The need for the mental patient, the need for the returning retarded patient, is very similar on a short-term basis to the need for the dislocated person or family in our community and also the senior citizen and the battered spouse. They need a place where they can stay on an emergency basis, so that there is time for the necessary planning to be made for the rehabilitation of their lives. There is a need for congregate housing for senior citizens.

There is a need for all the agencies to work in concert when there is a situation - which the Welfare Department has been handling very successfully - where there has been a fire in an apartment, for instance. Now, the Essex County Welfare Department is able, within 24 hours, upon a phone call from a battered spouse, to offer the same service. This kind of emergency service should be available to any individual throughout the county in case of an emergency at home.

It is our intention today to briefly discuss the second of these two issues: The restoration and rehabilitation of our existing housing stock. We are convinced that in order for Essex County to continue to remain competitors among other counties in New Jersey as a place to live and to work, one of our major priorities must be the revitalization of our neighborhoods in order to allow seniors as well as low and moderate income families the opportunity to be able to afford attractive, reasonably priced living accommodations.

I have with me today our Director of Community Development, John Alati who, since January, 1977, has administered a program that has received statewide attention for its creative, progressive approach to housing rehabilitation. I would like to introduce John Alati.

J O H N A L A T I: Thank you, Freeholder-Director.

ASSEMBLYMAN SHAPIRO: If I may, Mr. Alati, before you start, we all have written copies of your full testimony. Rather than read all of it into the record, if you could summarize the more salient points, we would appreciate it. Particularly, I see you have two pages of recommendations, which are exactly the kinds of things we are looking for. If you could simply go over them quickly, in a verbal fashion, and leave us the opportunity to read it in its entirety, I would appreciate it.

MR. ALATI: Okay. Well, just briefly, as Community Development Director I administer the entire County Community Development Program. One of the projects in our program is the home improvement loan program, which is similar to the one that the state just initiated, the Mortgage Finance Agency Program. However, the Mortgage Finance Agency Program offers effective rates of interest at 7 3/4%. Our County Home Improvement Loan Program has a 3% interest rate. What we have done is, members of my staff and members of the New Jersey Mortgage Finance Agency have gotten together many discussions where we are trying to link our program together in Essex, therefore our county program would only have to subsidize interest from 7 3/4% down to 3%, rather than the going market rate of 12% down to 3%.

In my recommendations what I would like to point out to the commission today is something that the Chairman touched on briefly with the Department of Community Affairs, and that is, there is an urgent housing problem in Essex County whereby 30% of our families live in multi-family apartment buildings. However, out of that 30%, approximately 90% of those families live in the small apartment

buildings - six to twelve dwelling units - and only 10% are living in the large apartment complexes, most identified with the tenant housing problem.

Now, as you heard, the State has the New Jersey Mortgage Finance Agency Program for one to four families. The county program has a solid program in one to four families. Federal financing is available to rehabilitate large multi-family buildings of 100 or more housing units, particularly under the HUD Section Eight Program, but there is no program at this time of housing rehabilitation financing, Federal or State, that is available to revitalize the small apartment building. In theory, HUD's Section 312 program can tackle this housing problem. However, the funding for 312 is totally inadequate to meet the needs. So, the type of program that I would like to recommend is one that would provide financing for the small apartment building.

There is no provision for private financing in Section 312, which I believe to be a key element for any housing rehabilitation program. This public-private partnership, and not any single government directed program, is the critical ingredient in bringing private sector leadership and dollar commitment to solving the pressing housing and community development needs.

In my text, which you have before you, I pointed out some points which I feel should be involved in the program and that is, and most important, financial participation by banks and savings and loan associations. This is definitely necessary and this would require some form of guarantee or insurance. Of course, below market interest rates are an important incentive for investor-owners to decide to upgrade their properties, preferably through some form of interest subsidy payment. Most important is the cooperative agreements between the State, County, and municipalities, which are definitely necessary so that the responsibility can be shared for the administration of this type of program.

I offer the services of members of my staff to meet with the committee at a future date to pursue this type of program. I appreciate the opportunity to be able to come before you. The program we have in Essex has been running for six months. We have a sheet there which shows our results. In six months we are now in the process of rehabilitating 85 units. Our one-year projected goal was 100 units. We will reach that within the next couple of weeks. We have a leveraging technique in our program, whereby we are getting \$3.00 for \$1.00, private funds to public funds. So, we are stretching our dollar to be able to give the opportunity to the citizens of Essex to have a decent living environment. Thank you for your attention.

ASSEMBLYMAN SHAPIRO: Just one question. This includes only the towns outside of Newark?

MR. ALATI: Well, in the text it states that there are 18 eligible municipalities in Essex County who can join the urban county program. As of this date, we have 12 municipalities. They are listed: Belleville, Caldwell, Cedar Grove, Glen Ridge, Livingston, Maplewood, Montclair, Nutley, Roseland, South Orange, and West Orange.

ASSEMBLYMAN SHAPIRO: They are the ones that are grouped together under ACDA?

MR. ALATI: Yes. Four that are 50,000 or more in population apply on their own and we are hoping to get some other towns, such as Orange - which is a hold harmless community and as you heard before the hold harmless entitlement

cities in the State of New Jersey will be dwindling. (full statement on page 16x)

ASSEMBLYMAN SHAPIRO: Okay, thank you very much.

Next we will hear from Mr. Mandell from the City of East Orange.

EDWARD MANDELL: Thank you, Mr. Shapiro. Thank you for inviting us. My name is Ed Mandell. I am Director of Housing Services Administration for the City of East Orange. This is not to be confused with the Housing Authority. We run seven housing programs.

I am not going to repeat everyting I head here this morning because most of it was pertinent and I agree with most of what was said. I don't want to take up your time.

I do, however, want to get into one area. Shortly, the City of East Orange will be faced with foreclosing approximately 240 homes -- approximately 3% of our total one to four family housing stock. I heard some testimony here this morning that said that there was a lack of large sized apartments for families. They could not be built because of high cost, inflationary rates in today's market, etc. I am just wondering if I couldn't get together with the MFHA and find a vehicle whereby we could finance purchases of these homes through a construction-type loan, which would pay for rehabilitation. Then, at the end we could have a permanent commitment placed on the property so the same institution could carry the permanent loan and could sell it to the New Jersey Mortgage Finance Agency as a permanent take-out. That would be an area in which I think we could do some business in the way of disposing of this large block of housing we contemplate having.

ASSEMBLYMAN SHAPIRO: Thank you very much.

MR. MANDELL: Are there any questions, sir?

ASSEMBLYMAN SHAPIRO: I think you have covered it well. It is a perfect example of the kinds of problems we have and some of the solutions that have been proposed, I think, might help.

Next, we will hear from Robert O'Brien.

Mr. O'Brien, welcome. Again, as you have heard before, we apologize for the delay. If you can help us out in any way by being short, we would appreciate it.

ROBERT O'BRIEN: I cannot be as short as the previous witness, but I will try. To insure that, I will say that I will send you a copy of written testimony, which I am not prepared to give you today. I have some, but just about all of it has been said by other witnesses. Most of it had to do with the financial institution's tie-in and support-of the various programs you have heard about, mostly from Commissioner Sheehan's people and from the Commissioner herself.

I think what I am trying to say is, to a large extent, due to Federal and State legislative efforts and self-policing efforts by the financial institution regulatory bodies, the issue of mortgage redlining has become measurably improved. That is to say, it doesn't exist to the extent it once did.

Insurance redlining is another question and you have heard a lot of testimony about that. I think it is a very venal problem.

You may not know that I am a member of the National Commission on Neighborhoods, which is a national commission very similar to yours. We are six month's into our one-year life and certain conclusions are starting to present themselves. I thought I might share them with you today. Rather than just brag

about the great job that Carteret Savings and Loan is doing in Newark, let me say that we are obviously supporting the NHF Program here and all other programs that are up in the North Ward, and we are making all the loans we can in the Ironbound area.

The commission, which we thought would be published on December 19th of this year - and I will make sure you get a copy of our findings - is vitally concerned with the neighborhoods and we see in the neighborhoods the survival of the cities. The preservation of those neighborhoods is vital. You have heard a lot about neighborhood preservation today and this is sort of point number one that this commission is concerned with.

Secondly, we seem to get the impression that maybe the melting pot theory hasn't worked too well and isn't working. But, there is a common bond, normally, through ethnicity, and sometimes geography which tends to bring together a neighborhood and cause its revitalization - or at least its stabilization. I would cite as an example the Portuguese here in Newark, for instance.

We have seen marvelous examples of Ukrainians in Cleveland and Poles in St. Louis, etc., who have decided to stay where they are in the inner city environment and not move to the suburbs and, therefore, cause further devastation in the cities.

The problem is that the whole housing system is over-bureaucratized, too political, and rigged against the cities, ever since the creation of the FHA and now HUD, which we consider to be more of an enemy than a friend through the various programs that you have heard talked about today. We would support the dollars, that are now pumped through HUD, going directly into the neighborhoods, through the Governor's office of the particular state and then the Mayor that particular municipality. The last figures we had were that 82% of all HUD budget goes toward administration, leaving very little to actually trickle down where it does the most good.

I don't imagine that HUD is every going to be abolished but we think that it has become a clanking bureaucracy that has not been able to achieve its goals. You will read a lot about that in the commission report.

There are numerous obstacles to neighborhood revitalization, all routed in the system that was created at the end of the war, which created the suburbs. This was an unwitting thing. Hundreds of thousands of veterans were coming back from the Second World War and they needed a place to live. The American dream at that time - and I think still - was a single family, detached house with a white picket fence around it and builders, like Levitt and others, went out and built those communities and then the federal programs built the highways and other support systems to support those communities, to the great detriment and expense of the cities.

We need to restructure this because it is still geared that way; it is still more beneficial for a person, taxwise and for the process of education of his kids and everything else, to move to a suburban community in Essex County rather than Newark. We submit that if Newark were to have the best school system in the State and maybe a slightly lesser tax rate, you would see people who want to move back to Newark. There is really very little incentive from any point of view to live in the cities, except for the fact that there is a marvelous infrastructure of facilities - the brick and mortar is there. It is the same with culture - museums and that kind of thing. Who wants to take symphony hall

and build it out on the Dodge Estate, for instance? Unthinkable. Too costly and not necessary, really. We also have this marvelous transportation network linked into the cities which we are just not rich enough as a nation to abandon. So, there are all kinds of overtones here, having to do with energy conservation, etc.

This commission - and our business - supports the concept of targeting. I think the Federal Government should encourage the placement of industry that it can do business with -- and, in fact, control its location back into the cities rather than continue to let it go further and further out Route 280. It is just crazy. It is unfortunate that the City of Newark, working with the Federal Government, could not get that huge Volkswagon Plant here, which would have produced 100,000 jobs, instead of putting it in some town of 2,500 in central Pennsylvania. Its crazy. There is no rail out there. There is no labor force to speak of. These kinds of things, we feel, have to stop.

Jobs, of course, is the greatest need. If the people have the money in their pocket, they don't need all kinds of subsidy programs, or you need them to a lesser extent than you do now.

I am the Chairperson of the Obstacles Task Force of this commission and I would just like to conclude by saying that the major obstacle we see preventing urban revitalization is the system overall, which favors the construction of new rather than rehabilitation of old. In fact, there really is no rehabilitation industry that can be identified in this nation today. That is something that we think needs to be addressed - and will be. There are no rehab codes. In New Jersey we have a statewide building code, but generally, nationally, there is very little attention paid to that and there are tremendous economies that could be effected.

But, more important than that are the Federal and municipal tax codes and regulations. The Federal tax code, for instance, now favors a bunch of wealthy syndicators fronting the construction of many of the fine buildings we have here in Newark. But, after the C of O is issued, those people are out. They have absolutely no responsibility nor in many cases do they ever show up on the premises for the management and the eventual running of that building. And, of course this often leads to this becoming a slum in five years, as you heard earlier.

We think that a massive restructuring of the Federal, the municipal, and in some cases State tax laws need to be addressed.

Lastly, there is an endless list of 109 other obstacles. I won't bore you with them. I will just tell you that they are all surmountable if the structure is changed.

I tried to be brief and I have been.

ASSEMBLYMAN SHAPIRO: You were very brief. Thank you. I have two questions that relate to the issue of reinvestment and redlining. You said you feel that the current State act is satisfactory?

MR. O'BRIEN: Yes, I do.

ASSEMBLYMAN SHAPIRO: Two areas were specifically pointed out by the representative of the Public Advocate's office today and they have also been brought to my attention. The one which I think is the most important is in the area of oral discouragement of mortgages. Rather than actually issue a mortgage rejection upon the completion of written mortgage application and often the deposit

of a mortgage fee at that point, banks will simply say to an undesirbale potential borrower, "You are not going to make it; don't waste your \$75." How much of that goes on, do you think, and do you think we should, in some way, incorporate in our anti-redlining statute a provision prohibiting that kind of oral discouragement -- or, not prohibiting it but wording it in some way that we can keep track of it it so we know where it goes on and if there is a pattern of it.

MR. O'BRIEN: I think that it exists but not the degree that it used to because there is a community reinvestment pact now that at least Savings and Loans come under on the Federal side that prohibits oral discouragement. Now, we can have a law that prohibits it and it can still go on. How do you police it? That is a very tough question. I think the answer is, the person who might think that he is in an area which could be orally discouraged shouldn't call on the phone; he should walk in.

Most Savings and Loans - and soon all - will have an Urban Lending officer and this person's role is not to just ask the cold, hard question, but to council. We have had many instances, right here in Newark, where a real estate broker had sold a house - or a structure - to somebody and when he came in and we did the arithmetic for him, the guy found that he couldn't afford to live there, irrespective of the interest rate or anything like that. It was over-selling on the part of an aggressive real estate broker. That is a whole other problem.

So, our answer to that Savings and Loan business is the counseling function. We have it. Most of my colleagues that I know have it. They haven't had it in the past. It is a recent thing; I would say within the last year.

ASSEMBLYMAN SHAPIRO: Do you think that under the anti-redlining statute we should at least keep track and have disclosure of so-called oral discouragement?

MR. O'BRIEN: Yes, but I don't know how you are going to monitor it. You can say to the lending officers, "Keep a little pattern of how many people call" but he would be self-monitoring himself, so he could--

ASSEMBLYMAN SHAPIRO: Its tricky.

MR. O'BRIEN: I think you are going to have the banking community scream, "more paperwork, more red tape," and all that kind of stuff and there may be a little bit of truth to that.

My problem with it is that they can turn over to you what they want you to see and there is no way for you to know whether it is real or not.

ASSEMBLYMAN SHAPIRO: Unless we can devise some sort of preliminary mortgage application, which involves just more paperwork, I suppose.

MR. O'BRIEN: Yes. I really think that when a man meets face to face with a lending man, a relationship takes place that is entirely different from the phone call. The lending officer has been trained to do counseling. This is a new phenomenon. Not everyone has it, but there is one in every place. The borrower should ask for the urban lending man and he will get a fair shake there.

ASSEMBLYMAN SHAPIRO: Thank you very much.

From the Tri-City Citizens Union for Progress we will now hear from Edward Andrade.

EDWARD ANDRADE: My name is Edward Andrade. I am the Director of Economic Development for Tri-City Citizens Union for Progress. I think the point that I want to make has been made quite a few times today. In fact, the previous speaker spoke about the conclusion of the National Commission on Neighborhoods and said that neighborhoods are the survivor of the cities. In

fact, we testified - the Tri-City Citizens Union for Progress - before the Commission on Neighborhoods. I spoke before them. What I have to say today is pretty much the same as I had to say to them.

I think the only difference between what I might say and what has been said is that we are actually doing what everyone is talking about, and have been doing it now for 10 years. We have been in existence for 12 years. Tri-City is a neighborhood development organization. In 1967, we sponsored what is called Amity Village I and II. They are rehab housing in the City of Newark. We presently manage 300 units of housing, 68 buildings, in a 12 square block area. In this same area, by the way, there is another 500 units of rehab housing that is also called Amity Village. This, in fact, was done after the section we finished and they are seriously deteriorated right now. There are some abandoned buildings that were finished under this program. In fact, this program, despite the fact that it has 100% Section Eight subsidy, they have not paid their mortgage, that I know of, from January to June. In fact, HUD has given them permission to take the mortgage money and put it into operating the housing. Despite all of this, they are deteriorating rapidly and we have, in fact, had to go in and help them on some occasions because their buildings are adjacent to our buildings.

Now, why is this? What is the difference? Well, Tri-City was the sponsor of Amity Village in the beginning and although we got out of the business of housing in '71 and turned it over to these professionals, they did not manage it properly and so it deteriorated rapidly and we were asked to come back to manage them. We did do that. So, in 1973, we organized a self-management group. When I say self-management, we basically organize people in the neighborhood so that the resident-manager, the maintenance staff - of which we have about 13 people - are all residents of the housing itself. So, we did this. Shortly after that, in about '75, we purchased the other section, called Amity IIA and managed that also. So, this gives us a total of 300 apartments. Now, these places are being maintained today. We like to think that they are being maintained as well as any buildings in the city of Newark. In fact, I daresay that one of our brick buildings - they are the easier ones to maintain - is perhaps the best looking building in all of the City of Newark and I would invite this commission to come and see it.

Why? Okay? What is the difference? Well, Tri-City is a neighborhood development organization. It is not a property management group. Management is only one part of what we do. What do we do? We provide health services. We have a health program - a women and children's health program it is called. Basically it is women and children because they usually do not get out of the neighborhood. Men usually work and wherever they work, they get health benefits or a health program and they can take advantage of it. But, the women and the children in the neighborhood do not get this. And, of course, the city is not providing this kind of service right now in the neighborhood. So, we provide that kind of service.

We provide educational services. We have a day care center and after school programs. We have 105 children come every day and spend all day at the program. These are all children of working parents, or parents that are in school. We have so-called social programs, welfare programs, such as: We provide transportation for senior citizens and other people that qualify by

virtue of income to go to doctor's offices, or even shopping, etc., etc. We provide help in getting food stamps. We provide free tax service around tax time that is sponsored by the Accountants' for Public Service. So, we provide a number of social services that were previously provided by the city. So, we think this is key to running housing in the city.

But, along with that we say that if the neighborhoods are going to turn around - and, as was said earlier, neighborhoods are key to the survival of the city - they are going to turn around because the people in the neighborhoods themselves turn it around. It has to be a self-help effort. There is not enough subsidy in the world to turn a city like Newark around, nor, in fact, to turn sections of Newark around. Unless people in that neighborhood can be mobilized and organized it will not be turned around.

Tri-City is an organization at the lowest level. It is a neighborhood block organization. In this instance, it is 12 square blocks. That is what had to happen in the first instance.

So, I would say to this commission that they should support city, State, and county level governments with neighborhood organizations. Help create them. Help support them.

In fact, the larger groups -- I don't know if Sandy Gillente was here today but he would tell you about this. He is the only one that is doing the Astin Group. They are the only ones that are doing rehab in the City of Newark right now. He would tell you that he cannot do rehab in the neighborhood similar to what we have done, on wooden frame buildings, for example - which most of our buildings are. He cannot do them. There is not enough money. There is not subsidy to do this. I think the Housing Finance Agency said something to the same effect today.

But, they can be done and, in fact, we have done them and we are in the process of beginning to do them again. Why? Because we can do less than 12 units. We can do it with neighborhood people that are trained to do a specific thing. We can do it because we are committed to that. We can do it because when we go in and rehab a building we will stay with that building. We will watch that building and make sure that no one will "rip us off" as they do with an outside group that comes in. We can do it for these reasons at cost - at cost that people can afford. But, even if there was enough money available to do this by the larger groups, how would they pay for it? Who could pay for it? Obviously, the people in our neighborhoods cannot pay for it.

So, if there is a key to the survival of the cities, if there is a key to housing in the cities, it is that local neighborhoods would be organized and neighborhood development organizations would be organized. And, where you have at least the beginnings of them - and, in our case, of course, we are an advanced neighborhood development organization and, in fact, that is what HUD has us classified as - organizations like this have to be supported. In fact, laws should be written up so that monies to cities that are channeled through state sources and federal sources has to go specifically to neighborhood organizations.

I guess that wraps up my statement. My conclusion is, obviously, the key to the survival of the cities is neighborhoods and neighborhood organizations -- neighborhoods that are organized.

Are there any questions?

ASSEMBLYMAN SHAPIRO: That was great.

ASSEMBLYMAN MAYS: Where are you located?

MR. ANDRADE: We are at 675 South 19th Street. That is right at the corner of 18th Avenue and 19th Street. We are always prepared to show what we have to anyone. In fact, we get guests there at least twice a week.

ASSEMBLYMAN SHAPIRO: You are just two blocks out of my district. Thank you very much.

MR. ANDRADE: Thank you.

ASSEMBLYMAN SHAPIRO: If there are no further witnesses, we will conclude the hearing. Thank you very much.

(hearing concluded)



JULY 26, 1978

PARTIAL TESTIMONY BY COMMISSIONER PATRICIA Q. SHEEHAN
BEFORE THE N.J. ASSEMBLY COMMISSION
ON THE AVAILABILITY OF HOUSING

THE LEGISLATIVE MANDATE OF THIS COMMISSION MAKES THE ASSUMPTION THAT BOTH THE QUANTITY AND QUALITY OF HOUSING IN NEW JERSEY IS INADEQUATE IN MEETING THE NEEDS OF NEW JERSEY'S CITIZENS. THIS IS UNFORTUNATELY TRUE.

SHELTER IS A BASIC NEED. FEDERAL RESOURCES, INFLATION, TAX POLICIES AND THE LIKE ALL CONTRIBUTE TO THIS COMPLEX PROBLEM. WHILE WE DO NOT HAVE ALL THE ANSWERS, THE DEPARTMENT OF COMMUNITY AFFAIRS IS RESPONDING TO THE COMPLEX ARRAY OF PROBLEMS ASSOCIATED WITH THIS HOUSING CRISIS WITH A COMPREHENSIVE AGENDA OF MODESTLY FUNDED BUT EFFECTIVE PROGRAMS.

ACCORDING TO DATA FROM THE DEPARTMENT'S DIVISION OF STATE AND REGIONAL PLANNING THERE WERE 2.3 MILLION UNITS OF HOUSING IN NEW JERSEY IN 1970 WITH NEARLY HALF BUILT PRIOR TO WORLD WAR II. AS YOU WOULD EXPECT, IN CENTRAL CITIES THE PROPORTION OF OLDER HOUSING IS EVEN GREATER. THIS DATA ALSO REVEALS THAT ONE OUT OF EVERY EIGHT UNITS SHOW MARKED SIGNS OF DETERIORATION OR WERE CLASSIFIED DILAPIDATED. ALSO, THE DIVISION'S STATEWIDE HOUSING ALLOCATION REPORT FOR NEW JERSEY SHOWED THAT BY 1990 THE STATE WILL NEED AN ADDITIONAL 300,232 UNITS OF LOW AND MODERATE INCOME HOUSING UNITS.

GIVEN THE COMBINATION OF LOW AND MODERATE INCOME FAMILIES AND SENIOR CITIZENS IN THE CENTRAL CITIES AND THE AGE OF THIS HOUSING STOCK WHICH REQUIRES ABOVE AVERAGE MAINTENANCE, MANY MORE HOMES COULD BECOME UNLIVABLE IF CURRENT STATE PROGRAMS ARE NOT CONTINUED AND EXPANDED. AT THIS TIME, THE STATE LOSES NEARLY 50,000 UNITS A YEAR DUE TO FIRE, CONVERSION, DEMOLITION, OR ABANDONMENT.

THE DEPARTMENT OF COMMUNITY AFFAIRS THROUGH THE DIVISION OF HOUSING AND URBAN RENEWAL ADMINISTERS A WIDE VARIETY OF PROGRAMS SPECIFICALLY RELATING TO THESE PROBLEMS INCLUDING:

NEIGHBORHOOD PRESERVATION PROGRAM,
HOUSING DEMONSTRATION PROGRAM,
RENTAL ASSISTANCE PROGRAM (RAP),
HOTEL AND MULTIPLE DWELLING INSPECTION PROGRAM,
RELOCATION ASSISTANCE,
RETIREMENT COMMUNITIES AND PLANNED REAL ESTATE
DEVELOPMENT FULL DISCLOSURE PROGRAMS,
CONSTRUCTION CODE ENFORCEMENT,
HOMEOWNERS WARRANTY PROGRAM (TO COMMENCE IN
SEPTEMBER), AND
MOBILE HOME CONSTRUCTION QUALITY CONTROL.

THESE HOUSING DIVISION ACTIVITIES ARE COORDINATED WITH OTHER DCA PROGRAMS INCLUDING URBAN AID, THE SAFE AND CLEAN NEIGHBORHOODS PROGRAM, THE HOUSING FINANCE AGENCY (HFA) AND THE MORTGAGE FINANCE AGENCY (MFA).

WITH LITTLE PROSPECT OF ADDITIONAL STATE FUNDING, DCA SEES AS ITS CONTINUING ROLE THE DEVELOPMENT OF PROGRAMS WHICH MESH EFFECTIVELY WITH ONE ANOTHER AND FURTHER EMPHASIZE THE LEVERAGING OF ALL AVAILABLE FEDERAL LOCAL AND PRIVATE RESOURCES IN MEETING THE HOUSING NEEDS OF OUR CITIZENS.

THE HOUSING DEMONSTRATION PROGRAM PROVIDES AN OPPORTUNITY TO TRY OUT SOLUTIONS FOR ERADICATING URBAN DETERIORATION AS WELL AS TO ANSWER THE WIDESPREAD NEED FOR ADDITIONAL LOW- AND MODERATE-INCOME HOUSING. THE DEMONSTRATION PROGRAM IS INVOLVED IN PROJECTS DEALING WITH THE PROBLEMS OF HOUSING ABANDONMENT, VANDALISM IN PUBLIC HOUSING DEVELOPMENTS AND PERFECTING NEW MUNICIPAL PROPERTY MANAGEMENT SYSTEMS, AMONG OTHERS.

THE HOUSING DEMONSTRATION PROGRAM HAS BEEN FUNCTIONING IN THREE PRINCIPAL AREAS: NEIGHBORHOOD PRESERVATION, PRODUCTION OF LOW- AND MODERATE-INCOME HOUSING, AND MANAGEMENT AND MAINTENANCE OF MULTI-FAMILY HOUSING.

IN 1975, A \$4 MILLION NEIGHBORHOOD PRESERVATION DEMONSTRATION PROGRAM WAS INITIATED BY GOV. BYRNE IN 12 CITIES. (ATLANTIC CITY, BURLINGTON, CAMDEN, EAST ORANGE, HACKENSACK, HOBOKEN, IRVINGTON, JERSEY CITY, NEWARK, NEW BRUNSWICK, PHILLIPSBURG, AND TRENTON.)

THE NEIGHBORHOOD PRESERVATION PROGRAM WAS DESIGNED TO RETAIN THE VIABILITY OF STABLE NEIGHBORHOODS IN OUR OLDER CITIES WHICH ARE INFLUENCED BY SPREADING URBAN BLIGHT. IT WAS DETERMINED THAT A CONCENTRATED EFFORT, UTILIZING ALL AVAILABLE RESOURCES, PUBLIC AND PRIVATE, MIGHT PRESERVE THE RESIDENTIAL CHARACTER OF THESE NEIGHBORHOODS.

IN JUNE 1977, THE LEGISLATURE RESPONDED TO THE DEPARTMENT'S REQUEST FOR FUNDS TO EXPAND ITS EFFORTS TO A STATEWIDE NEIGHBORHOOD PRESERVATION PROGRAM, AND, IN JANUARY 1978, 27 OF THE 64 MUNICIPALITIES WHICH APPLIED WERE AWARDED GRANTS IN EXCESS OF \$1.5 MILLION.

AS A RESULT OF THE DEMONSTRATIONS IT IS POSSIBLE TO IDENTIFY SOME OF THE PIECES IN THE DYNAMIC PROCESS OF NEIGHBORHOOD PRESERVATION WHICH SEEM ESSENTIAL.

*LOCAL GOVERNMENTS MUST HAVE A STRONG COMMITMENT TO THE PROGRAM AND LOCAL RESIDENTS MUST BE INVOLVED.

*LOCAL BANKS MUST MAKE COMMITMENTS TO GIVE LOANS IN THE NEIGHBORHOOD. RESTORING THE FLOW OF CREDIT TO A NEIGHBORHOOD IS CRITICAL TO ITS REVITALIZATION. BANKS ARE MORE WILLING TO MAKE LOANS IN NEIGHBORHOODS WHERE SUBSTANTIAL OTHER COMMITMENTS ARE BEING MADE -- BY THE CITY, BY RESIDENTS, AND BY GOVERNMENT.

THE WEEQUAHIC NEIGHBORHOOD HOUSING SERVICES CORPORATION HERE IN NEWARK IS A GOOD EXAMPLE OF A LOCAL NEIGHBORHOOD CORPORATION WITH CITY OFFICIALS AND BANKERS ALONG WITH RESIDENTS ON ITS BOARD.

*RESOURCES MUST BE CONCENTRATED IN A TARGET AREA OF MANAGEABLE SIZE SO THERE CAN BE VISIBLE IMPACT AND POSITIVE EFFECT IN A SHORT TIME. STARTING WITH A SMALL AREA AND THEN EXPANDING AFTER THE WORK IN THE TARGET AREA IS COMPLETE HAS BEEN A SUCCESSFUL STRATEGY IN THE DEMONSTRATIONS IN BURLINGTON AND PHILLIPSBURG.

*CITIES MUST HAVE SYSTEMATIC BUT FLEXIBLE AND SENSITIVE CODE ENFORCEMENT PROGRAMS.

AFTER THREE YEARS WE NOW REALIZE THAT NO ONE DEFINITIVE MODEL FOR NEIGHBORHOOD PRESERVATION IS GOING TO EMERGE. SOME SOLUTIONS FOR SPECIFIC TYPES OF PROBLEMS SEEM TO WORK WHEREVER THEY OCCUR, BUT THE DEPARTMENT'S APPROACH TO INDIVIDUAL NEIGHBORHOOD PROJECTS MUST CONTINUE TO BE FLEXIBLE.

THE DEPARTMENT RECENTLY HELD AN AFFORDABLE HOUSE COMPETITION. THE COMPETITION WAS DESIGNED TO ENCOURAGE CONSTRUCTION OF NEW HOUSES FOR FAMILIES EARNING NO MORE THAN \$15,000 A YEAR. THE FIRST PHASE, A DESIGN PHASE, HAS BEEN COMPLETED. THE WINNERS WILL CONSTRUCT THE HOUSES IN JERSEY CITY, ELIZABETH AND EDGEWATER. ALTHOUGH A SMALL EFFORT, IN EFFECT THE CONTEST SERVES AS A CHALLENGE TO ARCHITECTS AND BUILDERS TO DEVELOP INNOVATIVE WAYS TO PROVIDE ONE SOLUTION TO THE EXORBITANT COST OF NEW HOUSING.

AN AREA OF CONTINUING CONCERN IS THE PROBLEM OF MULTI-FAMILY HOUSING IN NEW JERSEY. THE DEPARTMENT WILL SOON BEGIN EXPERIMENTING WITH WAYS TO COPE WITH DETERIORATING MULTI-FAMILY BUILDINGS. SOLUTIONS WILL BE TESTED IN THE AREAS OF:

INTERVENTION, CODE ENFORCEMENT, RENT RECEIVERSHIP, ETC.;
MANAGEMENT, COMMUNITY MANAGEMENT ORGANIZATIONS, NONPROFIT MAINTENANCE CORPORATIONS, MANAGEMENT TRAINING FOR RESIDENTS, COOPERATIVE CONVERSIONS;

MARKETING, WAYS TO SEARCH OUT GOOD TENANTS, WAYS TO STEER SECTION 8 SET ASIDES, DEFINING RENT CONTROL POLICIES THAT WON'T DESTROY THE FINANCIAL VIABILITY OF BUILDINGS;

FINANCING, MORTGAGE INSURANCE PROGRAMS, REHABILITATION LOAN PROGRAMS, RISK-SPREADING LENDING POOLS, TAX INCENTIVES, LOCAL PARTNERSHIPS.

DCA'S HOUSING INSPECTION PROGRAM IS ANOTHER WAY IN WHICH WE ARE WORKING TO PRESERVE THE STATE'S HOUSING STOCK, WITH CONTINUED INSPECTIONS OF APPROXIMATELY 120,000 STRUCTURES OF MULTIPLE DWELLINGS EVERY FIVE YEARS.

THIS PROGRAM, THE SYSTEMATIC MANNER OF ITS APPLICATION AND THE ADMINISTRATIVE NATURE OF ITS COMPLIANCE PROCESS MAKE NEW JERSEY'S STATEWIDE HOUSING CODE ENFORCEMENT SYSTEM UNIQUE IN THE NATION. OTHER STATES ARE CONTEMPLATING SIMILAR SYSTEMS AND HAVE INQUIRED ABOUT OUR STATUTORY, ADMINISTRATIVE AND OPERATIONAL FRAMEWORK.

FURTHER, MANY BANKS ARE RELYING ON THE PROGRAM BEFORE RELEASING MORTGAGE MONEY BY REQUIRING THE SELLER TO PRESENT A CERTIFICATE OF INSPECTION OR FULL DISCLOSURE OF VIOLATIONS EXISTING AT THE BUILDINGS.

THE N.J. MORTGAGE FINANCE AGENCY HAS INITIATED TWO PROGRAMS, THE NEIGHBORHOOD LOAN PROGRAM AND THE HOME IMPROVEMENT LOAN PROGRAM, WHICH ARE DESIGNED TO PROTECT THE HOUSING STOCK OF RESIDENTIAL NEIGHBORHOODS.

THE NEIGHBORHOOD LOAN PROGRAM WAS LAUNCHED IN MARCH 1977 WITH A \$100 MILLION BOND SALE TO FINANCE LOW INTEREST MORTGAGES IN URBAN NEIGHBORHOODS FOR 1 TO 4 FAMILY HOMES. DURING 1977, 486 FAMILIES PURCHASED HOMES, 98 PERCENT OF WHOM WERE FORMER RENTERS.

LAST WEEK THE AGENCY SOLD OVER \$74 MILLION IN TAX-FREE BONDS TO EXPAND THE NEIGHBORHOOD LOAN PROGRAM. IN FACT, THE PROGRAM IS SUPPLYING THE FINANCING FOR ONE OF THE WINNERS IN THE AFFORDABLE HOUSE COMPETITION.

THE NEIGHBORHOOD LOAN PROGRAM WORKS WITH FEDERAL PROGRAMS SUCH AS THE HOME MORTGAGE DISCLOSURE ACT AND THE COMMUNITY REINVESTMENT ACT AS A RESPONSE TO THE PROBLEM OF REDLINING IN URBAN AREAS.

ANOTHER MFA PROGRAM, THE HOME IMPROVEMENT LOAN PROGRAM, PROMOTES THE REPAIR AND IMPROVEMENT OF 1 TO 4 FAMILY HOMES AND PROVIDES FOR THE INSTALLATION OF ENERGY SAVING MEASURES BY MAKING LOW COST FHA-INSURED LOANS AVAILABLE TO LOW AND MODERATE INCOME HOMEOWNERS UTILIZING THE PROCEEDS OF TAX-FREE BONDS.

TO STANDARDIZE THE BUILDING CODES THROUGHOUT NEW JERSEY FOR THE FIRST TIME, THE UNIFORM CONSTRUCTION CODE BECAME LAW IN 1975.

THROUGH THE IMPLEMENTATION OF THIS ACT, THE DEPARTMENT HAS SOUGHT TO PROVIDE BOTH FOR LOWER COSTS IN THE CONSTRUCTION OF HOUSING, WHILE AT THE SAME TIME ENSURING HIGH QUALITY PERFORMANCE STANDARDS. THE LOWER COSTS COME ABOUT IN TWO IMPORTANT WAYS: BY ADOPTING A PACKAGE OF MODERN, PERFORMANCE-BASED NATIONALLY RECOGNIZED MODEL CODES, THE LATEST IN TECHNOLOGICAL ADVANCES MAY BE INCORPORATED IN NEW JERSEY HOUSING; AND, BY PROVIDING A SINGLE, UNIFIED, AND SIMPLIFIED ADMINISTRATIVE SYSTEM, THE COSTS NORMALLY ASSOCIATED WITH DELAYS AND CONFUSION DURING THE PERMIT STAGES CAN BE MINIMIZED. FOR EXAMPLE, THE MULTIPLICITY OF BUILDING, PLUMBING, AND ELECTRICAL PERMITS ARE REDUCED TO A SINGLE CONSTRUCTION PERMIT, AND THIS PERMIT MUST NORMALLY BE ISSUED WITHIN 20 WORKING DAYS OF ITS APPLICATION.

ONE OF THE IMPORTANT CODES ADOPTED BY THE DEPARTMENT OF COMMUNITY AFFAIRS IN THE LAST YEAR PROVIDES FOR ENERGY CONSERVATION. THIS SUBCODE SETS STANDARDS FOR THERMAL EFFICIENCY, INCLUDING INSULATION AND WEATHER STRIPPING, AND FOR EQUIPMENT EFFICIENCY THAT ARE EXPECTED TO YIELD IMPORTANT BENEFITS FOR HOUSING IN NEW JERSEY. THE DEPARTMENT OF ENERGY HAS ESTIMATED THAT SUBSTANTIAL ENERGY SAVINGS IN EXCESS OF 8 TRILLION BTUS CAN BE ANTICIPATED IN THE YEAR 1980 FOR HOUSING CONSTRUCTED IN ACCORDANCE WITH THIS ENERGY SUBCODE.

AS EXEMPLIFIED BY THE UNIFORM CONSTRUCTION CODE AND THE DELAYED ASSESSMENT PROGRAM THE LEGISLATURE HAS EXPEDITED THE REQUISITE LEGISLATION FOR A VARIETY OF HOUSING PROGRAMS. FURTHER ACTION IS NEEDED, HOWEVER, IN NON-FISCAL PROGRAMS, PARTICULARLY IN THOSE LAWS DEALING WITH TAX ABATEMENT. THE LEGISLATURE AND EXECUTIVE BRANCHES MUST CONTINUE TO DEVISE A COMBINATION OF LAWS THAT PROVIDE INCENTIVES FOR HOME CONSTRUCTION, MAINTENANCE AND REHABILITATION.

A NEW AREA OF INVOLVEMENT IS THE RECENTLY ENACTED NEW HOME WARRANTY AND BUILDERS' REGISTRATION PROGRAM. THE REGULATIONS FOR THIS PROGRAM CURRENTLY AVAILABLE IN DRAFT FORM FOR COMMENT, PROVIDE FOR THE DEPARTMENT TO: REGISTER ALL HOMEBUILDERS IN THE STATE; ENSURE THAT THESE BUILDERS PARTICIPATE IN EITHER A DEPARTMENT APPROVED, PRIVATELY-SPONSORED HOME WARRANTY PROGRAM OR A DEPARTMENT-ADMINISTERED PROGRAM; SET THE TECHNICAL STANDARDS FOR THE WARRANTY ITSELF; AND ADMINISTER AN INVESTIGATION AND RESOLUTION SYSTEM WHICH WILL PROVIDE FOR CORRECTION OF DEFECTS OCCURRING IN ANY NEWLY-CONSTRUCTED SINGLE AND TWO-FAMILY HOUSES, CONDOMINIUMS AND TOWNHOUSES. THE WARRANTY WILL RUN FOR 10 YEARS AND COVER BASIC STRUCTURAL SOUNDNESS, WITH LESSER PERIODS OF ONE YEAR AND TWO YEARS AT THE INCEPTION COVERING APPLIANCES, EQUIPMENT, MECHANICAL SYSTEMS AND FIXTURES.

A PROGRAM THAT HAS EXPERIENCED GREAT SUCCESS TO INSURE OUR ELDERLY AND HANDICAPPED CITIZENS HAVE A DECENT PLACE TO LIVE IS THE RENTAL ASSISTANCE PROGRAM (RAP) ESTABLISHED BY THE 1974 HOUSING AND COMMUNITY DEVELOPMENT ACT.

THIS IS THE FEDERAL GOVERNMENT'S MAJOR OPERATING PROGRAM FOR ASSISTING LOW AND MODERATE INCOME FAMILIES AND HANDICAPPED INDIVIDUALS TO SECURE DECENT, SAFE, AND SANITARY HOUSING. PARTICIPATING FAMILIES PAY 25 PERCENT OF THEIR MONTHLY INCOME TOWARD THEIR RENT AND THE RENTAL ASSISTANCE PROGRAM PAYS THE BALANCE DIRECTLY TO THE LANDLORD EACH MONTH.

THE DEPARTMENT OF COMMUNITY AFFAIRS RECEIVED AN INITIAL \$1.1 MILLION GRANT IN 1974 TO ASSIST 410 HANDICAPPED FAMILIES IN BERGEN, ESSEX, HUDSON, AND MIDDLESEX COUNTIES. THIS PROJECT DEMONSTRATED THE NEED FOR HOUSING ASSISTANCE WHICH EXISTS AMONG THE HANDICAPPED FAMILIES. THE ENTIRE ALLOCATION WAS QUICKLY COMMITTED AND A WAITING LIST OF 500 ADDITIONAL FAMILIES WAS ASSEMBLED WITHIN THE FIRST 8 MONTHS OF OPERATION.

THE SUCCESS OF THIS INITIAL PROJECT PROMPTED THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TO EXTEND TO THE DEPARTMENT INVITATIONS TO APPLY FOR ADDITIONAL FUNDING IN OTHER AREAS THROUGHOUT THE STATE OF NEW JERSEY.

IT HAS BEEN DCA'S POLICY NOT TO COMPETE WITH LOCAL AND COUNTY UNITS OF GOVERNMENT FOR FEDERAL FUNDS. THERE ARE MANY MUNICIPALITIES AND COUNTIES PARTICIPATING DIRECTLY WITH THE FEDERAL GOVERNMENT IN THE RAP PROGRAM TO SERVICE THEIR PARTICULAR AREAS. HOWEVER, DUE TO SMALL ADMINISTRATIVE STAFFS OR LACK OF IN-HOUSE EXPERTISE, MANY AREAS OF THE STATE WERE NOT BEING SERVICED BY THESE RENT SUBSIDIES. IT IS IN THESE INSTANCES THAT THE DEPARTMENT OF COMMUNITY AFFAIRS HAS ASSUMED THIS RESPONSIBILITY.

AS A RESULT, THE DEPARTMENT OF COMMUNITY AFFAIRS WAS AWARDED ALLOCATIONS IN 1977 TO PROVIDE RENTAL ASSISTANCE TO 1,351 FAMILIES IN 7 COUNTIES. (OCEAN, CAPE MAY, MONMOUTH, HUDSON, SOMERSET, SUSSEX, AND UNION.)

WE HAVE RECENTLY RECEIVED AN ALLOCATION OF \$2.4 MILLION TO ASSIST 954 FAMILIES IN 7 COUNTIES. (ATLANTIC, BERGEN, CAMDEN, CUMBERLAND, MERCER, MIDDLESEX, AND SALEM.)

THIS ACTIVITY IN TANDEM WITH LOCAL EFFORTS HAS PROVIDED AFFORDABLE HOUSING TO 10,692 FAMILIES IN NEW JERSEY. A MAJOR EFFORT OF THE DEPARTMENT IS TO CONTINUOUSLY LOBBY FOR ADDITIONAL SECTION 8 FUNDS TO ADDRESS THE WAITING LIST OF ELIGIBLE FAMILIES THAT EXIST THROUGHOUT THE STATE.

IN ORDER TO REINFORCE THE IMPACT OF THE SECTION 8 EXISTING HOUSING PROGRAM ON THE AVAILABILITY OF HOUSING STOCK, PLANS ARE CURRENTLY BEING MADE TO INITIATE PROCEDURES WHICH WOULD DIRECTLY ENCOURAGE AND SUPPORT THE REHABILITATION OF marginally sub-standard HOUSING UNITS.

MANY OF THE CURRENT PROGRAMS TO IMPROVE URBAN HOUSING CONDITIONS INVOLVE DISPLACEMENT OF FAMILIES AND INDIVIDUALS. IF THESE NEW PROGRAM EFFORTS IN REHABILITATION, NEW CONSTRUCTION, ALONG WITH STRENGTHENED CODE ENFORCEMENT, ARE NOT TO RUN INTO THE SAME PROBLEMS AS URBAN RENEWAL, THERE MUST BE SATISFACTORY RELOCATION OF THOSE DISPLACED.

WHILE RELOCATION IS MOST OFTEN A LOCAL RESPONSIBILITY, IT IS EXTREMELY DIFFICULT FOR MUNICIPALITIES TO PROVIDE THIS ASSISTANCE WITH LOCAL RESOURCES ALONE. AND IF THEIR PROGRAMS OF CODE ENFORCEMENT AND REHABILITATION ARE TO CONTINUE, ADDITIONAL ASSISTANCE MUST BE FORTHCOMING. IN THE CASE OF THE STATE'S MULTI-FAMILY HOUSING INSPECTION PROGRAM, NEW JERSEY IS THE DISPLACING AGENCY WHEN BUILDINGS MUST BE VACATED AND THE FINANCIAL RESPONSIBILITY IS OURS.

WHILE THERE ARE SOME INCONSISTENCIES BETWEEN FEDERAL AND STATE RELOCATION LAWS, THE BENEFITS ARE GENERALLY THE SAME TO A MAXIMUM OF \$4,500.

A SERIOUS GAP EXISTS IN PROVIDING RELOCATION BENEFITS TO PERSONS UNDER THE FEDERAL REHABILITATION PROGRAMS. HUD HAS DETERMINED THAT THE FEDERAL UNIFORM RELOCATION LAW DOES NOT APPLY TO SECTION 8 PROJECTS UNDERTAKEN BY PRIVATE DEVELOPERS. THUS, WHERE THERE ARE MANY OLDER, OCCUPIED BUILDINGS IN NEW JERSEY IN NEED OF REHABILITATION, THERE ARE NO FINANCIAL RESOURCES FOR PROVIDING RELOCATION PAYMENTS FOR THESE PEOPLE. ONE UNFORTUNATE RESULT IS THAT NEEDED REHABILITATION DOES NOT OCCUR. WE HAVE NOT BEEN SUCCESSFUL IN RESOLVING THIS SITUATION WITH HUD.

IN SOME INITIAL REHABILITATION PROJECTS UNDER SECTION 8, WE HAVE SOUGHT TO HAVE AT LEAST A PORTION OF RELOCATION COSTS INCLUDED AS PART OF THE PROJECT FINANCING WHERE FEASIBLE RATHER THAN BY RELOCATION GRANT EXCLUSIVELY.

THE HOUSING FINANCE AGENCY IS WORKING TO HELP SUPPLY DECENT AND AFFORDABLE HOUSING TO SENIOR CITIZENS AND LOW AND MODERATE INCOME FAMILIES.

IN ITS 10 YEARS OF EXISTENCE, THE AGENCY HAS PROVIDED HOUSING FOR 52,000 UNITS AND IS NOW CONSTRUCTING 16,000 UNITS.

BY MAKING LOW-INTEREST MORTGAGE LOANS AVAILABLE TO QUALIFIED SPONSORS TO HELP FINANCE THE CONSTRUCTION OR REHABILITATION OF HOUSING FOR RENTAL UNITS THE HFA IS BRINGING MORE HOUSING TO OUR URBAN AREAS.

THIS PAST YEAR HAS BEEN THE MOST PRODUCTIVE AND DYNAMIC SINCE THE AGENCY WAS CREATED IN 1967 WITH THE AGENCY BECOMING THE NATIONAL LEADER IN FINANCING SECTION 8 SUBSIDIZED HOUSING, STARTING CONSTRUCTION ON MORE THAN 4,500 NEW HOUSING UNITS.

THE AGENCY ALSO SOLD ITS LARGEST BOND ISSUE IN ITS HISTORY WHICH BROUGHT ITS TOTAL BOND SALE TO \$290 MILLION FOR 1977.

HFA'S EFFORTS HAVE AIDED THE URBAN CENTERS IN THE STATE TO PRESERVE AND STABILIZE NEIGHBORHOODS, REPLACE DILAPIDATED HOUSING, UTILIZE IDLE LAND WHILE DEVELOPING A BROADER TAX BASE AND STIMULATE THE LOCAL ECONOMY.

WITHOUT THE WORK OF THE HFA, THERE WOULD HAVE BEEN VIRTUALLY NO MULTI-FAMILY HOUSING FOR LOW AND MODERATE INCOME FAMILIES BUILT IN NEW JERSEY IN THE LAST DECADE.

TESTMONY DELIVERED BY JOHN M. ALATI, DIRECTOR OF THE ESSEX COUNTY
DEPARTMENT OF COMMUNITY DEVELOPMENT BEFORE THE N.J. STATE ASSEMBLY
COMMISSION ON URBAN HOUSING.

My responsibility is to administer the Essex County Community Development Block Grant Program which is federally funded by the U.S. Department of Housing and Urban Development under the Housing and Community Development Acts of 1974 and 1977.

This program serves the 12 participating municipalities of Belleville, Caldwell, Cedar Grove, Glen Ridge, Livingston, Maplewood, Montclair, Nutley, Roseland, South Orange, and West Orange for a total estimated population of 296,620 people. It is through this co-operative effort of local and County Government that Essex County has been able to apply for and receive Urban County C.D. funds for the past three years.

In 1976, Essex County received \$348,000 for the 1st year program. In 1977, \$759,000 for the 2nd year program and we have recently been approved for \$2,548,000 for our third year program.

One of the objectives of the Community Development Block Grant Program is the Conservation and expansion of the nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income.

Today I would like to address this Commission on a successful approach Essex County has taken to meet this objective in our participating municipalities.

The County's concern with the housing problems in Essex, growing local interest in neighborhood preservation and the resources of Community Development Block Grant Funds has resulted in the Essex County Community Development Home Improvement Loan and Grant Program which is a program to assist the financing of housing rehabilitation. The program has been designed to assure that homeowners can obtain affordable rehabilitation financing for improving the properties in which they are currently living. Essex County had budgeted \$160,000 from last year's Community Development funds for this project and \$500,000 from this year's Community Development Program which will commence on July 28, 1978.

This allotment of \$660,000 will generate approximately \$2,000,000 in private bank funds. This leveraging of Public funds with Private funds has enabled us to maximize our efforts to service the people of Essex County.

Some key points of the Program are:

- 1) We have several private financial institutions that are actively participating.
- 2) We offer homeowners an effective rate of interest of only 3% for amounts up to \$15,000.

- 3) We make direct grants available up to \$3500 for elderly and very low income homeowners.
- 4) We offer technical assistance in the form of housing inspections, cost estimating and bank loan processing.
- 5) County Government is working in close cooperation with local government to assure a viable working program.

After six months of planning, the program was initiated on January 25, 1978. The results, as can be seen on the attached sheet, have been tremendous. In the span of six months, we have had 310 inquiries, we have 153 applications on file and we have approved 85 loans and grants.

We will be reaching our projected one year goal of 100 rehabilitated units within the next few weeks. It is a program that is definitely reaching out to the citizens of Essex County affording them an opportunity for a decent home and suitable living environment.

RECOMMENDATION

I want to point out to this Commission that there is an urgent housing problem in Essex County for which we do not have any remedy at this time. 30% of our families live in multi-family apartment buildings. It may surprise this Commission to learn that approximately 90% of these families live in small apartment buildings of only 6-12 dwelling units; and only 10% of the families live in large apartment complexes most often identified with the tenant housing problem. I understand from the New Jersey Department of Community Affairs that these percentages are generally true throughout the state.

Federal financing is available to rehabilitate large multi-family buildings of 100 or more housing units; particularly under the HUD Section 8 program.

In Essex County we have initiated a solid program to assist homeowners of 1 to 4 family homes to make property improvements. But there is no program of housing rehabilitation financing--federal or state--that is available to revitalize small apartment buildings. In theory, HUD's Section 312 program can tackle this housing problem but the funding for "312" is totally inadequate as compared with the needs. There is also no provision for private financing, a key element in my opinion for any housing rehabilitation program.

This Public-Private partnership, not any single government-directed program, is the critical ingredient in bringing private sector leadership and dollar commitment to solving the pressing housing and community development needs of our communities.

Because this type of small multi-family apartment building is unique to New Jersey, it may be well for this Commission to consider studying the possibility of new legislation and financing to conserve this critical type of housing within our state.

I am not prepared today to present you with a blueprint for this program, but I can say that it should contain the following three features:

1. Financial participation by banks and savings and loan associations is necessary; and this requires some form of guarantee or insurance.
2. Below market interest rates are an important incentive for investor-owners to decide to upgrade their properties, preferably through some form of interest subsidy payment.
3. Cooperative agreements between the state, counties and municipalities are also necessary to share the responsibility for administration of this type of housing program.

If this Commission is interested in pursuing this particular housing problem, I and my staff will be happy to cooperate with you in any way.

I appreciate the opportunity to have discussed our program with you and I'd be happy to answer any questions you might have.

Thank you for your attention.

ESSEX COUNTY COMMUNITY DEVELOPMENT HOME IMPROVEMENT LOAN AND GRANT PROGRAM

The following figures reflect the activity of the Essex County Community Development Home Improvement Loan and Grant Program through July 24, 1978. Total inquiries are at 310.

TOWN	LOANS							
	APPLICATIONS		APPLICATIONS APPROVED			JOBS COMPLETED		
	ON FILE	NO.	BANK FUNDS	C.D. FUNDS	NO.	BANK FUNDS	C.D. FUNDS	
BELLEVILLE	23	15	69,348.00	31,850.00	3	18,068.00	8,630.00	
CALDWELL	9	6	17,772.00	7,728.00	2	8,041.00	3,459.00	
GLEN RIDGE	7	4	10,041.00	3,959.00	2	3,310.00	690.00	
LIVINGSTON	27	15	43,493.00	6,864.00	4	12,742.00	3,498.00	
MAPLEWOOD	18	7	46,708.00	6,550.00	1	3,702.00	1,798.00	
MONTCLAIR	12	3	6,731.00	3,269.00	0	0	0	
NUTLEY	10	5	6,842.00	2,858.00	1	3,702.00	1,798.00	
ROSELAND	4	1	1,450.00	350.00	0	0	0	
WEST ORANGE	22	14	37,431.00	14,869.00	3	12,234.00	4,866.00	
	<u>132</u>	<u>68</u>	<u>239,816.00</u>	<u>78,297.00</u>	<u>16</u>	<u>61,799.00</u>	<u>24,739.00</u>	

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TOWN	GRANTS					
	APPLICATIONS		APPLICATIONS APPROVED		JOBS COMPLETED	
	ON FILE	NO.	C.D. FUNDS	NO.	C.D. FUNDS	
BELLEVILLE	3	2	5,600.00	0	0	
CALDWELL	1	0	0	0	0	
GLEN RIDGE	1	1	3,500.00	1	3,500.00	
LIVINGSTON	2	2	5,000.00	0	0	
MAPLEWOOD	1	1	1,450.00	0	0	
MONTCLAIR	4	4	9,185.00	1	3,375.00	
NUTLEY	2	2	3,800.00	0	0	
ROSELAND	0	0	0	0	0	
WEST ORANGE	7	5	16,000.00	3	7,000.00	
	<u>21</u>	<u>17</u>	<u>44,535.00</u>	<u>5</u>	<u>13,875.00</u>	

*Hugh R. Hill
with Howard A. Hill*

A-SUPPLEMENTARY OF RELOCATION ACTIVITY - CITY OF NEWARK

Relocation can be defined as a program of planned assistance for persons and businesses that are displaced by governmental activity. The relocation process is implemented by guidelines that are based on both Federal and State statutes.

The requirements of State and Federal relocation regulations are so similar that for the sake of discussion we need not differentiate between the two. The major distinction to be made regarding Federal and State relocation requirements is this:

If any federally funded, or assisted project, causes displacement, relocation then must be administered under Federal regulations. If any unit of State government sponsors a project that causes displacement, the relocation requirement must then be administered under State regulations.

The first Federal relocation laws were enacted in 1949 under the United States Housing Act of 1937, amended. The first State of New Jersey relocation laws were enacted in 1967.

Both Federal and State laws have undergone several amendments since their inception. Each new amendment has increased the scope of services and/or raised the level of payments. The current Federal relocation law was enacted by Congress in 1970 and is known as the Uniform Relocation and Real Property Acquisition Act of 1970. The present State relocation law was enacted in 1971 and is known as the Relocation Assistance Law of 1970. Both laws are governed by a single statute. The purpose of that statute is to provide fair and equitable treatment for all persons displaced as a result of any governmental or governmentally assisted program.

A relocation program of planned activity requires that assistance be rendered to displacees in four specific categories:

1. Socio-economic assistance.
2. Assistance in the form of property management.
3. Assistance in securing safe, decent and sanitary replacement housing.
4. Assistance in making applications for relocation payments and in determining eligibility for such payments.

SOCIO-ECONOMIC ASSISTANCE

To render socio-economic assistance, the relocation staff must be adequately trained and sensitive to the extent of being able to recognize the need for socio-economic assistance. Although relocation programs do not authorize or require therapeutic programs or professional staff, relocation personnel are required to act as a referral source to established social agencies, both public and private.

SOCIO-ECONOMIC ASSISTANCE (continued)

Among the social problems encountered by the relocation staff, the dominant ones are related to illness, unemployment, under-employment, drug related problems and money management. The relocation worker does not simply refer a case to the appropriate social agency, the worker must become personally involved and remain involved until a solution has been found, or the problem has been minimized to its maximum extent.

PROPERTY MANAGEMENT

As a property manager, the relocation worker must assume full responsibility for the maintenance and upkeep of occupied properties which the displacing agency has acquired for a specific purpose, such as demolition, rehabilitation, or site clearance for redevelopment purposes. He must establish rents as prescribed by regulations. He must also effect the timely collection of rents. He must have leaky roofs repaired, he must correct faulty plumbing and inadequate heating systems. He must be prepared to respond to property management problems both day and night. He is in fact a Landlord.

REHOUSING ASSISTANCE

One of the most important facets of relocation assistance is the responsibility of securing a replacement dwelling unit for all displaced persons.

Relocation regulations require that replacement housing be safe, decent and sanitary, that it be in an area that is convenient to shopping, schools, churches and place of employment, and that such housing does not promote discrimination or create ethnic concentration. Replacement housing must be adequate in size and within the financial means of the relocatee.

ASSISTANCE IN SECURING RELOCATION PAYMENTS

The relocation worker must assist families in establishing eligibility criteria for relocation payments. Incomes must be verified, tenure of residency must be determined, and family relationships clarified.

Relocation staff must assist displaced persons in filing applications for payment. Relocatees must be advised of the types of payment for which they are eligible, and in cases where types of payments may be optional, they must be counseled in choosing the option most advantageous to them.

The schedule of relocation payments is as follows:

MOVING EXPENSE - FIXED PAYMENT

A maximum of \$500.00 moving expense payment, based on the number of rooms occupied. The moving expense payment ranges from \$225.00 for a person without furniture to a \$500.00 maximum for persons occupying five or more rooms with furniture. To receive a fixed payment, the displaced person must make his own moving arrangements.

DIRECT MOVING EXPENSE PAYMENT

Moving expense payments are unlimited if the displacee elects to have moving expenses paid directly to himself or to a mover for any and all actual and reasonable moving costs. This method is usually advantageous only if the displacee is moving to a great distance or does not have the capability of arranging and overseeing his own move.

RENTAL ASSISTANCE PAYMENTS

Rental assistance payments may be provided in the maximum amount of \$4,000.00 for each displaced household. The method used to determine the amount of rental assistance is based on the difference between the family's ability to pay and the actual rent charged for a replacement unit. The maximum total payment of \$4,000.00 is based on \$1,000.00 maximum per year for a period of four years.

DOWN PAYMENT ASSISTANCE

Down payment assistance toward a home purchase may be made up to a maximum of \$4,000.00. The amount of down payment assistance is determined by the amount actually required to purchase a replacement dwelling unit, including closing costs. Example, if the amount required for a down payment is \$2,000.00 the payment is \$2,000.00. If the amount required is more than \$2,000.00, then the displacee must put up a matching amount for any excess amount over \$2,000.00. The maximum payment, however, cannot exceed \$4,000.00.

REPLACEMENT HOUSING FOR FORMER OWNER OCCUPANTS

A payment not to exceed \$15,000.00 may be made to former owner-occupants who purchase and occupy a replacement dwelling. The payment is based on the difference between the amount the displacee received for his dwelling unit and the cost required to purchase a replacement dwelling. Example, if a displacee received \$15,000.00 for his dwelling, a comparable replacement unit costs \$35,000.00, the difference is \$20,000.00. However, the maximum payment cannot exceed \$15,000.00.

REPLACEMENT HOUSING FOR FORMER OWNER OCCUPANTS (continued):

It is the responsibility of the relocation staff to assure that relocation payments be made promptly and accurately.

At the recommendation of H.U.D. and the New Jersey Department of Community Affairs, in 1972 the Newark City Council passed a resolution designating the Newark Redevelopment & Housing Authority as the Central Relocation Agency for the City.

A Central Relocation Agency is usually the local organization best equipped to assure that relocation policies and requirements are met, particularly with respect to coordination of concurrent displacement and safe guarding against duplicate counting and competition for available relocation resources.

In addition to implementing relocation requirements for existing Urban Renewal programs, the Newark Redevelopment & Housing Authority is administering relocation programs under the Housing and Community Development Act, the Newark Board of Education, the Essex County Improvement Authority, and the City of Newark Code Enforcement Program.

Due to problems related to funding, the relocation programs for the Board of Education and Code Enforcement are not presently being fully implemented.

The relocation workload for programs currently under our administration is as follows:

525 families and 216 commercials. The major portion of this workload is scheduled for relocation over the next two years.

Since 1960 the Newark Redevelopment & Housing Authority has rendered relocation assistance to 13,178 families and individuals, and 2,861 commercials. Relocation payments in the amount of \$13,572,298.00 have been made to these displaced persons.

While there have been some justifiable criticisms of our relocation efforts, I think that you will agree that our relocation programs have been carried out with efficiency and the greatest consideration for those persons who were displaced.

With the advent of new housing construction and rehabilitation of existing units that is now underway in Newark, our relocation efforts will be even more successful in upgrading the quality of life for all displaced persons.

