

# Public Hearing

before

## SENATE JUDICIARY COMMITTEE

"To discuss the operations of municipal  
housing authorities in New Jersey"

LOCATION: City Hall  
Long Branch, New Jersey

DATE: September 30, 1992  
1:15 p.m.

### MEMBER OF COMMITTEE PRESENT:

Senator William L. Gormley, Chairman

### ALSO PRESENT:

Miriam Bavati  
Office of Legislative Services  
Aide, Senate Judiciary Committee



**Hearing Recorded and Transcribed by**  
The Office of Legislative Services, Public Information Office,  
Hearing Unit, 162 W. State St., CN 068, Trenton, New Jersey 08625-0068

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New Jersey State Legislature

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NOTICE OF PUBLIC HEARING

The Senate Judiciary Committee will hold a public hearing on the following topic:

To discuss the operations of municipal housing  
authorities in New Jersey.

The hearing will be held on Wednesday, September 30, 1992 at 10:00  
a.m. at ~~Kean College~~, in the Alumni Lounge, Union, New Jersey.

*Long Branch*

The public may address comments and questions to John Tumulty or  
Miriam Bavati, Judiciary Section, Office of Legislative Services, (609)  
292-5526. Those persons presenting written testimony should provide 15  
copies to the committee on the day of the hearing.



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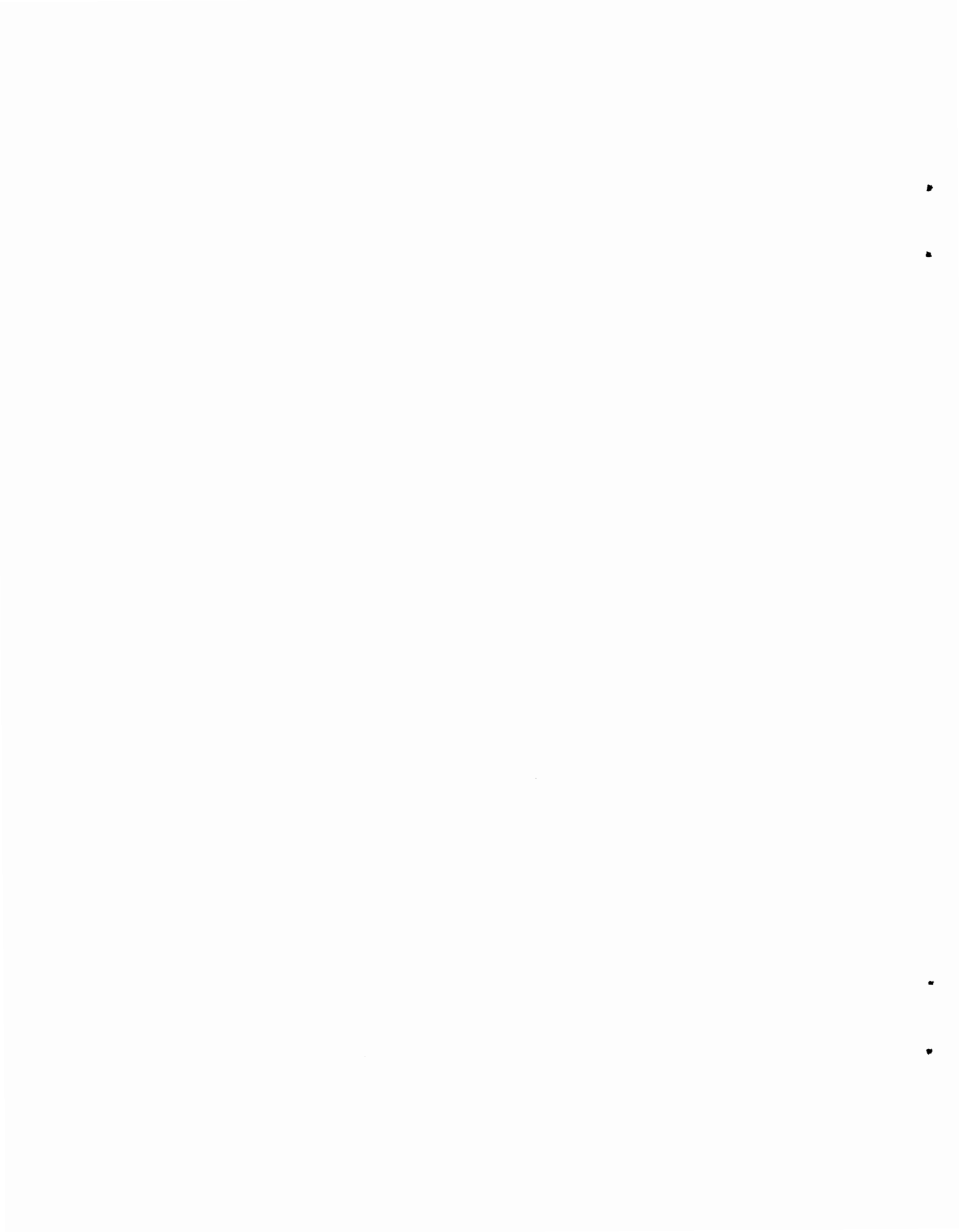


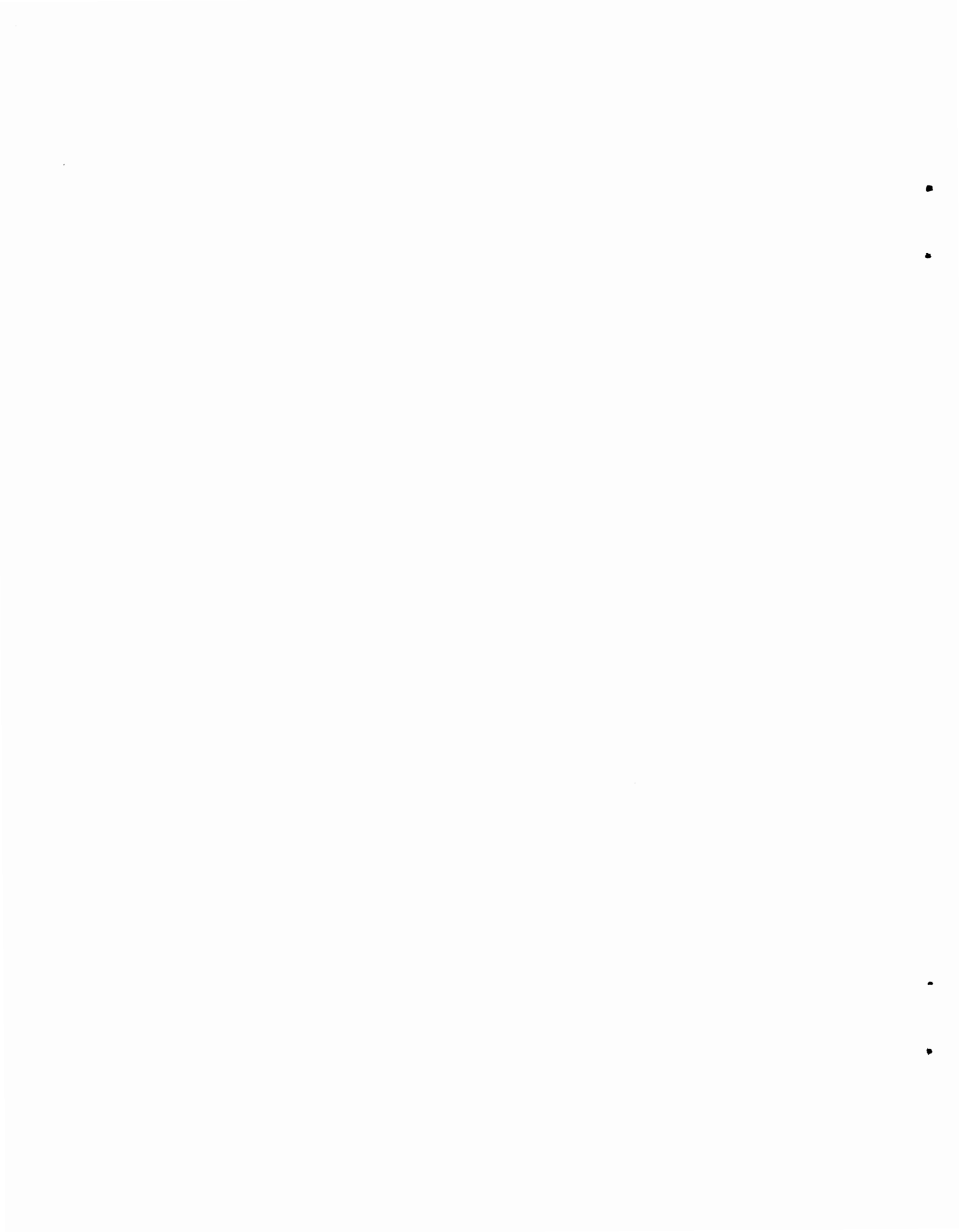
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**SENATOR WILLIAM L. GORMLEY (Chairman):** I want to thank you all for attending today. Senator Kosco is on the way.

Let me briefly outline the focus of the Committee today. My name is Senator Gormley. I am the Chairman of the Senate Judiciary Committee. I have been requested by the Senate President, Senator DiFrancesco, to conduct this, and other hearings, for the purpose of improving the quality of life by helping residents of authorities and helping the members of the authorities. I don't, nor will this Committee, just to be very frank-- We are not about the business of bashing individuals or what may or may not be prior indiscretions. What we are about is to look to legislative changes that will help to focus on what is, or should be, the goal of the authorities.

There are many fine individuals who live in these facilities; many fine individuals who, on a voluntary basis, serve as commissioners. The focus of this hearing is to get information to get a better understanding of what we can do, on the State level, and to hopefully effectuate a better relationship between the Federal government and the State in terms of delivering a product for the tenants and the people for whom the program is designed.

I appreciate everyone coming today. What I would like to do is start off with the Deputy Manager of the Newark Field Office of the Department of Housing and Urban Development, Diane Johnson. Diane, I first of all want to thank you. You have a very busy schedule today, and we appreciate your coming. One thing I would like you to do as you make your comments is, if you could, just focus on the base numbers in terms of the amount of money that comes in from the Federal government towards housing -- housing authorities in New Jersey, or programs that are monitored by those housing authorities. What I would like to hear from you are any recommendations that you may have beyond those numbers that you

think would help to create a better working relationship. The definition of "better working relationship" is delivering a better product for those who live in the facilities, because that, supposedly, is what this is all about.

Again, I want to thank you, and I want to thank Doc Villane for making the Department available today. With that, I would appreciate any comments you might want to make.

**D I A N E J O H N S O N:** Thank you, Mr. Chairman, and the members of this Committee. I would like to thank you for inviting the Department to speak to you today.

I will provide to you a brief description of HUD's role concerning public housing authorities in the State of New Jersey. Municipal agencies are of fundamental importance to the housing policy of the United States, and have been for decades. In 1937, Congress passed the United States Housing Act, which declared that it is the policy of the United States to assist the states and their political subdivisions to remedy unsafe and unsanitary housing.

In order to accomplish this objective, the Act seeks, and I quote: "To vest in public housing agencies the maximum amount of responsibility in the administration of their housing programs." This is, we believe, creative federalism at its best; a partnership between the United States Department of Housing and Urban Development and the municipal agencies, which are created by the State. In this partnership are also the tenants. The United States Housing Act recognizes the importance of tenants' input into their own housing needs by specifically providing that tenants can serve as commissioners of the housing authority.

On vested and responsibilities on the local housing agencies and tenant involvement in the decision-making process: HUD is bound by the fact that legally, housing authorities are creations of the State. As you know, Title 55 of the New Jersey Statutes, Section 14A, governs the operation

of local housing authorities. We, at HUD, have been honored to work together with the people who run the 80 housing authorities we assist in the State of New Jersey to improve the type of housing of our lowest income residents.

HUD provides three kinds of financial assistance to the public housing authorities in New Jersey: new development, operating subsidies which permit housing authorities to keep their rents low, and funds which we call "capital improvement" funds for existing projects; that is, either CIAP modernization or what is now known as comprehensive grants.

Our commitment to public housing in New Jersey is strong. In Federal Fiscal Year 1991 -- and today ends Federal Fiscal Year 1992 -- HUD issued commitments for 372 new units to be built by public housing agencies. We have reserved \$108.6 million in operating subsidies, and last year we funded \$96 million in modernization funds for housing authorities in this State.

Working with these housing authorities is a great challenge. The 80 housing authorities are as diverse as the State itself. The problems of the Newark Housing Authority, for instance, are different from those of the Guttenberg Housing Authority. The Camden Housing Authority has different needs from those of the Clementon Housing Authority.

Although there has been an abundance of negative publicity concerning public housing matters, the total picture is quite different. We believe that the shared responsibility of Federal, State, and local housing agencies has been of great help to all of those who are in need -- our neediest citizens. Unfortunately, these success stories do not seem to generate the amount of publicity they should. We, at HUD, welcome this opportunity to meet with you today, and look forward to continuing a good relationship with the housing authorities and with the State of New Jersey.

SENATOR GORMLEY: Thank you. Let me get into some points, and I appreciate your providing those numbers.

If you were to look at the modernization needs in New Jersey-- For example, with the schools in New Jersey, we always say the number is \$6 billion, in terms of dollars we would need to renovate or to build new schools. You have indicated there is \$96 million available for modernization this year. Has there been an estimate of what the total modernization needs are beyond the \$96 million?

MS. JOHNSON: That number is not available today, simply because of the fact that the Department has just changed its procedure. We have just gone out to the housing authorities and asked them for a five-year improvement plan. After our review of those plans -- the 80 plans that have been submitted -- we will then have a better idea of the total needed in this State.

I would say to you that within two weeks we should be able to have that number.

SENATOR GORMLEY: In terms of the total dollars spent by the Federal government-- You went over about \$200 million, but it is far more than that.

MS. JOHNSON: Oh, yes.

SENATOR GORMLEY: I would like to get a handle on how much money comes in to the 80 authorities. What I would be interested in is if have, or could have -- and I realize this would be information to be provided probably-- What is the breakdown of the administrative costs for that dollar amount? In other words, with the 80 authorities, what is the administrative cost to administer "blank" overall dollars? I would be curious about that. But what is the overall amount of money that comes in?

MS. JOHNSON: I would say that is probably about -- over \$500 million a year that is coming into the State.

SENATOR GORMLEY: So we have \$500 million a year coming in to 80 authorities?

MS. JOHNSON: Yes, and that is only strictly for conventional public housing. It has nothing to do with their Section 8.

SENATOR GORMLEY: With the redevelopment.

MS. JOHNSON: No, it has nothing to do with development, nor does it have anything to do with Section 8, which is also an assisted housing program.

SENATOR GORMLEY: Now, I know that Secretary Kemp has been very vocal, has put in a lot of hours trying to, shall we say, change direction in terms of creating some innovative programs. What programs are being implemented within that range of expenditure?

MS. JOHNSON: Well, all of our HOPE programs are certainly in that dollar amount. For Fiscal Year 1992, because of the fact that we have not gotten fiscal year clearance, I can tell you that we are giving about \$3 million in the State of New Jersey this fiscal year, which is Fiscal Year 1992.

SENATOR GORMLEY: What is the nature of those programs?

MS. JOHNSON: Well, it provides home ownership for those residents who are eligible to participate in the program. It is giving home ownership to families which would never have thought of having home ownership before.

SENATOR GORMLEY: We have gotten the gross amount that is spent. What do we estimate to be the number of residents -- the number of units and the number of tenants living in the facilities?

MS. JOHNSON: Well, it is always hard to give you a tenant number, but I can tell you that there are over 49,000 units of public housing in the State of New Jersey.

SENATOR GORMLEY: Guess.

MS. JOHNSON: It would truly be a guess.

SENATOR GORMLEY: Guess. Well, I have said it twice now.

MS. JOHNSON: I don't know, a couple of million. I mean, it is really very, very difficult, because of the fact that we are talking about four- and five-bedroom units, and a lot of public housing agencies.

SENATOR GORMLEY: Let me go back to an earlier question. If we could be provided, out of the \$500 million, a total of what we would label the administrative costs-- If that could be provided within the next couple of weeks, we would appreciate it -- in terms of staffing and running 80 authorities to manage the \$500 million, because that does come out of the subsidy.

MS. JOHNSON: Yes, it comes out of all the programs.

SENATOR GORMLEY: It comes out of all the programs. So, the question is, what is the management cost for the \$500 million?

In terms of money that you ask for from the Federal government -- and I realize that on the State level, in fact, we are criticized for not giving nearly enough-- In terms of the needs for which you have requested money -- and I am not trying to knock the Federal government; that is not the intent of the hearing -- where do you feel you have not had adequate funding support either from the State or Federal level for particular programs, particularly in the delivery of services where you would like to see more funding?

MS. JOHNSON: Being that I am the Federal government, I mean, Congress gives us what generally the Secretary has asked for. I guess on the State level one of the things that we desperately need that the Federal government no longer funds, is social services. There are, at the present time, no Federal funds going in, with the exception of our Drug Elimination Program, which provides some social services, but not nearly enough.

SENATOR GORMLEY: Would you define that a little bit more for me?

MS. JOHNSON: Well, social services-- We have found -- the Department has found -- that we are putting families in units -- I mean, housing is the first priority -- but we are not providing the backup services. I mean, housing authorities do not have homemaker services for their seniors. Day-care centers are certainly needed. We have provided some funding for day care, but Head Start and preschools are definitely needed if our families are going to go out to work. Budget counseling is needed. They need tutorial programs for their students. They need recreational services for their children.

We are talking about a great number of children living in a very small area, so we do need all of the backup services that you have in your normal communities.

SENATOR GORMLEY: In prior years, or in prior decades, services like that have been provided.

MS. JOHNSON: That is correct, either through the State of New Jersey or through the Federal government.

SENATOR GORMLEY: We're having a hearing tomorrow in Trenton that will focus on a form of solution. That would be to set up some model programs for the delivery of the social services directly out of the schools -- community-based programs -- which I think are similar to what you are talking about in terms of delivering programs -- community-based programs.

In your relationship with the State of New Jersey in terms of monitoring done by the State of New Jersey-- I think that Federal officials and State officials who work full-time, I think because of budget restraints, are put in the same predicament from time to time. We give you too many things to do. Do you find that we have lived up -- as we should on the State level -- to funding the auditing to such a level that it

provides the monitoring level that you would like to see in terms of monitoring the expenditure of this \$500 million-plus fund?

MS. JOHNSON: I am not aware of any monitoring system that the State has. I am not personally aware of any. We don't get any copies of anything the State is reviewing of the housing authorities.

SENATOR GORMLEY: Would you, or would the Department, like to see greater involvement from the State? As it is, there is one State appointee to the Housing Authority. Would you like to see a higher level of State involvement -- greater involvement between State departments with the Federal government in terms of the delivery of-- Not just in terms of monitoring, because the monitoring is just-- It is important, because obviously when you are talking a sum of a half a billion dollars, any form of monitoring is important. But what we all want to see is something that is not so bogged down system upon system that all you have done is create administrative costs without the tenant receiving the product.

Do you think there is anything that should be done?

MS. JOHNSON: I think we need to strengthen the partnership that we have built. I think one of the ways that that could be done-- In the last couple of weeks, we, the Department, have sat down with a couple of State offices, and we have been able to work out some problems which in the past we didn't think we could work out, to help housing authorities. I am not at liberty to tell you in detail the problems that we were able to work out, but I think we need to form a better partnership, and I think we need to continue the dialogue we are having now. I think that needs to continue; it does not need to stop, because we don't have the funds. We don't have all of the resources, the Federal government, and we now see that the State does have some funding that can help the housing authorities in this State.

SENATOR GORMLEY: And who do you mean, the Department of Community Affairs?

MS. JOHNSON: The Department of Community Affairs, as well as the New Jersey Housing and Mortgage Finance Agency.

You see, when we are talking about developing new units of public housing, we have certain limitations on those units. A housing authority cannot build the type of units that they are looking for for our residents in this State. With the combination of funding, they can provide a better product for the tenant. Our funds are very limited, and we do not give them all of the amenities they need for a unit for a family.

SENATOR GORMLEY: Are you talking in terms of just the base facility, or also the support areas -- the social areas? In other words, beyond the mere two or three or four bedrooms, or whatever it might be, those other elements that provide a level of community support, or a sense of community to the facility?

MS. JOHNSON: Just to give you an example, if we build 100-- If we give a housing authority moneys to build 100 units of housing, we only provide 1800 square feet of community space. They certainly could use more.

SENATOR GORMLEY: That's a little tight.

MS. JOHNSON: Right. They certainly could use additional space. However, if the State provides them with additional funding, then they could provide a larger space for the residents of that development.

SENATOR GORMLEY: Are there any incentive programs on the Federal level if the State steps up with a higher level of commitment?

MS. JOHNSON: I'm sorry?

SENATOR GORMLEY: Are there incentive programs -- any incentive programs -- on the Federal level that currently exist that if the State steps up and provides a higher level of

funding, are innovative, you know, confuse everybody and really think through the problem?

MS. JOHNSON: Well, I'm sure we could work it out.

SENATOR GORMLEY: Okay, very good. I certainly appreciate your taking the time to come here today. I appreciate your testimony. I look forward to working with you in the future. I would appreciate the follow-up information we requested. Thank you very much. I appreciate it.

MS. JOHNSON: Thank you.

SENATOR GORMLEY: The next witness will be Chuck Richman. He is on his way. He is the representative of the Department of Community Affairs. We will next go to Sandy Masselli, Jr., Chairman, Board of Commissioners, Long Branch Housing Authority. Thanks for coming today. Please go ahead.

S A N D Y M A S S E L L I, JR.: Good afternoon, Mr. Chairman. Thank you.

My name is Sandy Masselli, Jr., and I am Chairman of the Board of Commissioners of the Housing Authority of the City of Long Branch. I would like to take this time to thank you for giving me an opportunity to speak today.

The shortage of safe, sanitary, and affordable housing in New Jersey is well documented. It is because of these very reasons that housing authorities are so important. As you know, such agencies, through grants from the Federal government, provide housing and shelter for those in need. In order to effectively and appropriately serve the thousands of deserving tenants, housing authority administration must be reputable, competent, and beyond reproach.

In all instances, this has not been the case. Hopefully, the results of today's hearing, and other similar meetings throughout the State, will lead to more universally accepted standards of performance.

It is no secret that the Long Branch Housing Authority has recently been the subject of investigation by Federal and

State authorities. As a result of these inquiries, as well as internal measures undertaken by the Authority on its own initiative, I am confident that our Authority will improve upon the level of service that we will provide this city and its residents.

In the spirit of improving Housing Authority administration and tenant services, the Long Branch Housing Authority welcomes your comments on reform. In fact, there are quite a few briefly described suggested areas of improvement that I would respectfully like to submit to you for further review and research.

Initially I would like to stress the need for--

SENATOR GORMLEY: As long as you are respectful when you give them to us.

MR. MASSELLI: Okay. I would stress the need for some more Federal and State grants earmarked to assisting local authorities in establishing child day-care facilities in our projects. These programs would enable parents and guardians to either seek or train for employment, which might thereafter place them in the work force and possibly end their need for federally funded subsidized housing.

Moreover, perhaps the Federal and State agencies should urge local PHAs to adopt enforceable model ethics codes which would set forth standards of behavior for the executive directors, commissioners, corporate fiduciaries, and their employees. A code such as this would not only greatly reduce potential administrative abuse, but would restore the much needed public confidence in our workings.

Perhaps most importantly, I cannot stress enough the importance of maintaining and improving grants to combat our drug epidemic. The plague that drug abuse has cast on our society is evident in all economic classes. We need more funds and administrative assistance for drug education, prevention, and for police patrols to take back our streets.

I am quite proud of our efforts and our commitment in conjunction with the City of Long Branch to the Drug Elimination Program we have instituted in our Housing Authority.

I would like to respectfully request--

SENATOR GORMLEY: Sorry, go ahead.

MR. MASSELLI: I would like to respectfully request further review of a couple of these suggestions and of the programs that we feel will lead to an effective operation of local PHAs.

There have been recent and well documented events throughout our State that are painting a disturbing and dismal picture of the Housing Authority and its operations. There have been claims of inadequate administration, inflated salaries, improper procurement policies, nepotism, and financial mismanagement and misappropriation that have served to threaten the integrity of the social reformers who initially created these supported programs. These actions have not only hurt the tenants, but the average taxpayers as well. Accordingly, we look forward to Housing Authority reform; we look forward to improving the quality of life of our tenants; and we look forward to the day when our tenants no longer need to live in government subsidized apartments.

Until then, however, our goal remains unchanged. We will continue to provide for our city and our residents through rules and regulations of HUD and by the State of New Jersey, and, with the utmost candor, I must pledge to you the Long Branch Housing Authority and its Board of Commissioners' complete respect and cooperation in the reforms you deem appropriate.

Thank you.

SENATOR GORMLEY: I come from an area where there is never any controversy. I represent Atlantic City. (laughter)  
So, I appreciate your comments.

How many units of housing is the Authority vested with in Long Branch?

MR. MASSELLI: In Long Branch, I think we have a little less than 600.

SENATOR GORMLEY: Less than 600. It is the feeling of yourself and members of the Authority that you would like to see a higher focus from the State in terms of those collateral social needs that were mentioned by the prior witness, specifically day care, which is at the top of your agenda.

MR. MASSELLI: Right, yes.

SENATOR GORMLEY: Has there been any work done, or estimate done, or concept plan put together in terms of-- When you talk about day care, are we talking-- You know, one of the primary problems that you run into in society today is the dysfunctional family, the single-parent phenomenon. The problem you have, many times, is not all-day day care, as much as after-school programs, latchkey programs, or whatever. Has there been a breakdown, or a review, in terms of-- If the money were available, what type of program would you like to see available?

MR. MASSELLI: We are now in the process of formulating those programs and what our needs are.

SENATOR GORMLEY: In terms of your budget, if I may ask, your operating budget, what is the administrative cost to run an agency that monitors 600 units?

MR. MASSELLI: Our total budget is a little less than \$3 million -- \$2.9 million.

SENATOR GORMLEY: Okay. That is your total share of the half a billion that was mentioned earlier?

MR. MASSELLI: Right.

SENATOR GORMLEY: Do you have any applications in to the Federal government for rehabbing existing units?

MR. MASSELLI: No, we don't, not our existing units.

SENATOR GORMLEY: In terms of a general breakdown, in terms of the age of the units -- okay? -- how would you break them down in terms of modern, new, the most recent?

MR. MASSELLI: The majority of our units were built in the '30s and '40s, except for the senior citizen housing that we built recently.

SENATOR GORMLEY: I assume -- and this is a similar problem I run into in my district -- that replacement costs of those units built in the '30s and '40s must be astronomical -- astronomical.

MR. MASSELLI: Yes.

SENATOR GORMLEY: I assume the maintenance costs are somewhat high.

MR. MASSELLI: They are.

SENATOR GORMLEY: And that does create a problem. In terms of the breakdown of the units, how many are broken down into units in which you have, you know, families, two or three or four bedrooms, or single units?

MR. MASSELLI: I don't have the figures for you, but we do have nonfamily units which are our senior citizen units.

SENATOR GORMLEY: If you were to categorize in terms of the social needs in the facilities, it would be providing those alternate social needs that supplement a form of community living?

MR. MASSELLI: Right.

SENATOR GORMLEY: Okay. In terms of monitoring the dollars -- and it is not my role today to go into specifics -- but in terms of monitoring the dollars or assistance from the State, would you want auditing assistance from the State? I am not getting into individual-- I don't want to do that. But in terms of what would help the Authority supplement the staff of the Authority, what could be provided from the State that, because you are dealing in multiples of 80, that would be more effective for the State to pay for than-- As I see it, every

time we take a nickel out of your budget, that is a dollar less for a facility. That is a dollar less to upgrade a facility.

You know, our goal in New Jersey should be to take that half a million dollars and make that facility- or tenant-oriented as much as possible. How can we supplement your staff by providing functions on the State level that can be provided to all 80 facilities, without you having to individually do it in each department? Is auditing one of them?

MR. MASSELLI: By having a State auditor for the funds.

SENATOR GORMLEY: I know that HUD also does, you know, obviously has very tight procedures, but I assume that whatever assistance could be provided from the State, or coordination from the State, it would be helpful to you.

MR. MASSELLI: It would be greatly appreciated, and it would be helpful.

SENATOR GORMLEY: Is there anything else beyond the day-care recommendation that you made?

MR. MASSELLI: Also our Drug Elimination Program. We are not receiving-- I do not believe we are receiving any State aid for that program, but we are receiving Federal aid.

SENATOR GORMLEY: Okay. Was there an application made to the State for the Drug Elimination Program?

MR. MASSELLI: I don't know if there is a State application that can be made.

SENATOR GORMLEY: Has the change in the law been implemented-- Tenants brought up the need and an amendment was made in the law a number of years ago -- a couple of years ago -- in terms of the eviction of those who were to have sold drugs from the facility. Has that ever been made use of?

MR. MASSELLI: Yes, it has. We tried to make use of it, but now with the Federal Court striking it down, we have not been too successful.

SENATOR GORMLEY: Anything else you would like to add?

MR. MASSELLI: No, thank you.

SENATOR GORMLEY: Thank you very much for your testimony. I appreciate your coming today.

MR. MASSELLI: Thank you.

SENATOR GORMLEY: I would now like to call Richard D. Fox, President, New Jersey Association of Housing and Redevelopment Officials. Mr. Fox, I appreciate your coming today. You have heard what I hope you will feel is the substantive direction the Committee is trying to take. I would appreciate your comments, or your supplementing whatever we have already stated. Possibly you can give suggestions of how, on a central basis, without limiting the local prerogative of input, we can be of assistance to offset the local budget woes of these entities. Please go ahead.

R I C H A R D D. F O X: Good afternoon, to the Committee and the Senator -- Senate Chairman Gormley. I want to thank you for allowing us to be here today.

I am here to present a paper to the Senate Judiciary Committee which is, "A New Urban Housing Partnership Proposal," which was formulated by a Joint Committee of the New Jersey Association of Housing and Redevelopment Officials and the New Jersey Association of Housing and Redevelopment Authorities. This paper, which is rather substantive -- and it is lengthy, approximately 51 pages -- cannot be covered all today--

SENATOR GORMLEY: Are you a fast reader?

MR. FOX: --and we are not going to try. What I would like the Senator's staff to do is to review this paper--

SENATOR GORMLEY: Sure.

MR. FOX: --because it is not possible today to touch on all the items. You have asked specific questions about how the State can help the housing authorities in New Jersey. Over a three-year period, we have been working on that very project. You have put your finger right on the button that we wish to address, and we have addressed that.

I want to acknowledge that we have had many people who have worked on this paper -- commissioners, attorneys, executive directors. We have presented this paper in its first format to prior Commissioner Anthony Villane, and we have updated it to address recent concerns in the State of New Jersey.

The paper touches on a summary; it touches on the concerns and needs for day-care and latchkey programs, and specifically gives examples of what the State of New Jersey could do in those areas. It addresses the Family First Program. There will be -- and right now there is -- a debate in the national Congress about family centers to go along with FSS Programs -- Family Self-Sufficiency Programs. I believe that is where housing in New Jersey and in the nation will be going, Senator, and that is with more upward mobility for residents and more resident participation, and residents being involved more in their own self destiny.

The State of New Jersey could definitely help. The paper mentions where the State of New Jersey can have a financial stake in this. It must be remembered in reviewing this paper, that we are entities of the State of New Jersey, and that we are going through a period of change in the nation. Creative federalism is happening where the sharing of power is changing, and the shift is occurring that the Federal government is shifting costs to municipalities in the State.

SENATOR GORMLEY: That's creative federalism?

MR. FOX: That is creative federalism as we have been told.

SENATOR GORMLEY: Passing the buck. Okay.

MR. FOX: We think it is passing the buck.

SENATOR GORMLEY: Okay.

MR. FOX: Thus, we are here to say--

SENATOR GORMLEY: It sounded so good at first, creative federalism.

MR. FOX: --to the State that, yes, you are on target, and, yes, there are concerns and needs of the housing authorities in New Jersey, if you are going to preserve this very, very valuable housing stock of 80 housing authorities and approximately 70,000 units in the State of New Jersey. There is a modernization program in the State of New Jersey, but as the Deputy Director of HUD, Diane Johnson, said, there is a need for the State to participate in a financial way.

SENATOR GORMLEY: Oh, let's get into that a little bit. You talked about modernization.

MR. FOX: Yes?

SENATOR GORMLEY: The people who worked on this paper-- What did they estimate the cost of modernization to be? See, what I would like-- What I intend to do with this process is, when we do something, it will be real. It might not be spectacular. I mean, I would rather create three real day-care centers instead of talking about, "I have a \$9 billion program that goes nowhere."

What I am curious about is, we are talking about modernization, but I want to get a handle on modernization, the levels of modernization costs, and also there is one category of modernization which is like creative federalism -- habitability. What level of modernization is needed so people can, shall we say, have what would be considered by many to be a minimum living standard, in terms of the quality of life? Certain programs can be very ambitious, but I want to make sure that-- We are talking about a word that has been abused to a great degree -- that safety net, in terms of the quality of certain facilities, to upgrade them.

I think you know the difference of what I am talking about. You can have a very elaborate modernization program, but at the same time I want to make sure that we really focus on those units, wherever they might be, that are brought up to minimum standards. Before we start talking about spectacular,

I want to talk about minimum. That is my thought process, and I would hope you would keep that in mind.

I'm sorry, go ahead.

MR. FOX: Senator Gormley, rather than give you an off-the-cuff answer about that very, very important question, I would like to get back to you with a comprehensive answer on what we think the modernization needs in the State of New Jersey are, if I would be permitted to do so.

SENATOR GORMLEY: What I would like you to do, if you would check with the members of the authorities-- We, the members of the Committee, would be very happy to go to certain units and look at the problems. It would be at the tenants' discretion if they did or did not want to have the media there at that time. We don't want to make this a photo-op special. But if, in fact, you feel there are certain real reviews to be done, in terms of looking at certain facilities, if it would be appropriate with the tenants, myself or other members of the Committee would be available to do that.

MR. FOX: I would specifically just address the cost of modernization needs in the State of New Jersey. HUD does have a substantial modernization program, but they are also not a bottomless bucket. So I would be glad to get back to you with that.

The paper also addresses certain security concerns in housing authorities. Recently, the Public Housing Drug Elimination Act has been a substantial help to housing authorities thanks to Senator Lautenberg, who sponsored this legislation. However, we think it needs to be expanded. It mostly touches upon the very urban housing authorities. This is an area where the State could have an impact with housing authorities, helping other housing authorities, because drug concerns and drug problems are not just only in the largest housing authorities. But that Federal funding, which we participate in, does help the larger housing authorities.

There is also a need in the smaller housing authorities in the State of New Jersey. So, security is a very, very big concern.

There was a model program in Trenton where there was resident involvement in programming, but one of the key functions was security. They upgraded the security. Right away, the children could play on the lawns; grass could be grown; flowers could be planted; residents could begin to participate on their blocks because they didn't fear the drug concern, which has escalated in New Jersey in public housing. I don't know what we would have done if this Public Housing Drug Elimination Act Program had not come along, and also if HUD had not allowed us to use modernization funds in that area, part of the management aspect of it. It was very good that they did that, but there is a need for more of this in the authorities throughout the State of New Jersey.

We also need to emphasize programming for self-sufficiency. There is a model in the Federal program which I think the State needs to buy into, which helps residents achieve self-sufficiency in a number of years. In the Family Self-Sufficiency Program it is going to be five years where they are expected to move into the housing, or obtain the Section 8 and move out. The problem to the residents is, there are really not enough assets in the State to channel them into, so that they can realistically achieve self-sufficiency in five years. We see that there is welfare--

SENATOR GORMLEY: You have to have a job.

MR. FOX: We see welfare reform in the State of New Jersey in The Newark Star-Ledger today. I understand that they will be able to make more money and receive their benefits, but a resident is not going to leave the assistance if there is no health insurance. They are just not going to cut their heads off medically.

SENATOR GORMLEY: Well, in certain programs that have been developed you have to look to three needs in that

transition period: You have to look to the health care; you have to look to day care; and, in certain circumstances, you have to look to transportation. There is that need to provide that, let's say, 20 percent to 25 percent gap financing, while someone hopefully makes the transition from welfare to the other job; to provide that level of assistance when they are first starting out at the lower end of the ladder. You have certain people that barely earn above the minimum requirements of welfare and, quite frankly, it is more cost-effective--

We had a model program in Atlantic City where 1500 jobs were set aside by the casinos, specifically targeted for individuals on welfare. Now, we had a unique advantage because the casinos provide health care, which made it very effective. But it is very, very difficult to do it. From my perspective, what we would have to do, and almost on a town-by-town basis-- You would have to look for that level of community involvement from corporations in the region. There is not one fount of money that is going to do it. It would really take that level of focus from the local entity to provide these supplements, because if we just say, "Here's a check, here's a check--" Well, that is not going to happen anymore. It is just not there. I think people do have an understanding that we have certain budget restraints.

But, have you had any circumstances, or instances, where-- For example, we talk about -- because it is in vogue; see, if it is in vogue, certain programs are popular -- the Adopt-a-School Program, or whatever. Have we had any instances where a local corporation, a local business, a local industry, or whatever, has had any involvement with any of the authorities in terms of any program that would really lift them up?

Now, I cited in Atlantic City what we do with welfare. Are there other examples, or are there other incentives we can provide to the private sector or to the

nonprofits to get involved? I mean, there are nonprofit dollars, and there are nonprofit dollars in New Jersey. What I find to be upsetting from time to time, is that sometimes the people who need it the most, not because they don't have the talent to apply for it, but because they haven't been trained to apply for it, or because they, quite frankly, don't know the right people, or don't know to apply for it.

Have we had any bridges like that being built, or suggestions to help encourage those bridges being built?

MR. FOX: Well, the thousand points of light philosophy, in concept, is helpful, such as the Union County Coalition -- Interfaith Coalition for the Homeless in churches. I happen to be on that Board where they network and are hospitalities providing basements for the homeless. That helps.

If we could have the county colleges provide us with academic services for the residents who would be in our FSS programs, that would be very good. The State controls the budgets of the county college systems, and I would think they could see that the county colleges intermesh with the Family Self-Sufficiency Program of HUD, because there is no buying power through that FSS program for social services or educational services for residents.

I know we have worked in cooperation with a hospital to have training for residents so they could have entry level positions in hospitals. We would like to see more of that. However, the hard facts and the reality of the situation is that--

SENATOR GORMLEY: If you look at the residents in the facility that you manage--

MR. FOX: Yes?

SENATOR GORMLEY: Okay. If we are looking at the need of, let's call it the "dysfunctional family," the single-parent phenomenon, to provide a job for that single parent, or we are

looking at a child who we don't want to see imprisoned in a cycle of poverty--

MR. FOX: Yes?

SENATOR GORMLEY: --what would you like to see? What corporate involvement, what nonprofit involvement? I mean, I have to rely on people like yourself who have been there. I have to rely on the tenants to give input. We have to cross-reference all of this.

You know, we, Senator DiFrancesco-- Quite frankly, this is not a political issue. I am sure the Governor would be supportive if we could put something meaningful together, but you have to get certain levels of agreement in terms of what works. What I am looking for is, how do we bridge the gap? How do we take the people from the Route 1 Corridor; how do we take one of the most affluent corporate bases in New Jersey, that might not have been asked in certain circumstances, and how do we work on day-care programs, or programs that could tap into those resources, or how do we give certain educational opportunities to those people who want to learn?

I don't have the answer. It's a problem, but it is also an opportunity to be innovative, but legitimately innovative. What I don't want to do is another 400-page position paper that collects dust from the State Legislature, and here was the program, and we point fingers at either side; it was underfunded, and we're on to the next. I'd rather do three real day-care programs, two real corporate partnerships, so that this hearing, and other hearings, come away with some effect on some individuals' quality of life.

That is what I am looking for out of position papers. So, what would you ask for? What cooperation would you like to talk about?

MR. FOX: Whatever the sponsor, private or public, could provide: day care for the residents so they could, one, attend schools. Two, I believe we have a big, big need for

remedial training of residents in the basic skills in public housing. Three, we need entry level positions, and higher than entry level positions. We need jobs that provide a living income, not just a CETA program type of job, where somebody is trading away their health benefits for the lowest entry level job. The person, and quite often it is a woman, is not going to trade away the health benefits and guaranteed income from the system for an uncertain position without health benefits, in an entry level position that is undesirable.

So, I am talking about meaningful training to residents, and then opening up jobs in the corporate corridor of New Jersey -- this Gold Coast -- so that they can have meaningful income, and then, that they can move on out of public housing, opening this up.

Now, there are different things that can be done. The project's self-sufficiency concept can work. Then, what about the housing? We can, through cooperation, just utilizing your funds, do lease/purchase programs, whereby if you provide the housing authorities, which are underutilized in the State of New Jersey-- We are not utilizing this very, very valuable body of knowledge and professionals hardly at all. I would think that lease/purchase programs, where a block of money is provided that people can buy and rehab houses, that they can pay back into the fund and those moneys are going to be revolved again and again, would be very useful to the residents, because they not--

SENATOR GORMLEY: So, what you're saying is--

MR. FOX: --only need education and a job, they need a home that has a backyard, three bedrooms, and is more than a small, cramped housing unit.

SENATOR GORMLEY: Well, there is no question about that, but the problem is paying the-- I mean, we have seen certain programs that, even if you were to give someone a house -- and it is not the individual's fault -- and you subsidize

the home, or whatever, making the mortgage payment-- If you don't have the right job, it doesn't matter what base subsidy is there.

MR. FOX: But if the resident is involved in an educational program, it is a motivated resident. If they are then paying into an escrow account that they will lose if they do not follow up with the other costs of the house, etc., we know that it will work. As a matter of fact, in Plainfield, we did nine of them. That concept was--

SENATOR GORMLEY: What was the cost per unit?

MR. FOX: That cost then-- We received units from the Federal government for one dollar.

SENATOR GORMLEY: Well, that is a pretty good base, I'll tell you.

MR. FOX: Yes. That concept could be done again if the FHA would release their properties to the housing authorities for one dollar. We could then put approximately \$18,000 to \$20,000 into that house, even if it is a shell, and get your bathroom, kitchen, etc. going, and then--

SENATOR GORMLEY: Are you saying it is potential--

MR. FOX: --you would be amortizing another \$25,000, and now you are talking about carrying costs to the resident -- amortization \$350, \$400 -- and they are a home owner and not a tenant.

SENATOR GORMLEY: All right. You have to understand. You gave me these numbers, and now I am going to repeat them. Okay? I get dangerous now.

MR. FOX: Okay.

SENATOR GORMLEY: You said the unit cost \$25,000.

MR. FOX: No; no I didn't. I said if we could--

SENATOR GORMLEY: All right. What does a unit cost?

MR. FOX: To acquire?

SENATOR GORMLEY: You were talking about these nine units. What did the unit cost until you got to the point where

the person could turn the key and move in? That is what you have to know. What does it cost?

MR. FOX: Because we got them from the Federal government it was one dollar to acquire, and then we put approximately \$18,000 into them -- \$18,000 to \$20,000.

SENATOR GORMLEY: Okay. The point is, in those urban areas where -- because it comes down to ground costs--

MR. FOX: That was a property release option program of HUD.

SENATOR GORMLEY: Also, when it comes down to properties they will give up for a dollar, which will usually be in areas where there have been foreclosed properties, to a great degree, the potential exists to create units at a low enough level that you could support the mortgage. Where did the \$18,000 come from?

MR. FOX: That was an initial model that we demonstrated for the Federal government.

SENATOR GORMLEY: Where did the money come from?

MR. FOX: From the Federal government for the demonstration of this program. Then the money was recycled and went back to the city to do more such programs, and our City of Plainfield is doing more such programs. New Brunswick did a similar model. It is a very successful concept. And the State of New Jersey-- If they give us a block of funds to utilize, you would probably only lose the interest on that money. Maybe you wouldn't even lose all of your interest, but you could utilize blocks of funds you have, and actually receive them back with a small return if you use a lease/purchase concept, and you can convince the Federal government to give us a house for a dollar, as in their former property lease option program.

SENATOR GORMLEY: Is there ever any--

MR. FOX: That is where cooperation comes in. The State of New Jersey can lean on the Federal government to give us this cooperation.

SENATOR GORMLEY: One of the frustrating things that I think you have is, we know you are going to get a half a million dollars a year -- a half a billion dollars a year from the Federal government. But if you ever asked the Federal government, or the State government, in terms of any income stream, to sign the mortgage -- in other words, dedicating the money-- If we wanted to front-end improvements, as an example, we knew there was a set funding stream of hundreds of millions of dollars a year, but you wanted to front-end, as you would with a mortgage, improvements and changes to facilities, the Federal or State government really can't sign on a long-term basis because they are limited from budget cycle to budget cycle, in terms of those improvements.

MR. FOX: I don't see that being a problem, Senator, because you have a pension fund that could be utilized. You have other--

SENATOR GORMLEY: Which pension fund?

MR. FOX: The New Jersey State Pension Fund. You have reserves--

SENATOR GORMLEY: Next?

MR. FOX: You have pension funds--

SENATOR GORMLEY: We don't do pension funds.

MR. FOX: You invest pension funds in investments and you could invest those pension funds in housing stock in New Jersey. Utilizing pension funds as an investment for housing is a concept that is being utilized all over the country today.

SENATOR GORMLEY: I believe it was done in Alaska, wasn't it? And, what happened in Alaska? How bad was it in Alaska when it blew up, from what I understand? Am I correct?

MR. FOX: The first model car was not a success. I think a--

SENATOR GORMLEY: Well, this Senator is not going to have the first model in New Jersey, I'll tell you that.

Anyway, I would like to ask you another question, and this relates to-- You know, you are the President of the New Jersey Association of Housing and Redevelopment Officials.

MR. FOX: If I may also say, Florida started a trust fund in Florida where they are utilizing and paying in on a budgeted basis, and that is very successful, starting in Florida, and that concept could be utilized.

SENATOR GORMLEY: I am not disputing the need to look to existing sources of money. I am just telling you that pension funds is not the route in New Jersey. That is just my opinion.

MR. FOX: Okay.

SENATOR GORMLEY: You might be able to convince some other people.

MR. FOX: That is just one of many.

SENATOR GORMLEY: Skip to many. What I am curious about, they always ask members of the Legislature, "Don't you have too many members of the Legislature?" They always ask members of city councils and freeholders, "Why do you need nine councilmen. You only need five," or, "You only need two freeholders."

Well, do we need 80 executive directors for the housing authorities? Couldn't we be more centralized? Could they be merged? In other words, let's assume it is a large corporation. HUD is funding a half a billion dollars a year. The question-- This is a philosophical, you know-- I am not pointing a finger at any one person, but could certain of these agencies merge their administrative budgets and work together, not that they don't have a local tenant prerogative, whatever?

I have been to certain meetings, not in the housing area, but I thought executive director was a growth industry. My question to you is: Is there a way to merge these 80-- I am not forcing them to do it, but are there incentives that would cause, "Well, why do you need two of everything?"

especially since some of the budgets are \$3 million or \$4 million? Certain of the people are very capable of managing a budget, or a merged budget of a number of these authorities. Is that possible? Are there incentives that you think could be implemented to cause that?

MR. FOX: By and large, I don't think that is something that is reasonable. There may be a few areas in the State of New Jersey where that could be done, such as in county housing authorities, where there are county housing authorities with several municipalities coming under that county housing authority. That is currently actually done right now. There are several county housing authorities.

SENATOR GORMLEY: So if there were an incentive to a county that had a number of agencies for them to create-- See, as of right now, if a municipality already has a housing authority, and a county would like to go ahead with one, it is my understanding that the county could not usurp that local authority. Is that correct?

MR. FOX: That is correct.

SENATOR GORMLEY: But you're saying that in certain circumstances if a county were to create it, that could be the vehicle to merge these agencies?

MR. FOX: No, I am not saying that. I'm saying that already what exists are county housing authorities. Those are the only examples that I know of where there are several combined together. I think there are very, very valuable acts of the local public agency reflecting the local home rule of the municipality, and home rule is a very, very important concept in New Jersey. I think anything that would forcibly combine housing authorities that don't wish to combine, would actually violate that home rule concept.

SENATOR GORMLEY: This has nothing to do with home rule. It is all Federal money. Home rule is based upon paying local property taxes.

MR. FOX: It is not all Federal money. There is a 10 percent shelter rent, the payment in lieu of taxes aspect in the contribution of the municipality, and normally the land. So actually the municipality, by forgoing the taxes on that property, and quite often contributing the land, actually has a financial stake in the housing authority, and actually needs to have representation.

Philosophies vary from municipality to municipality, and quite often a philosophy of housing and appointments and actual political boundaries would be a big concern of local housing authorities.

SENATOR GORMLEY: But really, I mean, in this day and age, if you were to say that somebody was going to provide 90 percent of the funding for a particular project, I do not think I would get, quite frankly, in most projects, very many home rule arguments.

MR. FOX: If the State of New Jersey stepped up to the plate and said--

SENATOR GORMLEY: And said, "Here's 90 percent--"

MR. FOX: --"Here's 90 percent of the funding for a particular project, if you three authorities over here can cooperate," I think you would see cooperation on that particular program.

SENATOR GORMLEY: So, if the State of New Jersey were to say, hypothetically, "Here's a dollar. If you can show a reduction in overall administrative costs by a dollar, we will put another dollar into housing, or something else," do you think you could effectuate certain mergers like that -- if there was an incentive grant program like that?

MR. FOX: Well, I think that certain situations, such as in Morris County right now, where the Family Self-Sufficiency Program isn't practical for one small housing authority, and there are housing authorities there that are considering merging to do a Family Self-Sufficiency Program and

therefore make an economic scale reasonable and practical, and then if the State of New Jersey said, "Well, we will also buy into that concept and contribute towards it," I think along those lines that is the way that could work.

SENATOR GORMLEY: Okay. By the way, I always give the same answer when they say, "Lower the number of legislators." I was just curious about what you would say.

Why don't you hit a couple of other points, because we do have other witnesses.

MR. FOX: Okay. We also think that the State of New Jersey could form a better partnership with housing authorities in general. We think the funding from DCA and the New Jersey Housing and Mortgage Finance Agency, instead of doing more duplication, having more nonprofits, some of those funds could be channeled through housing authorities that are proven producers in the field of housing. That is a very broad statement on that.

SENATOR GORMLEY: But you have examples in the paper of what you are talking about.

MR. FOX: Yes, I have examples in the paper so that we don't belabor it here.

SENATOR GORMLEY: Oh, good. We will go through those.

MR. FOX: Utilities are another example where housing authorities could be assisted. There are some housing authorities that have to pay their own carting utility costs. For oil and water, housing authorities receive a subsidy, but if they have to pay their own private carting costs, there is no additional subsidy from HUD for that. Perhaps the State could request of HUD to consider refuse a utility, as it is a utility guided by the PUC in the State of New Jersey. We think that refuse collection should be a utility and should be interpreted that way by the Federal government. If the State of New Jersey could cooperate with us, step up to the table and

talk about this with HUD, perhaps HUD would consider it a utility for our PFS system.

That brings me into my next concern, which is the financial plight and financial future of New Jersey housing authorities. We are currently operating under a PFS system -- Performance Funding System -- which was conceived of by HUD with the Brookings Institute in 1974. It operates off a base of 1974 costs. If a housing authority had very, very high costs in 1974, they could do very well with the PFS system under the HUD program. However, if they had a very, very prudent set of costs, they were actually penalized because they had a low basis in 1974.

We don't think that is really a reasonable program for housing authorities to operate, and there should be more of an assessment of the actual costs needed for a housing authority, and that is a concern.

Some of the ratios we have to live with are also a concern. In New Jersey, we are told we have to have a ratio of 1 to 50, men to maintenance--

SENATOR GORMLEY: By the Federal government?

MR. FOX: By the Federal government. In certain urban areas that is not realistic for turning over apartments in a timely manner. The ratio changes with the size of the complex.

SENATOR GORMLEY: You're saying that New Jersey, even though these are Federal funding mechanisms-- Are you saying that New Jersey should speak out in a focused way to the Federal government, and say through DCA -- through the Governor and the Legislature together -- "We would ask for these modifications, because if you do, we can do more and we would be your partner in a program," or whatever it might be, and that has not been done to date?

MR. FOX: Yes. I think that spirit of cooperation would be very, very helpful.

Also, I believe that housing authorities should be allowed to issue mortgage revenue bonds. In states all across the nation, housing authorities are issuing mortgage revenue bonds to do housing. There have been years, in the State of New Jersey, where the New Jersey Housing and Mortgage Finance Agency has not hit their cap. I think also that competition in the marketplace would also drive down the effective rate to the consumer on loans for this, and I think housing authorities should be active in encouraging residents coming out of public housing and floating bonds for single-family housing that could also complement a lease/purchase type of program.

SENATOR GORMLEY: Well, I think you're correct in the fact that one of the things that we will do is contact the New Jersey Housing and Mortgage Finance Agency about, shall we say, being more focused in this particular area. I do think, though, that if 80 entities were allowed to do bonding -- potentially to do bonding, it would be a growth industry for Wall Street.

MR. FOX: I think perhaps this area of cooperation could be done that you mentioned.

SENATOR GORMLEY: No, but I think you're right. I think if they just get the message, and say, "Do the pool, and make certain money available from the pool," that should be done. You're correct. You know, I am an attorney and it is always nice to see work created, but I don't think we want to see 80 different bonding entities. That is a little much. Also, it is ineffective, because if you have an entity just doing a \$3 million or \$4 million bond issue, or a \$2 million bond issue, they have that certain base cost to hire those professionals, and why recreate it in 80 different areas when, in fact, they've already got the staff there?

But, you're right. If they are not stepping to the plate, they should be providing a pool of funds available to you to do the job, especially since you want to use the money.

We will take that up rather quickly. I think that is a very good point.

MR. FOX: Actually, we have 80 bonding authorities in the State of New Jersey, because most of these authorities have done 11b bonds. They are experienced local finance agencies in the multifamily capacity.

SENATOR GORMLEY: I think you would find that if they were to do 80 individual issues, and there was one issue by the State, you would find the soft cost would be incredibly less than over-- It is either one attorney or 80 attorneys. That is not rocket scienctry to figure out how those numbers are going to come out. I think you would be better off doing a pool, administering the money, without having to-- What it does is, it's just, "Here's the money for the resident."

MR. FOX: Right.

SENATOR GORMLEY: Or the loan program without recreating 80 different programs. I realize the need for local home rule, but bond issues have nothing -- quite frankly, are not-- When the public thinks of home rule, they really don't think of those bond issues. Also by doing it with a pool on the State level, I just think it would be more effective. But, you're right, the agency should be stepping to the plate, doing it, making it available for you.

MR. FOX: We are not criticizing the agency. I want to say that. I think the agency does a good job in getting that money out. However, we think authorities can be more involved with channeling that money to the residents.

Admissions and occupancy policies are also a concern of the housing authorities. The State laws are very restrictive on the ability of the housing authorities to actually evict troublesome residents. Now, we were recently in-- I believe you were on the Judiciary Committee when the Associations testified about the law whereby a drug dealer could be convicted.

SENATOR GORMLEY: It was my bill.

MR. FOX: And you were involved with the sponsorship and the working of that. We want to thank you for all of the things you did in that area. That is helping housing authorities to be able to evict drug dealers out of public housing. We also need a more reasonable State law when we are considering tenancy for nonpayment of rent and for vandalism. Many housing authorities go to court regarding vandalism, and we are told that housing is a last recourse. At the same time, we are criticized that our housing gets ripped up. We must have the ability to do responsible management, which means go into court and evict a tenant who is doing vandalism.

SENATOR GORMLEY: Vandalism, okay. That's a good point.

MR. FOX: That would preserve the Federal government, the local government, and the State government's investment in this very, very valuable asset.

We also have a concern about the HUD regulations, and we would ask for Federal assistance in that we are only now -- a majority, except for a 10 percent exception -- accepting people at 50 percent of the median income of the statistical area. This means that the working poor who we are supposed to house also are actually being driven out, as we take more of the homeless element into public housing. The Federal government needs to participate more in a homeless program, such as the McKinney Act. They should double it and actually implement more of that in the State of New Jersey, rather than using the public housing units which were for low/moderate -- and I emphasize the word "moderate" also -- so there is a socioeconomic mix in public housing. That is going lacking now. We are having more and more of low income only. This is not a healthy socioeconomic situation for the housing authorities. It makes it much, much more difficult to manage,

and makes the social setting of the resident who has been there much more troublesome, and not as desirable.

We also think that there have been recent moves in the State of New Jersey about the composition of housing authority boards -- the 1304 bill. The State Association recommended in the Housing and Urban Renewal bill that was recently passed that there be one tenant commissioner. But an article that is in the paper, by Vito Gallo-- There is an emphasis that we don't think any board in the State of New Jersey should be dominated by any interest group. We believe there should be representation there, but there should not be domination by any particular group on a housing authority board, a board of education, a city council, a planning board, or a board of adjustment.

There is now going to be mandatory training of executive directors and commissioners, and there is perhaps a need for that. But we think the State should be able to provide waivers where we have very experienced people. Also, the State of New Jersey, if they are requiring this kind of program of housing authorities, that they should actually pay for it. Normally where the State requires something of an agency, they pay. There was \$90,000 in the bill that was creating this requirement, and now there is nothing. The \$90,000 would have funded half of it at that time. I know the State of New Jersey has had a fiscal crisis and they have tried to reasonably deal with that and everything has to be looked at. We understand that, because we have been squeezed for the last 10 years very hard by the Federal government in trying to deliver services. But we do think there should be some participation by the State of New Jersey in the training of commissioners and executive directors.

Cooperation between the State and the housing authorities: We would like, Senator, to follow this up with

meetings with your staff and with DCA to outline to you areas that cost no money that we can participate in.

SENATOR GORMLEY: I wish you would have gotten to those first. (laughter)

MR. FOX: You could waive the tipping costs for housing authorities in the State of New Jersey.

SENATOR GORMLEY: I have been waiting for this section. I wanted this section more than any other.

MR. FOX: You can waive the inspection fees on codes for the State of New Jersey. There are a variety of things that can be done where there is cooperation between the State of New Jersey and the housing authorities, that can make the operation of the housing authorities much better.

SENATOR GORMLEY: Okay. Well, thank you very much. We appreciate the thoughtfulness and the amount of time that went into the report. I think it will, hopefully, make a difference. It is appreciated when so much substance is put behind something. Thank you very much for coming.

MR. FOX: Thank you very much for the opportunity.

SENATOR GORMLEY: I would like to now call up--

UNIDENTIFIED SPEAKER FROM AUDIENCE: Senator Gormley, excuse me. Is there some chronology? I'm sure there are people here who are waiting to speak, and we have no idea whether they are going to speak in the order that they came in. I have to leave very shortly to go help a woman. I am probably not the most important speaker here, but I think people should have some idea how they are going to be called.

I have been to a number of these hearings, and it seems as if certain people are put at the front and other people are made to wait. I think there should be some kind of clear procedure telling people pretty much when they will get a chance to speak.

SENATOR GORMLEY: Okay, thank you.

The next speaker will be Bill Snyder.

W I L L I A M S N Y D E R: Mr. Chairman, I had a prepared text which I was going to read into the record, but my colleague, Rich Fox, seems to have covered many of the points which I was going to cover. So, rather than reiterate many of the things he said, I will just basically outline what I have to say. Then if you have any questions, feel free to ask them.

I am Chairman of the New Jersey Association of Housing and Redevelopment Authorities. We are an organization which is comprised of the majority of public housing authorities in the State of New Jersey. We are chartered to provide assistance in development, financing, management, and low- and moderate-income housing assistance to tenants living in public housing.

I am happy to see that the course of this hearing is constructive. Some of the press releases that pertained to it seemed to give an indication that it was going to take a different track. As you know, over the past several years, public housing authorities in New Jersey have borne the brunt of the scandals that took place. It is largely due to those scandals that many of us feel that we have some of the best run housing authorities, the finest housing authorities in the country. We have really taken heed to some of the problems that have happened. Our organization, in fact, prepared actual job specifications for executive directors, which we distributed to member housing authorities long before the State took up A-1138, which has been adopted into law, and specifications for executive director are included in that bill which require that every director have a four-year college degree and a minimum of five years' experience in the public housing field or some related field.

We feel that goes a long way in professionalizing the field. We would like to see some other things done. I don't know how they could be done in terms of depoliticizing the field. There are some pressures that some people feel that we

have talked about over the years, that people have to do things which they may not have otherwise done because they are pressured. I don't know how to correct that, but there are a great deal of politics that are felt by executive directors and boards of commissioners.

I could go on. I had some stories to tell you, but I won't. I mean, we have read about them all in the papers. A lot of those problems had to do with the fact that the people running the authorities were not professionals, were not selected in a manner that was in the best interest of the public and of the residents of public housing.

Basically, that is mostly what I had to say in terms of--

SENATOR GORMLEY: So, if I may just paraphrase: What we are talking about is making sure that there are base requirements in terms of those who might head agencies of this nature.

MR. SNYDER: Absolutely. There are now with the--

SENATOR GORMLEY: I realize there are now. We have just made some reforms that I think are going in the right direction. I would appreciate the Association, from time to time, providing to us any additional recommendations that they would like to make in terms of recommending to the Legislature how they would like to upgrade the level of professionalism.

MR. SNYDER: We most certainly would like to do that. I would like to also suggest, seeing the course these hearings are taking, that possibly some type of a task force be established with members of our Association, professionals who can sit down with the people from the State and come forth--

We were not aware that you were going to be looking for specific recommendations today. We would certainly like to get into some detail and provide you with some things, such as Mr. Fox put forth, simple things which come to mind which can be done, such as the State's levying of fees, the housing

authorities' life hazard safety registration fees, elevator fees, etc., which would be simple. I don't think the State collects all that much money. I know there is a fiscal crisis and that you need all you can get, but there are some simple things like that that can be done.

We certainly, you know, look forward to the opportunity of sitting down with you.

SENATOR GORMLEY: I think that if something like that were to happen-- Let's say we were to waive a fee-- I don't want to say that I would definitely do that; I don't know what the dollar amount is. But I think one would say-- If someone comes up with an innovative way to spend the money-- If you say, "Those fees would be dedicated to day care," and provide the day care you have been talking about, then maybe we could cross-reference the two needs. I think what you have to do is look towards not merely saying, "Here's more money," or, "Here's less money," but instead towards combining it with a social goal that generates unanimity. I think just taking those fees and saying the fees generate a particular facility, would be the base amount for day care or something of that nature. That possibly might offer additional incentive for something like that.

MR. SNYDER: Well, in response to one of the questions you asked earlier pertaining to the modernization needs in New Jersey, there is a report that was published by the Department of Housing and Urban Development. I think Apt (phonetic spelling) Associates wrote it about two years ago. In that report they will give you the needs nationwide and probably specifically in New Jersey. It is my understanding that current funding levels are about one-fifth -- or are about six times more than what is actually being funded at the Federal level.

SENATOR GORMLEY: Well, thank you very much. I appreciate it.

MR. SNYDER: Thank you.

SENATOR GORMLEY: We will now call two witnesses -- excuse me if I do not pronounce the names correctly -- Michael Winnick and Rudolph Wunsen -- W-U-N-S-E-N.

M I C H A E L W I N N I C K: Rudolph Wunsen is not here.

SENATOR GORMLEY: Okay. You're from the Long Branch Housing Authority?

MR. WINNICK: Yes. Senator, I am a Commissioner on the Long Branch Housing Authority. I have prepared remarks, but the gist of them has been covered fairly well. I would like to go into a couple of points where I do not agree with what has been said before on positions, and some with regard to the legislation that is currently pending.

There is, as I understand it, approximately 33 bills between the Assembly and the Senate at the moment, ranging from construction methods on to tenure for executive directors. Briefly, as far as tenure for executive directors is concerned, I think what you are doing at this point-- Understand, I am looking at this from a rather ambiguous position. I'm sitting as a Commissioner, a resident of the city, and I am probably taking a less professional attitude and caring more about, one, public housing, and two, the tax base in the city -- the taxpayers' real estate taxes.

When you are discussing tenure for an executive director, what you have done basically is take commissioners and said to them, according to this bill, "Once an executive director spends five years in his position, you people stay with him until such time as he resigns."

SENATOR GORMLEY: Let's make this one easy for you. That is going nowhere. Go to the next issue.

MR. WINNICK: I want to make sure it is going nowhere.

SENATOR GORMLEY: It's dead, dead, dead. That is going nowhere.

MR. WINNICK: Good.

SENATOR GORMLEY: All right?

MR. WINNICK: The next problem that has not been addressed in too much detail is the mixed housing we have. We are bringing disabled -- that is, mentally and physically handicapped -- into senior citizen housing, with no facilities to maintain care for the disabled people. I'm trying to find my notes, since I am skipping around right now. Excuse me.

Assembly Bill No. 777 sets up a home for 12 specific people and separates completely handicapped from senior citizens. What we have at this point now, and what is happening across the country-- Our situation itself in Long Branch isn't this bad yet, but there are a number of housing authorities where 40 percent to 50 percent of their senior citizen developments are housing now physically and mentally disabled, which has left the senior citizens in the position of becoming caretakers, and has left their housing in limbo.

The lists are extending much further. The ideal situation would be for segregated housing in both instances, but allowing for the cost of this at the moment, I would say that it would be essential to come in with a ratio of senior citizen to physically handicapped that would be more tolerable to the developments themselves.

Along with that, there is a need for the State, at this point, to offset the costs to the municipality in maintaining people. The housing authorities-- Although we are a portion of the social service network, we cannot become a social service system unto ourselves. Unless the State mandates the social service agencies' presence wherever we are housing a mixed population, down the road we are going to encounter some major problems.

Of course, everybody has discussed 1304. Again, I understand that it is dead in the Senate. I hope it is dead in the Senate, because the way it is constructed now what ultimately happens is municipal control of the housing authorities is totally lost. With a municipality covering the

costs of police, covering the costs of the schools, you can't just take it out of the process, which basically 1304 effectively does.

SENATOR GORMLEY: You're talking about the tenure--

MR. WINNICK: No, no, 1304 is the election of commissioners. What has happened-- We have seven Commissioners on our Board. With the DCA appointment, four would be nonmunicipally appointed, which means that the majority actually comes out of the municipality's control. The contribution the municipality makes to public housing can't be shorted. (indiscernible comments from audience) I think there might be a need to play with one number in there, because tenant representation is absolutely essential.

Could I defer to these other people so I can sit back there and shout, too?

SENATOR GORMLEY: All right. Do me a favor? They have stopped. This is not a local board meeting. Okay? You got your comment in, and they made a comment. They are not going to do it anymore. It doesn't happen with these hearings. All right?

MR. WINNICK: Those are my prime points beyond what has been covered by the other speakers.

SENATOR GORMLEY: Thank you for your input. We appreciate your taking the time. It takes a lot of effort for somebody to put in the time as a Commissioner.

MR. WINNICK: I have a more distinct review written up here.

SENATOR GORMLEY: Thank you.

Next will be Connie M. Pascale.

**C O N N I E M. P A S C A L E, ESQ.:** Thank you, Senator, for the opportunity to testify here today.

My name is Connie Pascale, and I am an attorney employed by Legal Services of New Jersey. Legal Services works with low-income people. Many of our clients reside in public

housing, or receive tenant-based rental subsidies administered by public housing authorities. Many more are eligible for such assistance but can't obtain it.

To be meaningful, any discussion of public housing authorities must place them in context. I think we have to look at what we are talking about when we are talking about public housing authorities. New Jersey today is in the throes of a deepening affordable crisis -- housing affordable crisis. According to the State's Comprehensive Housing Affordability Strategy -- CHAS-- I don't know if you have looked at that document. It was prepared last year by the Department of Community Affairs, 360 pages of an analysis of the housing situation here.

There are 2.8 million households in New Jersey. A quarter of those are experiencing some form of housing problem.

Housing problems include living in physically defective premises, overcrowding, or cost burden; that is, paying more than 30 percent of your income for housing, meaning that you don't have enough left to live on.

There are more than 600,000 families in New Jersey that are considered low income; that is, having less than 50 percent of the median income applicable to their area. There is another 500,000 that are moderate income. Of those, 93,000 live in deteriorated or overcrowded premises, and 600,000 experience cost burden; that is, they are paying more for their housing than they can afford. That's 600,000 households.

Only 30 percent of the households in New Jersey that need a housing subsidy can get it. Public housing authorities have waiting lists that are years long. An example is, the Department of Community Affairs administers 14,000 Section 8 certificates, and it has a waiting list of over 31,000 households.

In January 1990, it was estimated that there were between 28,000 and 50,000 homeless people in New Jersey. The

rate of homelessness is growing at between 5 percent and 10 percent per year. Among AFDC recipients alone, in 1991, 75,000 people were assisted to either alleviate homelessness or prevent it.

Finally, and I think this is something that you alluded to, and I think it is important because it is really at the heart of the problem we have here-- A head-of-household working full-time at a minimum wage job has an income well below the Federal poverty level, and also well below what New Jersey itself, in its Standard of Need Regulation, which was published last year, has declared to be the minimum amount necessary to survive -- pay shelter costs and survive in New Jersey.

I think that is at the heart of the problem. I think you were talking to one of the previous speakers about that. That is something we have to look at, because one of the basic premises underlying our society has been shattered; that is, if you work full-time, you should be able to live on what you earn. Back in the '60s -- the late '60s -- there was a correlation between the minimum wage and what it cost to live. If you look at charts, you will see how the lines diverge, to the point where now if you work full-time you can't survive at a minimum wage or slightly higher job. That is what we have to deal with, whether we are talking about how to preserve this cherished resource of public housing or how we are going to help people get out of it to get on their feet. Unless we provide a way for people to earn enough to live in the jobs that exist, they are not going to be able to do it.

So, in that context, public housing authorities must be seen for what they are: the administrators and stewards of an extremely valuable and precious resource. The thousands of public housing units in their care represent 20 percent to 25 percent of the State's assisted rental stock. The CHAS says there are 45,000 units. We have heard varying estimates

today. We have to do something to preserve and maintain that housing stock. In human terms, each public housing unit represents almost unlimited possibilities: the possibility of family stability; a respite from homelessness and transience; a base, a home, from which to pursue education, employment and economic self-sufficiency, and ultimately to move on so that another family can take advantage of that resource.

Unfortunately, the possibilities inherent in many public housing units have been diminished or remain unfulfilled. While some PHAs are well run and work hard to make public housing a valuable asset to both its residents and the community at large, too many others, and the apartment complexes they manage, can only be described as seriously troubled.

Some of the problems are all too familiar: corruption, crime, disrepair and deterioration, random gunshots, and open drug sale and use. Others are less apparent to the community at large, if not to the tenants. Yet, these problems are closely intertwined, even causally related to the difficulties so graphically evident to the public. They include: untrained, incompetent, indifferent, and sometimes hostile management; discriminatory treatment of complexes within the PHAs, and of tenants within complexes; delayed, deferred, and inadequate maintenance; arbitrary or inappropriate tenant selection criteria; inadequate, ineffective, yet often oppressive security; and feelings of despair and malaise afflicting many of the tenants.

Not all of these problems can be laid at the housing authorities' doorstep. There are a few bad residents in public housing complexes, just as there are in other rental situations, or in many neighborhoods composed solely of single-family home owners. The pervasive effects of a faltering economy, shifting structurally towards low-wage

service employment, exact a personal toll from those families already positioned at the disadvantaged end of the economic spectrum.

Nevertheless, in far too many cases, PHAs must bear the lion's share of the blame. A significant number of housing authorities have become "warehouses" of low-income people, and manifest attitudes commensurate with this role. These PHAs are operated with a paternalism bordering on disdain, with a palpable lack of respect for, and understanding of, their tenants. Such authorities have become repositories and "reservations" of the poor, and manifest most of the negatives commonly associated with the latter.

Having so sown, so do these PHAs reap. It should not be surprising that some tenants -- treated with indifference, disdain, or distrust by authority management -- end up manifesting those same attitudes toward their surroundings.

The complex mix of problems outlined above demands a set of appropriately tailored responses. I am going to give a brief enumeration of some of the things we think the State can do to improve public housing authorities:

- 1) It must ensure that public housing authorities are accorded municipal services adequate to their needs, and equal in kind to those provided to the rest of the community. For example, a complaint frequently voiced to legal service providers is that the police often respond slowly, if at all, to calls from PHA residents. This situation, along with others of a similar nature, is clearly intolerable.

- 2) PHA maintenance policies must be enhanced, standardized, and consistently enforced.

- 3) Effective security measures must be mandated, but such measures must not be so draconian as to divest residents of their basic rights.

- 4) Greater tenant involvement in the management and operation of PHAs must be required. Tenants should be

consulted regularly, and on an expanded set of issues. In the same vein, the governing bodies of public housing authorities should include more tenant commissioners, who should in turn be elected by the residents.

5) Public housing authorities must become even more involved in the provision of services to public housing residents, with emphasis on enhanced day care, recreational programs, counseling, and job training and placement.

6) PHA staff must be professionalized to the greatest extent possible. Rigorous, ongoing training programs designed and implemented by the State must become mandatory.

7) The Office of Public Housing Ombudsman should be created. The Ombudsman should be empowered to receive and investigate complaints concerning PHA operations, and make appropriate referrals.

8) PHAs should be required to use community land trusts, mobile home parks, and other mechanisms to create affordable interim ownership opportunities for residents seeking to take a step beyond PHA rental complexes. Conversion of existing public housing rental units to ownership should not be permitted, however. As was stated in the CHAS I alluded to earlier, many public housing residents are not prepared, at any given moment, to assume the burdens of ownership. In any event, the limited supply of low cost rental units is too important to diminish. On the other hand--

SENATOR GORMLEY: See, this is a program that is associated with Secretary Kemp in terms of the ownership of the units.

MR. PASCALE: Right. I don't agree with that program. In fact, the State itself in its CHAS says it is not appropriate to New Jersey because we need to preserve the vital stock of subsidized rental units that exist here. We cannot afford to lose them to ownership when, in fact, the buildings,

or the people, may not be prepared, at any given point, to handle that.

SENATOR GORMLEY: What percentage of tenants would you have elected to housing authorities? How many would you want?

MR. PASCALE: Well, I would think that of the seven members, two should be tenants, and they should be elected by the residents in the housing authority -- at least two. I think that is important. That would provide sort of a democratic institution. There would be ongoing tenant input, accountable tenant input, as to how the complex was run, how the authority was operated.

Just to finish what my last point was, I think by creating ownership opportunities it will set a goal for public housing tenants, and also act to the supply of critically needed affordable housing.

Finally, by way of advancing all of the foregoing recommendations, a statewide Public Housing Agency Oversight Board should be created. This Board should be empowered to draft uniform standards and policies relating to such critical aspects of public housing authority operation as: tenant selection, management, security, resident participation in decision making, expansion of resident housing opportunities, and other things -- service provision.

SENATOR GORMLEY: Shouldn't some of those functions be HUD's? Or, to a certain degree, isn't there an overlap? I am not saying totally.

MR. PASCALE: HUD has regulations that deal with how housing authorities have to deal with their tenants in terms of evictions and other things. I'm saying, public housing authorities are creations of the State. There are 80 public housing authorities in New Jersey. They operate in radically different ways.

What I am suggesting is that they set up almost handbooks from the State as to how the housing authorities

should operate. It should set standards as to what authorities should do. Then, as an adjunct to that, annual report cards should be issued by this Board measuring the performance of the public housing authorities against the standards. So, if we are talking about a uniform maintenance policy, we should have an annual assessment of whether the public housing authorities are, in fact, attempting to comply with the standards. If not, then efforts should be made to assist them and, in appropriate cases, even sanction them. But I think it is important to try to set up some sort of mechanism whereby standardization can occur.

I can speak from experience about dealing with different housing authorities on different issues. You find a difference in the way they are operated from one town to the next, from one community to the next.

SENATOR GORMLEY: And you think the more standardization--

MR. PASCALE: I think it would be helpful to set up standards. I notice there is a bill, which I didn't know about until yesterday, in the Senate tomorrow -- S-375, I think it is Senator Brown's bill -- which talks about setting up a council remarkably similar to this that would, in fact, issue guidelines and -- it doesn't use the word "standards," but issue some kind of common sorts of criteria to use for housing authorities to measure their performance by. I think that is a critical element. The standardization of what would be good operation would be, I think, of assistance in the long run to the authorities and the tenants, because they would have something to refer to.

So, we would call for that sort of a body to be set up. I think it is critical that the State be involved in this.

SENATOR GORMLEY: You would have a State agency that would be more than advisory?

MR. PASCALE: I would. I would give them the authority to set standards, mandate the standards, assess performance against those standards. Then, with regard to the extent the State participates in funding or assisting public housing authorities, which it should, and there is nothing that bars it from doing so, propose sanctions. But I do not propose to sanction authorities. I think what would happen is, you would have standards; there would be an assessment to the extent that the authorities were not operating in accordance with those standards, and they would be assisted or shown where they could be helped to proceed in a better way.

The paradigm for that might be the Community Reinvestment Act, which requires banks, and gives report cards to banks, as to how they are complying with standards. Now, it does not work well, because it is mandated--

SENATOR GORMLEY: I was just going to say that pretty soon they will start spending the money.

MR. PASCALE: It doesn't work well because there is a lot of resistance, but the point still is that the banks are concerned about their report cards on that issue, and take steps to do something to try to meet the standards.

SENATOR GORMLEY: How much do you have in the fund now, over \$100 million?

MR. PASCALE: Excuse me?

SENATOR GORMLEY: How much is potentially available for investment from that fund?

MR. PASCALE: The Community Reinvestment Act?

SENATOR GORMLEY: Yes.

MR. PASCALE: I don't have that here. I could--

SENATOR GORMLEY: Okay. I would be curious. I understand it is--

MR. PASCALE: Well, banks are required to do something to give back to the community. That brings me to a point. It is not in my remarks, and that is basically what I would say

about public housing. But you raise the issue, for instance, about how would you fund a lot of the things? How would we fund housing authorities to do more housing? I think that is one of the problems. Not only are there not enough housing authorities, but there are a lot of communities that do not have them. They don't want to have them. They do not do anything to recognize their obligation to do housing. But many of them don't take the innovative approaches that might produce housing for people.

We have had an idea for many years about how we might create a fund like that and it wouldn't cost a penny. Right now, municipalities deposit their tax collections in local banks. They basically seed the decision as to how that money is to be invested to the local banks. Everybody knows, I guess, from Banking 101, that banks take a little deposit and they are able to lend a lot more than that little deposit just by the way banking operates.

SENATOR GORMLEY: Just on the reserves, yes.

MR. PASCALE: Let's say we were to say that municipalities had to deposit 20 percent of their tax collections in a State housing bank. That would give the State the ability to say how that money was to be invested. And, instead of putting the money into strip malls, which we don't need, office complexes, which we have too many of, and many other investments in companies that are doing business with South Africa or exporting jobs overseas, the State would take that money, use it in the same way as any bank, and lend it for housing purposes, economic development. In a sense, the State would take control of how that money was invested.

SENATOR GORMLEY: The State would require 20 percent of deposits--

MR. PASCALE: Of municipal tax collections. Instead of being deposited in "X" bank, they would have to deposit in a State housing bank, which would make investment decisions based

on what the State's public policy was. In that sense, all it would do is shift the investment decision to the State to make investments for housing, or for other things, and not leave it to private entities to do.

In return, I think, if the banks were allowed to take -- in return for--

SENATOR GORMLEY: So, what we would be saying to the town is, "Don't look for your highest and best deal. Trust us."

MR. PASCALE: It is interesting that up until the late '70s, as I recall, municipalities could deposit their money in banks without getting any return on their investment. It took State legislation to mandate that they get a return on that money.

SENATOR GORMLEY: And what we have seen over the last 10 to 15 years, from the municipal officials I have seen, they have become far more sophisticated, have realized-- I mean, they are even checking overnight floats now. They are really getting good.

MR. PASCALE: I understand.

SENATOR GORMLEY: And that is a credit to the officials that they have caught on to these banking principles.

MR. PASCALE: First of all, it goes back a little bit to what you said earlier about the partnership and the need to give something back to the community. But there may be a way that the banks, in return for that, could give some money to help fund that interest in return for getting credits toward their CRA requirements. So in a sense, rather than the banks having to create their own programs, they would essentially subsidize this program by assisting with an interest payment, writing down the interest that might have to be paid on those deposits.

SENATOR GORMLEY: All right. Are you saying that-- Hypothetically, let's say there is \$100 million that the banks have not yet -- that they are required to spend that they have

not yet come up with. Are you saying that they should get a deep discount on that, so that you write it down from \$100 million in loans to \$15 million in cash, or something like that?

MR. PASCALE: I'm not saying that. I'm saying that they could take whatever their CRA requirement is -- and I don't think it is assessable in dollar terms, so to speak; it is more of a standard about putting money back into the community-- But let's assume that they could put that money towards--

SENATOR GORMLEY: Okay, well, quantify it.

MR. PASCALE: --this bank and also agree to process loans and take deposits and honor checks. In that sense, we would take money that is already existing and shift it to the State to make investment decisions about it, instead of leaving it to local entities, which may not invest it in a way that we think is most productive for society. Again, there are a lot of banks that don't-- You see a lot of (indiscernible) strip malls; you see a lot of empty office complexes. If those investment decisions were made in such a way that they funded affordable housing, or low-income housing for people, or community-owned businesses, we might have a better situation all around.

SENATOR GORMLEY: Well, I think that obviously you can always point to the frailties of a free market economy, but I--

MR. PASCALE: Well, I am not taking away from the free market economy. I am just saying we do this in different ways.

SENATOR GORMLEY: Well, you do have those failures, you do have those bankruptcies, but generally the system, I think, even though it has its faults, is superior.

MR. PASCALE: Well, I think it's good. All I'm saying is, this would redirect some of those investment decisions to the public.

SENATOR GORMLEY: No, no, I think the point you hit on is a good one in terms of-- There is an existing requirement out there that, quite frankly, you are not the first to

mention, that really has not gotten back into the community yet, as it was supposed to.

MR. PASCALE: Well, some has, but you're right, not to the extent it should have.

SENATOR GORMLEY: Not to the extent it should have. Possibly, if there were some creative thinking, even on the part of the banks in terms of these concerns, possibly it could be pooled or used in a manner that you have touched on. I do see some merit to that.

MR. PASCALE: I think there are creative ways that we can do housing and economic development here.

I just want to conclude by saying, going back to what I said originally about the jobs -- the problem with the jobs and the economy-- Again, we could train every person to be a computer operator earning \$30,000 a year. At the end of that time, someone is still going to have to work in the nursing homes; someone is still going to have to do the retail jobs; someone is still going to have to do those jobs that pay, right now, the minimum wage. Unless we are willing to subsidize those jobs to the level that is required--

If you sit down and write down a budget, you are going to find the minimum required in New Jersey is about \$8 to \$10 an hour -- a minimum -- just to survive. Basically, our minimum wage is \$5.05. So anybody who gets a job like that is doomed -- almost doomed. Unless they are in subsidized housing for the long term, or have health care subsidized for the long term, they are almost doomed to failure. We have to find some way to fill that gap between what industry is paying and what people need to survive.

Until we look at that squarely and say, "We have to provide health care; we have to provide long-term housing assistance; we have to provide transportation, as you said; we have to provide day care, for the long haul, we are never going

to be able to expect people to go to self-sufficiency, as people put it.

Thank you for the opportunity.

SENATOR GORMLEY: Well, thank you for your testimony. It was very thoughtful.

Dorothy Argyros, Monmouth County Coalition for the Homeless?

MR. PASCALE: That was Dorothy who had to leave.

UNIDENTIFIED SPEAKER FROM AUDIENCE: She left.

SENATOR GORMLEY: Oh, okay. Lloyd Gorcey.

L L O Y D G O R C E Y: Good afternoon, Senator.

SENATOR GORMLEY: Good afternoon.

MR. GORCEY: I am Lloyd Gorcey, President of Hilbe Management Company. We manage several low-income and moderate-income complexes. Also, we do rehab work for that type of facility.

The reason I came before you today -- I didn't know all the criteria of what your hearing would be about -- was to talk to you about some of the programs that HUD and you offer, and to express some of my concerns. I heard a lot of things here today about homelessness. I heard a lot of things about funds. I heard a lot of things about criteria of how a housing authority operates and the way it works. I would like to express to you that there are certain programs that are out there, one specifically being your project-based rehabilitation program, which is where a private individual or a group, a charitable type of organization, would put up their own money to renovate, to build, to rehabilitate an apartment complex for low- and moderate-income persons.

The benefit to that program would be that the State and Federal governments, of course, do not put any money in for the renovations, except that they would supply a certificate for a family that would qualify. Presently, under that program with the State-- I know that we have applied for it. It has

been almost a year-and-a-quarter of sending in the application to DCA; DCA sending the application to HUD; HUD taking the application, kicking it back to DCA; DCA asking for more paperwork; sending it up to HUD; and HUD sending it back.

In the meantime, the component of this program is one that is for a five-year what they call, "project-based rehab," where they would subsidize the rentals under a Section 8 program, and the other is a 15-year. With all the shuffling back and forth, the amount of years that are available are depreciating.

So basically, we have a condition in Monmouth County, for example, where you have a tremendous amount, in urban areas, of homeless people, of housing stock that has deteriorated quite substantially, and a definite need for the funds to supply the rental for the low- and moderate-income people. The people who are in desperate need of it are there, but for whatever reason they are not being dispensed in a quick or fast type of manner.

The other thing that we find is that there is a tremendous amount of money, whether it be from the State or from the Federal government, that is going into motels, approximately between \$1200 and \$1500 per month, which, in my opinion as some type of expert in housing dealing with many programs, is a complete waste.

SENATOR GORMLEY: You don't have to be an expert. The motels, the ones that I have occasionally seen pictures of, are in a far inferior condition than even the worst public housing facility, and they cost far more on a monthly basis to maintain.

MR. GORCEY: Yes.

SENATOR GORMLEY: And you are not developing or maintaining housing stock as a result of it. So, you are perfectly correct.

MR. GORCEY: Also, just add to that what you said, you deteriorate further the present neighborhood that is there.

So, I would just like to bring up to you, like I said, you know, many of these things that we talk about, these programs-- There are several that are there. I don't seem to understand why they can't move at a quicker pace. For example, not to be disparaging, but we submitted paperwork, and there seems to be a constant treadmill of paperwork, and in the meantime, we see people who are homeless.

SENATOR GORMLEY: Are you saying that you have financing to back up a project that is ready to go that would assist the homeless?

MR. GORCEY: Yes, I do.

SENATOR GORMLEY: What is the name of the project?

MR. GORCEY: Well, it's the New Ocean Arms, and it is the rehabilitation of 11 units in Asbury Park. It has been approved by DCA. It has been sent to HUD. HUD sends it back for more paperwork; DCA then takes it and sends it back. It's a 15-year program, where we would supply all the money to do the renovation, and HUD, monitored by DCA, would pay the tenants' share for homeless and low-and moderate-income tenants.

The other problem that comes up is, of course, people are waiting to go to work, and it puts the program in jeopardy. We have a lot of people who do not have the time to wait it out. They walk away from the program, throw their arms up in the air, and say, "Well, you know, it's a great program, and it's good that it's out there, but it doesn't seem as if anybody can get their hands on it."

So, those were the things that I wanted to express to you.

SENATOR GORMLEY: Thank you very much. We appreciate your testimony.

MR. GORCEY: Thank you very much.

SENATOR GORMLEY: Barbara Johnson.

B A R B A R A G. J O H N S O N: Mr. Chairman and Committee: I am very glad to be here this afternoon because I

have had just a few things on my mind that are connected with Senate Bill No. 1138.

I am Barbara Johnson. I am Vice President of the New Jersey Association of Housing and Redevelopment Authorities. I am also Vice President of the New Jersey Association of Housing and Redevelopment Officials, representing the commissioners in the State of New Jersey, regional and on the national level.

I have had quite a few concerns with the bill, not against it, with it, because I think there are many commissioners out there who are being penalized for some of the bad actions of some of the commissioners in the State of New Jersey.

When the bill was being considered, I felt there should have been a little bit more input from some addressed as the seasoned commissioners in the State of New Jersey, because in New Jersey we have done much training with the commissioners. It seemed like there were some who were interested and some who were not interested.

Now, in the bill it does not provide anything for grandfathering some of the commissioners who are good commissioners, who know their jobs. I take the liberty of saying, I have been around for going on 20 years now as an active Commissioner on the Plainfield Housing Authority. I have done training myself, and I am going to vouch for almost -- I would say 70 percent of the commissioners in New Jersey who are good, knowledgeable commissioners.

Now, in the training, it seems like there is going to be time taken off-- You are asking people who work-- That, I know, has not been settled, but I am asking that it be taken into consideration that these people be given the opportunity of selecting their time to go for this training. The training is needed. Even with the ones who have been around longer, there are some new things coming up that they would need the training in.

I wonder why the grandfathering was taken out of the bill, because I am afraid you are going to lose a lot of good commissioners behind this. I have talked to many commissioners in the State. Some of them weren't even aware of the bill; they didn't know anything about it. I got kind of shaky about what would happen. They will serve their term out, and they they will be gone. I think that was the idea of the bill: if they didn't take the training by the end of their term, they would not be reappointed to their position.

Again, the training has to start with the new ones, and with the older ones, I think it should be optional. Some of them are willing to go back and take the training, but this was not specified in that bill. It just said, "All commissioners will have to be trained." You're talking to a group of people who are volunteering their time. They are not on a payroll. I think just a little bit more compassion could have been put into that bill towards we commissioners who give up our time, love our jobs, and some of us do it quite well. I just think that being penalized by, overall, some of the bad acting of some of the commissioners, should have been taken a little more into consideration.

Some of the records will show the commissioners who have been around, and their opinions should have been considered as to just where this bill should have gone. The bill just took off and shot, and left us out there. I think that was just a little imposition on some of the good -- most of the good commissioners in the State of New Jersey.

SENATOR GORMLEY: Thank you very much. Thank you for taking the time to come today. We appreciate it.

MS. B. JOHNSON: Thank you. It was a pleasure.

SENATOR GORMLEY: Richard Keefe, New Jersey Association of Housing and Redevelopment Authorities.

R I C H A R D M. K E E F E: Thank you, Senator. I am going to try to be brief. I have given you a 12-plus page

document that outlines the history of New Jersey public housing authorities, speaks on the problems of the authorities, and talks about things that we might do within the authorities to reform and improve on operations. It talks also about the need for increased tenant participation in the affairs of the authorities and, of course, State and Federal participation. I don't think anyone wants to listen to someone read on through a 12-page document.

SENATOR GORMLEY: No, go ahead. We would love you to do that. (laughter)

MR. KEEFE: No, I am not going to do that. I will be killed by my comrades back here.

SENATOR GORMLEY: I have "War and Peace" up here for you, too.

MR. KEEFE: What I would like to do is hit on a couple of items real quickly that were touched on by other speakers and by the Chairman. One deals with our last speaker, Barbara Johnson.

The commissioners -- and I remind you once again, because DCA is in the process of working up -- what are they, the rules -- promulgation of the rules that will control this-- They are not paid. They give of their time. You have to be conscious of that when you start developing training programs for these people.

The other area, the monitoring process -- and you asked this of Diane Johnson from HUD -- to make sure we do not have repetitive actions by DCA and by HUD with regard to monitoring of the PHAs and their activities-- They should be working hand in hand. It should be a true partnership.

The other element you spoke on a good while back with, I believe, Mr. Fox, one of your initial speakers, dealt with the nonprofits that are operating within the economic initiative area, plus the housing area, commercial developments that support low-income people and whatnot and so on. I have

been in touch with many housing authorities that speak about having an interest in that area, but they do not know how to get started; how to form a 501-C-3 or C-6, whatever the case might be; what they can do with the right-- I know all of this is controlled and somewhat explained within your new legislation -- the redevelopment portion of the legislation -- but it seems to me that DCA, or someone on the State level, should be involved in educating community groups, as well as local housing authorities, as to the ways and means of getting involved in that type of incorporation, so that they can go out and bond for the things that are needed to improve not only housing, but related programming within New Jersey's communities. That should be given some thought.

If I may bore you, I think it was Connie Pascale who talked about the things that related more to self reform within the housing authority area. I am going to provide reading on my list, but I would ask that the State also consider, when you are developing your monitoring program, hopefully with HUD and with the local housing authorities, that you staff properly within DCA to provide the technical assistance and other assistance that will be needed to instruct the housing authorities properly in these given areas that I think you should be looking to.

SENATOR GORMLEY: Now, that is a very key point. What we would like to have are recommendations -- which you might have in your paper -- in terms of the substantive backup that is necessary to the authorities, in terms of the levels -- the areas of expertise, whether it be inappropriate or a waste of money for what, let's say, would be a few hours of services a week, but are important, that could better be provided by a central agency. There are always in these areas, unique areas that should not -- where each local authority should not pay to recreate that level of expertise.

MR. KEEFE: And develop incompetency within those areas. That goes back to your question about whether we need 80 housing directors or not. I don't think we need 80 of anything unless they are competent.

I just hit on these points. Some you might find value in; others you might not. I listed these primary self-help areas, things that the public housing authorities should be doing on their own, but I'll say it once again: These are things where DCA and HUD should assist the housing authorities to make sure they have the competence on the HUD end and the DCA end, or other State programs that might get involved.

1) Development of a fiscal policy that will permit use of a PHA's -- when I use that term, it's public housing authority -- limited financial resources in the most efficient and best possible manner.

2) Tapping of all funding sources -- local, State, HUD, HEW, whatever it might be.

3) Development of a balanced tenant population to provide -- and this will require a change in legislation on the Federal end -- increased income, and to provide for mingling of families in an atmosphere in which they can learn and benefit from each other to ensure a better social and economic climate within a PHA project.

4) Recognition of the major scale and fundamental nature of the changes taking place and reflection of these changes in PHA management and maintenance policies, because we have great changes: Child neglect -- I can get into it on down the line -- unemployment, which is creating a major problem. You have people who, because of the unemployment factor, the school dropout factor, are being employed to sell drugs within a project area. These are the types of things that need to be addressed, and we need State and Federal assistance in these areas.

5) Review and revision of purchasing policies in order to ensure that needed items are purchased at the best possible price. We have just lost the Consolidated Supply Program on the Federal end. Many authorities would like to get involved in your State purchase program. There should be instruction from your end as to how they can get involved, and also some assistance to make sure we are getting the best price on the purchase of all goods.

6) Review and revision of PHA inventory control systems with an aim toward cutting waste and eliminating thievery. We have a good deal of that, unfortunately, particularly in the maintenance areas.

7) Review and revision of PHAs' organizational structures and salary and staffing patterns -- and this touches on what you said a while back, just a few moments back -- in order to ensure that they relate to today's problems and that the PHAs' way of doing things is organized and practical, and that salary schedules are developed with the aim in mind of retaining and/or attracting high quality personnel, competent personnel.

8) Continuous review of PHA income limits -- and this is Federal legislation once again -- for admission and continued occupancy, and a periodic updating of same. I would like to just point out here, in case the Committee is not aware of it, we are limited to charging 30 percent of adjusted gross income as rent. In New Jersey, that becomes particularly difficult with people on welfare, because Jersey has a flat welfare grant system that provides limited funding that is allocated for rental purposes. We are committed to a point where we can't take anything more than that figure which computes out to that 30 percent of that grant, that welfare grant.

I don't think I have to say here that that dollar figure, the absolute dollar figure, is far less than what is

needed in order to properly heat and provide lighting and maintain that living unit. So, something should be done in that area at that point.

9) Continuous review of PHA rent structure and revision of the rent computation factor -- and that is what I just hit on -- where necessary and practical.

10) Development of a firm but fair rent collection policy, with provision for eviction of chronic rent delinquents and those people who are involved in drug trafficking.

11) Development of a comprehensive and systematic dwelling unit inspection program, including provision for housekeeping counseling where necessary.

12) Development of the capacity to deliver required maintenance services in a timely manner.

13) Development of the capacity to cut maintenance costs without reducing the level of maintenance services.

I know some of these are big orders, but they are things that need to be done if you are going to operate your authorities properly.

14) Development of a sound preventive maintenance program within the housing authority areas. Many authorities lack those types of programs at this point in time.

15) Development of a maintenance training program with an aim toward increasing productivity. That is a definite need as well.

16) Development of a maintenance system that will provide for an ongoing upgrading of project property.

17) Continuous review and upgrading of PHA management skills. Management is a specialized art and it must be increasingly professional and systematic, must provide service, and must be increasingly more collaborative with the tenants.

18) Development and/or improvement of PHA lines of communication and PHA relations with the residents of the development. I think we could improve upon the grievance

procedures we have here as well. We should give more recognition to tenant leadership, resident leadership, by providing for meaningful tenant involvement, resident involvement, in our activities. Many authorities, unfortunately, are not doing that. On the other hand, many are.

In short, establish an effective partnership with the residents of our developments.

19) Development of an interest by tenants in the maintenance of not only their own units, but the projects as a whole. We need State and Federal help there, too, because there is a distrust of management -- housing management -- which has prevailed for God knows how many years. We need your help in order to improve that situation and get tenants involved, and have them develop an interest in their neighborhoods.

20) Review of the total program of security needs, not just in terms of city police patrols, but in terms of the feasibility of tenant patrols alone with police patrols. I might say that I don't want to see any of them out there by themselves. Development of security programs that are geared to the needs of each individual housing project, reflecting the character of the neighborhood and the community. Such programs should be developed on an organized basis with clear-cut rules, clear and close ties with the local police department, and organized training programs.

21) Development of a firm and effective policy for dealing with troublemakers and tenants found guilty of repeated acts of property neglect or involvement in drugs.

Thank you.

SENATOR GORMLEY: Thank you.

Next will be Avery W. Grant.

AVERY W. GRANT: Good afternoon, Senator Gormley. I am very happy with the positive tone that you have set here today. You have expressed the concern that the State do

something finite, rather than doing something spectacular, and I think that is important. Because of that, I will not go through my presentation because we, as a group of African-Americans, had had certain concerns that this might be politically motivated, particularly since it had been requested by a Senator who is presently running against one of our hometown Congressmen. But I must say, you have set a different tone.

I hope this prevails, even in light of what has happened with the State budget, where we have kind of decimated the budget to a point where I think you are going to see services in all areas curtailed. I think that is unfortunate, because whether we say so by our vote, we really know that there is no free meal. And whether we throw out this party and bring in that party hoping not to get taxes, there is no way to survive without money.

So again, as African-Americans, we were concerned. But I would say this to you along the lines of the presentation: If there is any way that the State can intercede with HUD to get the investigation that is ongoing with our present Housing Authority Director -- get that concluded, because it has now put us in a state of limbo, because he has done a good job-- I will point out a few things only from the standpoint that these are things that housing authorities should be doing, and they might go along with the idea that you--

SENATOR GORMLEY: In terms of programs?

MR. GRANT: Yes. But again, as I say, I think this is a very positive tone. Please let us see something finite coming out of it.

As I said, our Housing Director has done many things. First of all, he has tried to implement competency in managing its resources. As has been pointed out in many cases, we do not have standardized rules. You leave it up to the 80 housing

authorities to do things their own way, even something very simple like bringing in an auditor. Now, that should be kind of--

I agree, this is HUD. I don't think the State should get in and duplicate. But I think that if you have to be an advocate on one hand, you have to be an executive on the other hand, and say to HMFA and DCA, "You've got money; you've got programs. Let's see that these things get to the people who need them."

Along that line, he has created outreach programs, and his Self-Sufficiency Program is very outstanding. And we need to do that. Long Branch is the only Housing Authority that has requested a grant from HUD on self-sufficiency, where they are trying to get tenants to develop skills which can get them jobs, so they can then leave public housing, and make that public housing available for others.

Now again, we have the problem of minimum wage. I used to be the City Engineer for the City of East Orange, and I was always under pressure versus firemen, versus police, versus the sewer man. I would say to you, a low paid sewer man, I would have preferred in many cases, to a policeman or a fireman -- if my house were not burning down.

So you have to look at these things as was pointed out before, and again, hopefully stop me from preaching.

The Drug Elimination Program: We have a very fine one. We have just gotten our grant approved by HUD -- \$250,000 -- for the second year. This involves bringing in patrolmen who are city policemen, and we pay them. I think this is something the State should look into. If HUD cannot fund all the programs, maybe the State can help. But, it is a good program. It has made people feel much more secure. You can see drugs leaving the community, but it's hard. You can't eliminate drugs. They have hired counselors; they have hired drug directors, and the program is moving.

Back-to-school programs: Again, they have been given a grant through QEA. Again, we don't know what the State is going to do there. You know, we have done so much to our budget, and there is such a concern that, "Well, you're taking money from suburban areas and throwing it into urban areas, and it is just going down a black hole." But the Housing Authority here, through the assistance of our Director, has secured a grant to start an after-school, three through eighth grade, homework program. Maybe you'll say, "That is a family responsibility." Sure it is. Sure, your father, my father and my mother, sure they wanted to know what I was doing after school, and they helped me get through. But this is a need. It is not just for minorities or low income. You look at the State figures, and our educational levels in the State of New Jersey have suffered, although we are rising and, fortunately, some of our colleges are the best in the country. So, we are doing good things here.

These are programs, like this after-school program, that are very helpful. They have joined an alliance with the Board of Education to identify mentors who will help with tutoring. They hired 30 summer employees, school students, who otherwise would have been out in the neighborhood looking for jobs. Again, some minimum skills, some learn things that they might use in other professions. I often say to students, and I have worked with them in a program as a volunteer, "Didn't you have to be there at a certain time? I have to be at work at a certain time. Do you not have to do things with a certain procedure? I have to do things with a certain procedure." These are all job skills being acquired that are important to us.

Lastly, as I said, I think Self-Sufficiency Programs, again, with the Joint Partnership Trading Act, are extremely important. I think the State needs to look into expanding its vocational school programs, because we really don't have a

good, strong vocational school program. I am from New York. Fortunately, there, we had a vocational school for just about any skill, and I am speaking about quality, whether it was for a vocation or for a profession.

After-school tutoring: I think we can look into that. The State can be involved in that area.

Day care has been mentioned many times; a serious problem. Drug elimination, again, should be expanded, and again, if the State has to help, sure. I am not trying to take a lot from HUD.

The Home Ownership Program: A tremendous program, but again, we are not talking vouchers. That seems to be a very political issue. This has been kicked around since President Nixon. I am not talking vouchers, but, yes, the subsidy Section 8 program, Section 235-- These programs have been very helpful. They might subsidize rental, but they are also programs that help the tenant to buy a home.

Just the other day I was amazed. One of our friends said, "Tell your wife that we have just gotten a home." She had gone through the JPTA program and had become a receptionist at the Social Services Department here, her husband found a job, and they were able to get it through the HUD VA program. That made here feel good. It made me feel good. Another person had just completed obtaining her LPN license, again through this type of program. She and her son are now in an apartment. Pride -- build pride.

Thank you very much. Again, I congratulate you for this positive attitude. I hope it will continue and we will see something finite.

SENATOR GORMLEY: All right. Thank you.

D O R O T H Y A R G Y R O S: Senator Gormley, I'm sorry that I had to leave. I had to take a woman -- give transportation to a lady.

SENATOR GORMLEY: That's quite all right. Go right ahead.

MS. ARGYROS: I am Dorothy--

SENATOR GORMLEY: Staff has until 9:00 tonight. Just take your time.

MS. ARGYROS: I don't want to be here talking to you until 9:00.

I am Dorothy Argyros, Monmouth County Coalition for the Homeless. This is going to be from a little different angle. We are trying to house the homeless, the working poor, and so forth. You must know that low-income families, that is, people on welfare of, like, \$300 or \$400 a month to support a family, and the working poor, have really only two life options when it comes to housing; that is, Section 8 and public housing. With both, the numbers are just a small fraction of what is needed. So when I look on this -- I don't have it here anyway; I lost it-- But, the 7500 new units to be built by HUD, I gather nationally, is a mere drop in the bucket. It is really an abdication by the Fed of the problem.

We need hundreds of thousands of additional affordable units. Housing authorities should be creative and proactive in bringing them into existence. I like the fact that you seem to be saying you like bricks; you don't like paper and talk, you like practical things that actually do what they are supposed to do.

I belong to a group. We have been advocates since 1984 for the homeless, but recently, because of new emergency regulations dating from November 1, 1991, there is no longer a safety net in Monmouth County for people who cannot find housing and come to the end of their entitlements. They will not be extended. We are going to be looking at, in November, literally thousands of families. I don't mean homeless in a motel, or homeless shoved in with relatives. I mean homeless

under the boardwalk and in their cars, with little children. We are doing to see deaths.

So this has taken my volunteer group of advocates and made us-- We decided that we wanted to try to be part of the Thousand Points of Light and we wanted to do this partnership bit and accept all this wonderful technical aid DCA has. Everybody would go to these conferences, and they're begging us, "Come forward. We know you're stupid. We know you don't know how to do this. We will guide you."

So anyway, this is how we ended up trying to do the job of the Neptune Housing Authority, or the housing authorities. I am going to talk about a specific thing: We saw an abandoned town house development, 36 units, beautiful, virtually all built since 1988. They are out on Bangs Avenue in Neptune. It is called Winding Ridge Estates; 36 units, 63 more lots prepared for building, in an absolutely perfect location for a mix of-- They could take 24 homeless families -- large families -- off the street. They are two- and three-bedroom units. And some working poor people, some retired people. You would have a little enclave that is close to stores, close to the school, close to highways. It is really perfect.

We found out that it was Resolution Trust Corporation property, so, you know, that is the law that says they have to favor us and deal with us, if they can, to help to get this property to poor people. Well, we have been totally frustrated every inch of the way, and culminating in September-- Well, we actually had to go in and squat that property to get press attention to it. We did that on September 3. We were not arrested. We told the police, on September 2, "We are going to go in there." No one came near us. Five of us spent the night there.

In the morning, Helen Manogue, Affording Housing Specialist of RTC called us and set up a meeting. We said,

"Oh, a window of opportunity." What RTC had done -- and I have a feeling this is being done to many of the Thousand Points of Light-- They are being extinguished, and the people who want to do a partnership with government, I think, are being frustrated all over the country. But this is our own little story.

We pulled together a group of as powerful people as we could. There were 25 people at this meeting on September 25; there were several people from RTC. They basically told us, Senator Gormley, that in order to get this property, which they had decided to hurry up and put in a loan pool, when it is almost foreclosed-- That is very curious, isn't it? You either sell a note mortgage or you go into foreclosure to sell the property. You don't do both. They had Riker Danzig doing the foreclosure. It was two or three months. The man's name is Glenn Curving. He told me it was a couple of months away from foreclosure, and suddenly-- They know about us; they know we are forming. They know we are a rather rich group. We have some important people and community leaders in our group. And all of a sudden, on August 13-- They tell us on August 15, they are going to put this property in a loan pool and sell it to a speculator. All right?

It occurred to me at this meeting that they were sitting there and saying to us, "We'll deal with you, but you have to come up with \$3 million next week and a pro forma." I woke up in the morning and said, "Gee whiz, if I were a speculator I would pay \$750,000" -- the property is supposedly worth \$1.7 million-- "If I were a speculator, I would go and give them \$750,000 for it. They would only ask me to prove that I could pay the money; that I had that money, and then I could say, 'The heck with you, I'm burning it down. What do you care?' and I could get it."

I guess I'm saying that there is a lack of good faith here, I believe. What I'm doing here, I mean--

SENATOR GORMLEY: You know, good faith-- We're talking about the RTC. Obviously, that is on the Federal level. I obviously have not attended the meeting, so I would be-- You know, I don't want to take sides on this. But obviously, they have to get as much money as they can for these properties.

MS. ARGYROS: They are not going to get it through almost completing a foreclosure. At the end of the foreclosure they will have property to sell. They will be able to sell a number of acres of land, 36 virtually completed units, and 63 more lots. That has to sell better than a bad debt, a note and mortgage, that they will sell in a huge package to somebody who doesn't care about Monmouth County, New Jersey, who maybe lives who knows where, and who is going to pay \$125 million for the package, of which this is a tiny part.

They say they are able to come out from under the congressional mandate to favor nonprofits. They're saying, "Well, this property is different because it is a note mortgage." It's not-- Do you understand what I'm saying? There is some finagling here. There is something really stinky here. But the reason why I bring it to you--

SENATOR GORMLEY: Let me ask you a question: How much money would your group offer for it?

MS. ARGYROS: Senator Gormley, if we had \$750,000 we could go to a friend, a speculator, and say, "Go buy this and give it to us, and we will give you tax credits." I actually have been calling those friends I have that might have \$750,000.

SENATOR GORMLEY: I'm just curious. Was an offer put on the table as an alternate to them?

MS. ARGYROS: No. What was happening was, it was happening in a sequence, and we were waiting for the foreclosure sale, which we were going to bid at. Then Helen Manogue sent me what is called the "Interim Final Rule," which allows RTC to deal with nonprofits in a bulk sale of

multifamily property. We were waiting for this. We had to wait for the foreclosure to be finished. We were forming our group, pulling our people together -- lawyers, architects. We knew we would need a group.

All of a sudden, as I said, August 13, "Hey, I've got news for you. August 15 the sale is frozen and it is put into a loan pool." The guy's name was Tom Long. I said, "But you are supposed to try to get it out to the Thousand Points of Light, and that's us, you know." He said, "Well, our first duty is to maximize the savings to the taxpayer." I said, "How are you doing that? In a loan pool, you will be lucky if you get 40 cents on the dollar." He said, "We're saving the cost of foreclosure." And I said, "Do you have a file in front of you? Your foreclosure is almost complete. You have probably paid Riker Danzig a fortune to foreclose this. This property is going to drop in the lap of some rich guy who buys the loan pool. Don't you understand? Do you usually do this?" He said, "It is not typical."

I guess the reason why I'm here talking about a Housing Authority and yelling and screaming and pounding the table, is because this is the work of the Neptune Housing Authority. Where are they? This is a bargain. You've got, as I said, 36 homes virtually built. They are deteriorating.

SENATOR GORMLEY: This is something that I don't deal with, because I don't deal with the RTC.

MS. ARGYROS: I know.

SENATOR GORMLEY: But for the Authority, for you, for me, for anyone to go into the RTC, you have to have a check. I mean, you have to, because--

Let me tell you the opposite side. I really did not anticipate going over the RTC today. The opposite side is, if there was any capability of the RTC to say-- No one questions your good faith. Obviously, you know, many volunteers are

people who give long hours for no remuneration -- okay? -- but concern for the homeless. That is not the question.

MS. ARGYROS: We have been working on this for a year with RTC.

SENATOR GORMLEY: I understand that, but I think, you know, they are in a predicament because of having to generate money. I don't know the particulars of the deal. Maybe the individual procedure that you are suggesting would have generated more money, but at the same time they are in a position where if there is money in hand, given their circumstances of trying to garner some capital, then obviously if there was not money there in hand, even if it be 40 cents on the dollar, you know, it's--

MS. ARGYROS: Senator Gormley, they euchred us. Okay? We know the money needs. We know the funding. We know the DCA, and we know that the RTC can take--

SENATOR GORMLEY: Excuse me; excuse me. This is something that we can't solve anyway. Okay?

MS. ARGYROS: I guess I am relating--

SENATOR GORMLEY: I know, but the thing is, is there a point you would like the State government to make?

MS. ARGYROS: Yes. You said you like bricks?

SENATOR GORMLEY: Yes.

MS. ARGYROS: You like practical stuff?

SENATOR GORMLEY: Yes.

MS. ARGYROS: And you said they should be providing a pool of funds to do the job. We have here built houses that are standing there going -- that are going to slide down the hill. Every rainfall deteriorates them. Nobody has been living in them. Brand-new, built in 1988, and the Housing Authority of Neptune-- I understand from one person who works for the Housing Authority that they had considered it.

You said there should be a pool of funds to do this kind of a job. This is a tremendous bargain. Our Neptune

Housing Authority, which has the knowledge and the resources to pull this in to take 36 families off the streets immediately, and 63 more down the road, paying \$750,000 for property that was once considered worth \$4.5 million, has not done anything. They have left it up to the nonprofits. We don't know what we're doing -- frankly, I admit that -- and we are failing.

Where is the Housing Authority? Where was the Neptune Housing Authority when this -- surely they knew about it -- property came to light? That's all I'm asking. I am trying to cast doubt on the sincerity of a Federal and State government that says, "Come forward. We'll help you every inch of the way."

Your State DCA knew we were out there. The RTC knew we were out there floundering for a year, and they abandoned us. I guess if you saw the movie, "JFK," we were left with our you-know-what in the wind until September 25 -- understand with our breasts in the wind, because most of us are women -- when they told us, "Gee, you should have started and sat down with Stuart Bresler and been talking to him for a couple of years," at a time when next month--

SENATOR GORMLEY: Please, I want to be a little more focused. I didn't see "JFK." I don't go to see revisionist history. Okay? So, now that we have covered that--

MS. ARGYROS: Okay. Some of the quotes are very good, though.

SENATOR GORMLEY: Well, you know, merging fiction with half reality is not my style of a movie. But anyway, now that we have done the movie corner--

The point is, what, on a State level-- I can appreciate your frustration, although it is unfair for me, because the RTC isn't here; the Neptune Housing Authority isn't here, and I am not the arbitrator of the matter. But, are there any specific recommendations?

I think, one, whenever we have the opportunity to pool money, I think you're correct. I agree with you on that; that that should be done. There is a problem with the homeless. There is a problem with the homeless in terms of certain areas that give bus tickets to individuals to go to other areas that do have shelters.

MS. ARGYROS: "Greyhound therapy," they call it.

SENATOR GORMLEY: Well, I live in Atlantic City, and we are the respository of Greyhound therapy.

MS. ARGYROS: I was born there.

SENATOR GORMLEY: And there should be, quite frankly-- We have done things in our area. It has been more on a municipal basis, or whatever. But, you know, I do agree with you, that pooling money, leveraging money-- There will never be enough money, by the way. We know that, given the nature of the problem. There will never be enough, but we have to put some dent, try to make some difference. I don't like to go into expressing broad numbers or broad goals that are now, I guess, national campaigns on either side. I am not really into that.

I appreciate your interest in the potential for doing something on a pool basis because, quite frankly, homelessness, and the cost of homelessness--

MS. ARGYROS: Is astronomical.

SENATOR GORMLEY: And the pass-through to the county, or the municipality is severe. The fact is that our definition of homeless has changed, especially in the recession, given the fact that it takes in a much broader net than is usually conceived in terms of those who are homeless people, who would be shocked to be categorized in that area.

MS. ARGYROS: Plus also, a lot of middle-class people are falling into it now.

SENATOR GORMLEY: Yes, they are.

MS. ARGYROS: May I reduce this to several specific requests?

SENATOR GORMLEY: Go ahead.

MS. ARGYROS: Number one, if you have any power over the general Federal view of homeless assistance as having to be temporary and transitional, we need much more than the 7500. We need a huge stock of housing to be built -- more public housing. That is number one.

Number two, I didn't quite understand the pool, but it sounded like a good idea.

SENATOR GORMLEY: Well, I liked it because it is my idea. So it's a good suggestion. We'll follow up on that.

MS. ARGYROS: I think it's great. I support it.

SENATOR GORMLEY: Okay, we'll follow up on that.

MS. ARGYROS: I suppose there should be, in general, a more sincere and concrete, specific attempt to keep the Thousand Points of Light burning by actually working with these people, working with nonprofits like us, not just giving it lip service. You know, our problem with the money-- We knew that you had to apply for money, and it takes time. And you have to have a rich group to do it. You have to have your township involved and your county people. You need certain elements in place. We were on a schedule to do that, when they really stuck a knife in our gut. They suddenly took it, right before foreclosure, and put it in this loan pool.

If you could investigate something like this-- If you have any powers of investigation-- I know you are not a judge and a jury, and they should have a chance to make whatever lame excuse they can come up with.

SENATOR GORMLEY: Lame excuse? Well, I'm glad you haven't reached your conclusion.

MS. ARGYROS: I am a citizen. I am a volunteer. I am not paid. I am allowed to say things like that.

SENATOR GORMLEY: Okay, go ahead.

MS. ARGYROS: Anyway, I would ask you to look into it -- Winding Ridge Estates, Bangs Avenue, Neptune. If we don't do something about it in the first week of October, it is going to go into the hands of who knows who from where, as a tiny part-- You know, he won't be interested in it, and I'll tell you what will happen to the units: In two years, they will have to bulldoze them, never having been lived in, because every rainfall deteriorates them. They have to get people in there right away.

Thank you very much for your patience.

SENATOR GORMLEY: Thank you. We appreciate it.

Thomas J. Czerniecki. Tom, sit down. Tom and I have been close for years.

**T H O M A S J. C Z E R N I E C K I:** Senator, obviously you don't have a huge Polish population in your district. (referring to Senator's pronunciation of his name)

SENATOR GORMLEY: That was vicious, Tom. You will now testify last. (laughter) Okay. Would you please pronounce your last name? I want to apologize.

MR. CZERNIECKI: Czerniecki. Thank you.

SENATOR GORMLEY: Thank you.

MR. CZERNIECKI: Good afternoon, Mr. Chairman. My name is Thomas Czerniecki, and I am a Legislative Liaison for the Eastern Paralyzed Veterans Association. On behalf of my organization, I thank you for this opportunity to present our perspective on the appropriate role of public housing authorities in New Jersey with regard to accessible and affordable housing for people with disabilities.

EPVA is a nonprofit veterans service organization dedicated to serving the needs of spinal cord injured veterans. Many of our members languish in medical facilities and institutions long past their rehabilitation period, due to the lack of adequate accessible and affordable housing. This is obviously not an acceptable situation. Moreover, it is very

disparaging to continuously hear through the media that funds which could have been utilized to provide affordable and accessible housing for those most in need of it, such as our members, is not provided due to incompetence and mismanagement.

What does a person with a disability who is living on a fixed income face when looking for housing? In today's housing market, these individuals have limited choices. Clearly, when disabled veterans find themselves with nowhere to go but to a medical facility or VA institution and the public housing authority cannot meet their needs, something has to be done. A comprehensive policy to correct the inequitable administration of public housing needs to be developed and implemented.

In August of 1991, EPVA testified before the Department of Community Affairs' Division of Housing when it was in the initial stages of developing its Comprehensive Housing Affordability Strategy, or CHAS. In our testimony, we took an optimistic position in hopes that the public housing authorities throughout the State would expeditiously meet the Section 504 requirements of the Rehabilitation Act of 1973 by submitting a plan to make their programs and services accessible to persons with disabilities; that the United States Department of Housing and Urban Development would subsequently provide various PHAs with the funds necessary to comply with Section 504; and that a significant portion of our disabled residents would be closer to living independently in accessible and affordable housing units.

Instead, we are here today to voice our disappointment regarding the lack of commitment some of New Jersey's PHAs have displayed toward meeting our public housing needs, as well as our disappointment in the low level of accessible public housing that is available throughout the State. More importantly, we are not only here to voice our frustration, but to urge the State to do all it can to make sure that the money

set aside for public housing programs meets its intended purpose of providing safe and decent housing.

During last year's CHAS process, we contacted the Department of Community Affairs to investigate how many PHAs were in compliance with Section 504, and they were not able to give us this information. EPVA believes that noncompliance with Section 504 constitutes discrimination on the basis of disability. EPVA also believes that one of the most cost-effective methods of getting people with disabilities out of institutions and living independently in accessible public housing, is by ensuring compliance with Section 504 of the Rehabilitation Act of 1973. Therefore, we strongly urge this Committee to seek compliance with all Federal regulations as part of its oversight process of PHAs.

Mr. Chairman, while I realize that this is not the Housing or Human Services Committee, I strongly urge you to move forward and address these pressing issues so that the public's money and the State's time can be utilized engaging in proactive programs. Among the changes that this Committee might consider in order to protect against abuses in public housing, is mandating some of the changes that have been agreed to by both the new PHA in Passaic, New Jersey, and HUD. Some of these changes include:

- \* Side-based management to include consumers of public housing in the decision-making process of the local agency.

- \* Mandating that resident councils be organized by PHAs, and that they have full access and input on resolutions that come before the PHAs.

- \* Mandating that residents be allowed to sit on committees along with commissioners.

- \* Mandating that meetings be held at the housing sites, and that they be held in the evenings.

In addition, we would also suggest that this Committee consider creating a mechanism that would provide all PHAs with information relating to the regulations governing the Americans With Disabilities Act, Section 504 of the Rehabilitation Act, and the Fair Housing Act Amendments. By imposing various changes, including those mentioned above, EPVA firmly believes that this Committee will be able to effectively ensure that regulations set up to protect the rights of citizens are meeting their intended purpose.

Thank you for this opportunity to address you regarding this important issue. I would be happy to answer any questions you might have regarding my testimony.

SENATOR GORMLEY: Well, we appreciate it. It is an overall problem that had not been brought out yet today.

MR. CZERNIECKI: There was a fleeting mention of the handicapped. Not to criticize anyone, but just the lack of information that individual had when you pressed him on numbers, is indicative of the problem that exists in providing accessible housing.

SENATOR GORMLEY: Anyway, thank you very much for your time. We do appreciate it.

We will now have Dominick Reale.

D O M I N I C K R E A L E: I'm Dominick Reale, 28 years Adjutant of Jersey Shore Chapter 13, D.A.V. Me and Carl Blumenthal in the HUD department don't get along. I don't think he gets along with anybody. He never sat down and talked to me. He insulted me. When I went in there with all the estimates, I said to him--

SENATOR GORMLEY: Well, I'll tell you what we'll do. What I want to do is, my aide will take-- This is more of a specific constituent complaint.

MR. REALE: Yeah, but I mean, I'm a combat vet.

SENATOR GORMLEY: What I am saying is, this is something that--

MR. REALE: I was with General Patton in Europe -- the European Theater of Operation. I'm lucky I'm living, and I have to take stuff from him?

SENATOR GORMLEY: Well, as I said, I can't-- What I would like to do is, we will take your name, your address. We will--

MR. REALE: Just because he sees me walking with a cane, what does he think the VA gives you, everything? The VA don't give you nothing. The VA gives you a headache, especially the many vets they have up there now. Have you ever been up there, Senator, lately?

SENATOR GORMLEY: No, I haven't.

MR. REALE: Well, you should go up there and just see what's up there. Anybody can go up there. It is open to the public. It's a disgrace what's up there.

SENATOR GORMLEY: Well, what we would like to do is inquire about your specific problem.

MR. REALE: All I wanted him to do was give me a driveway for \$2500. I had hundreds of estimates at \$5000. I didn't take them estimates; I took the lowest one, \$2500. Then he sends me-- Then I got four phone calls in the evening. The last phone call, do you know who it was from? A man right behind me that we haven't talked in 42 years. Then, I said--

SENATOR GORMLEY: A man you haven't talked to in 42 years?

MR. REALE: Yeah, I haven't bothered with him in 42 years because he's NG.

SENATOR GORMLEY: All right.

MR. REALE: Okay, is that good enough?

SENATOR GORMLEY: Well, yeah, I don't want to--

MR. REALE: I did business with him 26 years ago, so I should know.

SENATOR GORMLEY: Listen, I just--

MR. REALE: I did business with him 26 years ago. Do I know him, then?

SENATOR GORMLEY: Well, whatever you say. The point is--

MR. REALE: I put a wall behind my garage when I subdivided the property. He breaks the wall down. This is a nice man?

SENATOR GORMLEY: This was 26 years ago?

MR. REALE: Yes, 26 years ago. He breaks the wall down. I put up a wall to separate the properties. He breaks the wall down. Then he hasn't talked to me in years and years.

Now, recently, he is getting all the paving jobs. Now he sees me, and it's, "Hello, Mr. Reale," after so many years. A nice man, ain't he? Carl Blumenthal is another nice man.

SENATOR GORMLEY: Well, listen, Mr. Reale--

MR. REALE: We've got 125 vets, disabled vets in the Jersey Shore area. Do you want to see the names here?

SENATOR GORMLEY: No. I do not question your veracity. I believe you.

MR. REALE: I don't care nothing about HUD. I don't care nothing about the VA. I'm hopping around, and I will hop like this until I die. I'll live another 20 years, 100 years, or I might die tomorrow.

Thank you very much, Senator.

SENATOR GORMLEY: Thank you.

MR. REALE: I said my piece.

SENATOR GORMLEY: Thank you, Dominick.

MR. REALE: We have an attorney. This is an attorney. He has all the papers.

SENATOR GORMLEY: Okay, good. Very good.

MR. REALE: He has everything there. The four phone calls, he has everything.

SENATOR GORMLEY: Allen E. Falk?

MR. REALE: That's right.

SENATOR GORMLEY: Okay.

MR. REALE: He's got all the--

SENATOR GORMLEY: So we should contact Mr. Falk regarding--

MR. REALE: Yes, he has all my papers.

SENATOR GORMLEY: Thank you. Would you like his card back?

MR. REALE: No, you can keep it.

SENATOR GORMLEY: Okay.

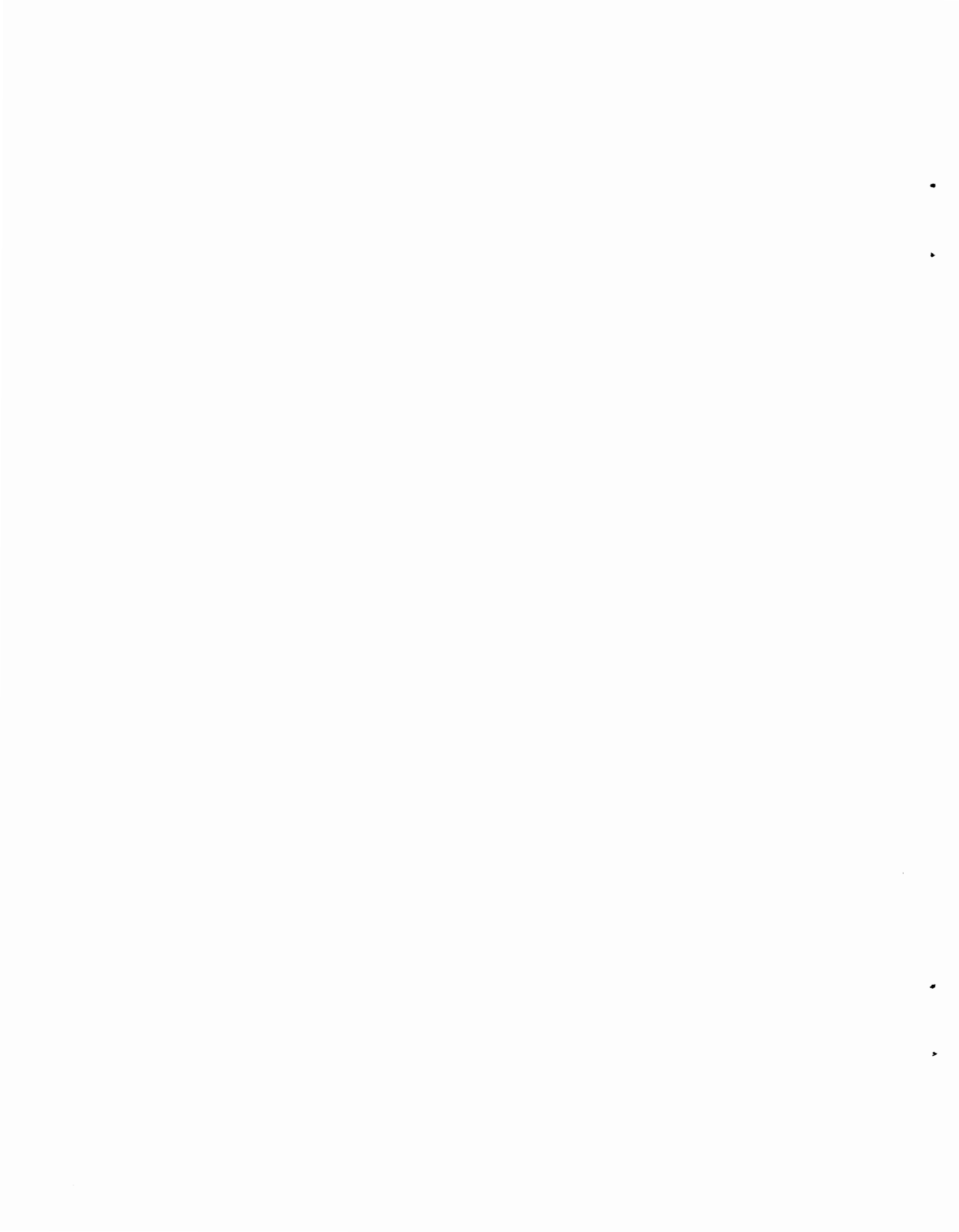
MR. REALE: Thank you very much.

SENATOR GORMLEY: Jean Hastings? (no response)

I would like to thank everyone for attending. I appreciate your coming out today. That concludes the hearing.

(HEARING CONCLUDED)

APPENDIX



A NEW URBAN HOUSING PARTNERSHIP PROPOSAL  
HOUSING AUTHORITIES AND THE STATE OF NEW JERSEY

by

THE JOINT COMMITTEE

of

THE NEW JERSEY ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

and

THE NEW JERSEY ASSOCIATION OF HOUSING AND REDEVELOPMENT AUTHORITIES

N.J. SENATE JUDICIARY COMMITTEE

SEPTEMBER 30, 1992

Information:  
Joint Committee Chairman  
Richard D. Fox  
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President, NJAHRO

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ACKNOWLEDGEMENT

This paper was written with the assistance of housing authority executive directors, staff persons, commissioners, attorneys, concerned persons and tenants in the State of New Jersey. Their insight and contributions have been invaluable. The majority of this paper was prepared in 1989 and submitted to Commissioner Anthony Villane. It has now been updated to address current New Jersey housing affairs. The program implementation, funding and legislative changes recommended in this paper would improve the lives of thousands of New Jersey residents.

## INTRODUCTION

Fifty years after the Housing Act of 1937, the need for low and moderate income housing persists. Ironically, homeless people in the streets remind us of the depression days during one of the largest post war economic expansions. The American dream of decent housing for all the people may never be totally realized. However, the state of New Jersey should strive to be a leader in providing a decent standard of living of which housing is essential. It is a necessity, basic to all civilizations. The wellbeing of the people and industry in New Jersey are directly influenced by decent housing. Presently, businesses and employers following the economic corridors of New Jersey highway expansion find it difficult to find secretaries, repairmen, janitors, or other service personnel. The business sector is experiencing the dilemma of service personnel who cannot afford localized housing. Additionally low income housing and apartment production has come to a halt with the retreat of the federal government from this sector. The value of existing public housing and Section 8 Housing now goes up because of supply and demand realities. This housing stock must work and be protected as a valuable New Jersey real estate asset for its people. New Jersey faces a shift in federalism, as the National government addresses its deficit, cutting the HUD budget by sixty percent. The Governors recent press release begins to recognize that New Jersey will have to economically address its own low income housing production responsibility similar to other Atlantic sea board states. This paper will address the necessary alliance between housing authorities and the State of New Jersey which created the Authorities under the state law. After a half a century of existence, the federal action will now cause the state and its Housing authorities to work in close harmony. A new Urban Partnership is needed to develop and protect low income dwellings and the people while promoting upward mobility in decent, safe and sanitary housing.

A committee of the New Jersey Association of Housing and Redevelopment Authorities and New Jersey Association of Housing and Redevelopment Officials has recently defined low income housing problems and areas of concern in Public Housing. The group has identified and now presents alternatives. This paper will address security programs, daycare and latchkey programs, tenant training and participation, self-sufficiency, mortgage revenue bonds and mixed income projects, lease purchase, a new state and housing authority urban partnership, housing authority consulting, a review of laws effecting housing authorities, refuse/recycling cost problems, financial plight of housing authorities, admission regulations and insurance options.

Public housing has for too many of its residents become housing of last resort. For years, housing officials have struggled with higher costs and diminishing opportunities to increase the number of units available to families of low income. In some communities of New Jersey public housing is the sole source of low income subsidized housing and the only affordable housing available to the working poor. Housing authorities throughout the state have been deluged with unanswerable requests for more housing units in an era when moderate income families cannot always find adequate non-subsidized housing.

Efforts must be made to vastly improve national programs to house the poor and homeless and a state-wide effort must dramatically increase low income affordable housing units throughout New Jersey to provide relief to the poor family, working low income families and the aged -handicapped individuals seeking assisted housing. We believe innovation and financial assistance can be utilized to improve public housing in New Jersey. The New Jersey Dept. of Community Affairs can have an effective leadership and financial role in this endeavor.

The public housing industry has labored under the reputation of warehousing poor people with few hopes and no future outside of its domain. A self-fulfilling prophecy, housing management officials are now finding second generation tenants requesting apartments for themselves and their children. We in the profession are asking ourselves if part of the answer is more public housing and part of the answer is better efforts to promote upward mobility and the utilization of at least some public housing as a respite, a temporary home subsidized and providing shelter while the head of household weighs, chooses and pursues his/her options for a responsible adult lifestyle of economic independence.

Society has recognized the need to house those of its citizens who are incapable of paying for shelter by themselves, i.e. the chronically ill, severely disabled, elderly and families of limited means. The public housing industry has now evolved from housing a lower income economically diverse population to housing very low income people.

Because of the economic convenience of public housing and lack of economically affordable housing alternatives in New Jersey public housing residents often do not leave public housing. There are also residents who could leave and do not apply their ability to leaving public housing because of the security it offers and lack of motivation which is a by product of that security.

The Brooke Amendment, new income limits of 50% of median income and admission priority rules have altered the public housing program so it houses more of an economically caste segment of society with no economic diversity. Fortunately, many people in public housing are not satisfied with their current economic status and are working to improve the lives of their families. This is where the pride and hope of the public housing program exists.

HUD's response to the public housing crisis of too few units, too much crime, old buildings and too much demand for public housing has been to prioritize physical improvements. However, with the exception of some noteworthy demonstrations, very little money has been approved for modernizing tenant programs, upgrading tenant skills and options or improving the human capacity of public housing. Most New Jersey housing authorities have sought other limited sources of funding in attempts to upgrade the human element of public housing.

Remarkably, housing authorities throughout the state have individually or collectively reached the conclusion that upward mobility and tenant education programs coupled with building security programs insure a greater opportunity to maximize diminished housing resources while providing more housing for more people over a shorter period of time. How will this be done?

1.) A public housing unit well cared for is more cost efficient and has a longer life expectancy. Tenant education in household management and maintenance crisis prevention improve the longevity of housing stock. So too does tenant education in parenting techniques, goal-setting, family relations and non-violent conflict resolution, budget making and employment options. Several authorities are experimenting with a combination of these subjects in tenant education programs. One example - Family First is an expanded concept of tenant education which informs and enlightens tenant head of households while imparting basic tenant orientation information at the same time.

2.) A housing unit that provides short term housing (2-5 years) rather than guaranteeing lifetime housing promotes more efficient use of public housing. Providing short term respite and subsidy to a family on its move up the ladder of social responsibility, frees the unit for the next family in need. Project Self-sufficiency allows for such family mobility while increasing the options of under-skilled single parents with children. It should be made clear that this is only for a certain segment of the public housing population which has upward mobility potential.

3.) Public housing which offers community space for low cost quality child care and afterschool enrichment or tutoring services improves the upward mobility of the child and tenant parent and increases the possibility of future subsidized apartment availability by improving the parents' employment options and earning power. Child-care programs protect children and expand their educational capabilities while exposing them to responsible social values and life style options of working people thus breaking the possible cycle of multi-generational public subsidized families.

4.) A building secured is a lifetime of promise. The tenant children whose families are constantly confronted with drug trafficking and illicit activities are at risk of life and death choices each time they walk outside their doorway.

Needed are increased security patrols, police surveillance, and state eviction laws which allow officials to evict from public or private housing tenants convicted of possession of narcotics or drug traffickers after one proven offense. State funding would enable tenant security patrol training and insurance, and funding for night guard services thus reducing the violence and crime tenant children are exposed to daily.

5.) Housing Authorities can also address abandoned housing with lease purchase programs. Currently there is a need to review state laws and regulations concerning Housing Authorities. Housing Authorities should be able to participate directly in balanced housing program funding, mixed income projects with very little subsidy and float single family mortgage revenue bonds the same as in other states. More Housing agencies in the state performing these roles would increase housing production.

The authorities have been burdened with over 100% increases in refuse cost and insurance in a two to three year period without adequate financial relief from HUD and an inability to raise rents or generate more income.

The Authorities have also labored under an unrealistic Federal Performance Funding System mechanism and illegal recapture of operating dollars, all of which impede housing progress.

The answer to these problems may not be only dollars. New Jersey legislation for housing authorities concerning housing production, insurance and tipping fees could be of great assistance. The state can also address concerns the authorities have concerning admissions and occupancy problems and lobby the federal government to be more reasonable in this area.

The State of New Jersey in partnership with the Housing Authorities can expand the low income and affordable housing stock and improve the existing public housing program and habitat it provides to the citizens of New Jersey.

Over the past years the need for child care as an instrument of upward mobility and employment readiness has been increasingly recognized in the state. The REACH Program introduced as a welfare reform includes a necessary child care component.

In no sector of society is the need more universally experienced than in the public housing family developments. Herein resides a density of families with pre-school and school-aged children whose access to existing child care is limited by the following factors:

- 1) Financial need - the low-income parent cannot afford the average community based child care cost of \$40.00 to \$80.00 per week per child.
- 2) Time and location access - childcare centers are often located in areas of difficult access requiring an automobile to transport the child. Low income mothers do not always have automobiles. The low income working mother often works at a shift job traveling by public transportation. Child care center hours conflict in many cases with the hours of the working class mother and her transportation route.
- 3) Mistrust or lack of information - existing day care centers are already in high demand from other socio-economic groups with waiting lists and limited means to expand their programs. Their outreach into public housing neighborhoods is diminishing. The low income mother newly embarking on employment plans has little knowledge of or connection with many established programs. It can be most intimidating to go into a strange and distant neighborhood and entrust your child to an institution with which you have no previous experience or personal understanding. Child care should be primarily an experience in education and socialization for the individual child. A quality program can "liberate" that child for a life filled with knowledge of the whole range of human relations. Child care can also "liberate" the mother to achieve her potential as a working responsible adult.

Acknowledging the need for child care, HUD has initiated a demonstration program funding the start up of several child care centers in or near public housing developments throughout the country. First-year costs including site renovations and operations average approximately \$5,000 per child. Such a program could be applied with proper funding throughout the State of New Jersey. Unfortunately, HUD funds only two or three housing authorities in the state for this program.

There is an opportunity and a need for the State of New Jersey to provide day care for public housing thus breaking the welfare cycle.

LATCHKEY/AFTERSCHOOL PROGRAM  
for PRE-TEENAGE CHILDREN

There is a largely unmet need for neighborhood - based afterschool programs for pre-teen children in public housing developments in New Jersey.

While family instability and the resulting increase in female - headed households is common throughout our society, these problems are concentrated in public housing environments. More distressingly, the generally higher density living environment in public housing exacerbates the problem. The result is a social environment in which large numbers of younger children are unsupervised -- particularly in the afterschool hours.

The intent of afterschool youth programs is to provide for constructive and recreational leisure time activity helping to prevent juvenile delinquency and drug abuse. Activities include unstructured and structured programs designed to promote positive youth development. These enriched leisure time experiences include a drug/alcohol prevention component.

Part-time assistants and program aides supervise youthful participants and provide cultural enrichment and promote a positive self-concept for the youth population. In addition incentive programs and job placement can teach responsibility and supplement family income.

Due to the age of the youth serviced, it is important that afterschool programs be neighborhood-based. Ideally, the programs would be nearby to public housing developments, but off-site to encourage the intergration of these youths with the broader neighborhood community.

Funding for afterschool programs is clearly not available from limited public housing operating budgets. Funding from available state resources, such as the State Division of Youth and Family Services, should ideally be targeted to assist low and moderate income youth in these public housing environments.

A typical afterschool youth program would be located in leased and/or donated space in an existing neighborhood facility, such as a church or neighborhood organization building. The staffing would typically consist of several part-time program directors. Start up costs would include funds for appropriate recreational equipment, which would typically include audio and video equipment and furnishings. In addition, funds would ideally be available for a limited number of off-site outings.

LATCHKEY/AFTERSCHOOL PROGRAM  
for PRE-TEENAGE CHILDREN  
Page 2

A prototypical budget for a neighborhood-based afterschool program would follow this general outline:

PROTOTYPE  
ANNUAL OPERATING BUDGET  
AFTERSCHOOL YOUTH PROGRAM

Youth Service Director	(PT) -	\$ 15,000
2 Program aides	(PT) -	\$ 16,000
Fringe Benefits	(20%)-	\$ 6,200
Telephone/Office Supplies	-	\$ 500
Other Office (Maint., Ins.)	-	\$ 1,000
Consumable Supplies	-	\$ 2,000
Recreation Equipment & Furnishings	-	\$ 4,500
Travel	-	\$ 1,200
Contingency (5%)	-	\$ 2,300
	-	\$ 48,700

## FAMILY FIRST PROGRAM

A program designed to address certain needs of Housing Authority residents.

The main goal would be to help new residents better understand how to achieve independent living. It would instruct them on how to properly use and take care of their residence, and the adjacent grounds; including, but not limited to cleaning, proper use of facilities and ways to use utilities in a conservative manner.

Many housing applicants are new families who have never lived independently and single parent families, with a young adult head of household. By giving them instruction on proper techniques to maintain a household we are enhancing their standard of living and reducing long term maintenance costs to the Housing Authority. The instruction would also include proper child rearing techniques to help reduce the instances of child neglect.

In addition to new residents, we can provide the services to recently admitted residents and long term residents who we deem could benefit from our observance of their family and apartment through routine inspections and referrals from other agencies.

The initial seminar will be the mainstay of the program. It will cover all of the aspects of the Family First Program. A social worker will be employed to acquaint the residents with community services available to them. The main objective will be teaching self-reliance.

Follow-up seminars will be held on an intermittent basis with an evaluation at the conclusion. Counselors will be available on an individual basis for each participant.

Con't

This program could have a long term effect on Housing Authority residents as well as the community. If we can successfully educate parents on the proper ways to rear children and maintaining a household it will filter down to the children. When they become parents and home owners or renters, they will have learned these things from their parents. This method has proven over the centuries as the best way to improve society. Who but the parent can show and instruct their child and influence the way they live their life.

FAMILY FIRST PROGRAM BUDGET

PERSONNEL:

1) Educational Psychologist @\$16.00 per hour x 750 hours	\$12,000.
based on 15 hour week/9% fringe	1,080.
2) Social Worker @\$15.00 per hour x 750	11,250.
9% fringe	<u>1,012.</u>
	\$25,342.
3) Senior Planner-50% of 4.5 hr./week @\$17.00 hour	2,000.

TRAVEL:

In and out of city meetings, conferences; emergency transportation of clients	750.
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SUPPLIES:

Office supplies	1,000.
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EQUIPMENT:

Telephone and desk	<u>908.</u>
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\$30,000.

TENANT TRAINING FOR A TENANT-MANAGEMENT  
WORKING RELATIONSHIP

Training Focus

The proposed training program was developed by Urban Women Inc. for public housing tenants and is built on six basic principles: empowerment, inclusive community, comprehensive planning, practical action, partnership and self-sufficiency.

1. Empowerment

The Gilkey model addresses poverty and despair in public housing developments by empowering tenants to help themselves. One of the goals of the program is to eliminate the barriers to people helping themselves. Urban Women Inc. believes and has demonstrated that tenant leaders are a source of strength, and has developed effective methods for bringing out this strength and getting the tenants the resources they need to actualize their potential.

2. Comprehensive Planning

The Gilkey Model, leads the tenant board into planning a community development agenda rooted in their public housing experience. This agenda addresses the key aspects of the life of that community. The objective of this planning process is to integrate tenants' personal and the tenant board's concerns into a strategic plan capable of addressing the key issues that the public housing community is facing.

3. Practical Action

The Gilkey Model helps the tenant association board focus on practical actions to deal with specific problems that tenants have identified (e.g. organizational development).

4. Inclusive Community

The Gilkey Model utilizes leadership support techniques for affirming one's own identity forming alliances across race, class, and cultural barriers.

and providing necessary information, technical assistance, linkages, reinforcement, and motivation.

#### 5. Partnership

The Gilkey Model utilizes developing alliances and partnerships between tenants and other grassroots community leaders and professionals by applying information and skills to organizing problem-solving capabilities.

#### 6. Self-Sufficiency

The Gilkey Model is based on self-sufficiency and self-help approaches to development. Urban Women, Inc. has found that most tenant leaders are tired of waste and self-serving government agencies.

### Goals and Objectives

The goals of the program are to prepare tenants in public housing developments to organize their developments in order to increase tenant involvement in the affairs of their development and neighborhood. The program aims to provide for tenant board training in networking, strategic planning and political effectiveness toward achieving control of their own destiny through tenant participation and through the development of tenant owned social services and profit making ventures.

The objectives include increasing the knowledge and skills of tenant leaders to operate effective tenant councils and tenant sponsored programs such as tutoring programs, day care, food programs, clean-up campaigns, etc.

Additionally, the program will assist the trainees in establishing functioning committees and block lane/floor captain systems. The program also aims to increase and foster the objectives of self-help, and will utilize successful tenant-developed, income producing models.

Other specific objectives of the program include: reviewing the history of public housing; reviewing and testing on HUD regulations, as well as on THA and rules and regulations; reviewing grievance procedures, admission occupancy and screening policies, and developing by-laws, goals, codes of conduct and articles of incorporation.

The program will assist tenants in forming the following committees: maintenance, social service, security, beautification, newsletter, tenant employment, youth council and community center advisory.

Training will take place on site. In order to insure maximum participation the program will utilize 3 months of classroom work and 3 months of work assignments and program development. The final 3 month period of the training program is the follow-up period and will detail ongoing monitoring, observing, and refining of course work projects, and technical assistance. After the first month of training attendance is mandatory for officers, volunteer committee chairpersons and block/lane/floor captains.

In addition to completing the required course materials, trainees will be required to complete a number of practice factors or actual on-site work assignments.

Group training sessions will be structured so that each trainee will make a brief verbal contribution at each session. This actually will add to the verbal confidence of each trainee.

Course materials and tests have been developed for the sessions, and trainers will give announced and unannounced tests, as well as take home test assignments.

Some assignments will be undertaken as a team and will facilitate cooperation among trainees.

In this way, advanced trainees will be able to assist other trainees in need of additional help.

The tests are multiple choice and are designed to serve as review grades and will help point out who needs additional training. The tenant interns will be responsible for grading all tests, monitoring sign-in sheets for each session to insure steady attendance, and will review all materials prepared by tenants for meetings such as minutes, agendas, committee lists and reports, plans, and other written materials.

### Program Evaluation

The trainer and her assistants will require participants to determine for themselves if their accomplishments correspond to their goals, especially with respect to the establishment of functioning governance structures which are necessary to establish tenant-operated initiatives and the increased involvement of tenants in the affairs of their development.

Practical evaluation factors such as whether there is a decrease in crime and vandalism, whether the development is cleaner, whether new programs are functioning or in the planning stage will be utilized. If such goals are not being met, the trainer will provide additional instruction and will continue monitoring performance until all leadership training components are in place. Provisions will be made for remedial assistance where such assistance is necessary.

The course tests will serve as an indication of individual trainee comprehension of training materials.

## SECURITY PROGRAM PROPOSAL FOR PHA, NEW JERSEY

PHA is located in central New Jersey in a city of approximately 15,000 population. 59% of the population are white, 35% cent are black, and 6% are hispanic.

PHA owns and manages two housing developments for low income families, elderly and handicapped or disabled persons.

The Towers is an eleven story building consisting of seventy five one bedroom and twenty five efficiency elderly units, of which, twelve units have been specifically designed for the handicapped.

The tenant population is approximately 55% white, 42% black and 3% hispanic.

The Towers is located adjacent to the central business district in an area of mixed commercial and residential uses.

The neighborhood is a high crime area. Although the incidents of crime at the Towers is rather low, the perception of danger among the residents is high and therefore the matter of security is a major concern.

The incidents which have occurred over the last several years include one stolen automobile, two stolen automobile batteries, broken auto antenna, graffiti in elevators and derelicts found sleeping in stairwells.

Security at the Towers consists of an Entraguard system at front and back entrances which allow entry of visitors by use of a telephone intercom system. In addition, the front and back doors are equipped with Medeco locks which limit the number of available keys. Duplicate keys can be made only upon authorization by the Executive Director.

Until 1985 a part time guard service was employed from 6:00 p.m. to 6:00 a.m. Due to the excessive increase in the cost of insurance and trash collection this service was eliminated.

While there has been no significant increase in crime or vandalism since the elimination of the guard service the perception of the tenant population is that they are no longer living in a safe environment. This is especially true due to a reported increase in crime (one homicide in an elderly project) in the two larger PHA's within the County.

The Gardens is a low income family project of 100 units: consisting of 12 four bedroom, 64 three bedroom and 24 two bedroom units. This complex is made up of eleven buildings, one administrative, maintenance, community building and ten row house type buildings consisting of ten apartments per building. There is a centrally located playground, however, most of the equipment needs replacing due to vandalism. Likewise, the laundry facility adjacent to the administration building has been permanently closed because of vandalism.

The Gardens is located in a predominantly black, residential neighborhood. Incidents of crime has steadily increased over the last several years. The Gardens has become a major drug distribution area in this community. In the last year there have been five drug related arrests in the Gardens (no convictions); two reported drug-related shootings (no injuries) and an increase in graffiti, broken windows, damage to playground equipment and site lighting.

There is no security program at the Gardens. CIAP funds have been used to purchase vandal resistance site lighting and provide steel entrance doors with dead bolt locks in all apartments; funds are available to replace playground equipment.

The PHA is seeking funds to provide security guard service and video monitoring at the Towers and to supplement the police patrol at the Gardens.

It is anticipated that extra police and civilian security personnel will reduce the crime rate at these public housing sites; bolster residents' sense of security; and improve the image of these developments in the rest of the community at large and thus improve the quality of life within these developments.

**Cost Estimate:**

Towers

1. Provide video monitoring of all entrances and exits, stairwells, elevators and parking lots.  
Estimated cost.....\$ 10,000
2. Provide guard service for the hours between 6:00 p.m. and 4:00 a.m., Monday through Friday, and 24 hours on weekends.  
108 hrs. per week @ \$8.00 = Annual Cost.....\$ 44,930

Gardens

1. Contract with City to hire off duty police to foot patrol at the Gardens from 6:00 p.m. to 2:00 a.m.  
56 hrs. weekly @ \$20.00 = Annual Cost.....\$ 58,240

## PROJECT SELF-SUFFICIENCY

(Upward Mobility Program)

=====

### A. OBJECTIVE

Assist and expedite the transition of selected heads of households from dependence on public housing and welfare towards economic self-sufficiency through educational advancement and/or job training.

The key contribution of the Program is the more effective utilization of the Community's resources by focusing, in a programmed and coordinated fashion, the delivery of currently available services to those who are willing and able to benefit from the services on a lasting basis.

It will result in better utilization of the Community's resources and more productive Community members.

### B. HOW

- 1) Select appropriate candidates whose transition can be accomplished utilizing currently available services from the public and private sectors.
- 2) Assess specific services needed for each candidate household such as
  - o remedial education,
  - o specific job training,
  - o child/day care services,
  - o medical assistance,
  - o counseling, such as personal, financial, substance abuse,
  - o crisis intervention and social work, and
  - o money management.
- 3) Program, coordinate, and monitor the delivery of the desired and needed services to each candidate.
- 4) Evaluate progress of candidate, and review selection of services programmed for the candidate household.

### C. PROGRAM\_INFRASTRUCTURE

The following has to be accomplished in order to enable the Program to achieve its objectives:

- 1) Identify services that will be needed by the candidates and the private and public agencies currently providing these services.
- 2) Sell the various agencies on Project Self-Sufficiency, enlist their support, and enter into Cooperation Agreements with the providers of services, who will then be the Participating Agencies. Target agencies are listed in Exhibit A.
- 3) Organize Program Board of Directors from the Participating Agencies. The Program Board of Directors will have oversight functions and will have overall responsibility for the Program.
- 4) Organize Program Staff whose functions are:
  - o identify prospects and select candidates,
  - o assess the needs of the candidates,
  - o program the delivery of services from various agencies,
  - o coordinate and monitor the delivery of services,
  - o monitor progress of candidates, and
  - o report to Program management status of Program.
- 5) Organize a Steering Committee whose primary functions are to:
  - o Put together the Program concept,
  - o Obtain legislative support from the State,
  - o Obtain funding support from the State and other sources,and
  - o Get the "ball rolling" by accomplishing the first three items above.

D. ESTIMATE OF ANNUAL BUDGET FOR A TYPICAL PHA (300 UNITS)

1) Salaries and Wages		
Program Manager	\$ 40,000	
Caseworkers (2)	60,000	
Clerical Staff (2)	<u>40,000</u>	\$ 140,000
2) Fringe Benefits (25%)		\$ 35,000
3) Rent, Utilities, etc.		24,000
4) Transportation and Communications		18,000
5) Others		<u>23,000</u>
		\$ 240,000
		=====

The proposed staff of one Manager and two caseworkers should be able to handle 60 to 90 client candidates, in addition to other activities including day-to-day coordination with the Participating Agencies, and reports to the Program Board of Directors.

Some services, particularly those from the private sector, may be available only on a discounted basis. It may therefore be necessary to raise Grants to be utilized to purchase needed services. At \$5,000 per client, this would amount to around \$500,000 ("very ballpark" estimate).

R. P. MARAMBA  
Housing Authority of the City of Newark

Exhibit A

TARGET AGENCIES

- 1) Public Housing Authorities
- 2) HUD
- 3) DCA, State of New Jersey
- 4) Schools, vocational, technical, adult education
- 5) County and State Agencies for Social Services
- 6) YMCA's and YWCA's
- 7) Headstart Programs
- 8) private social services oriented agencies
- 9) foundations

LEASE PURCHASE PROGRAMS

1. Acquisition by City

15 properties will be acquired through PROP, if available or from other foreclosures presently in City ownership.

2. Rehabilitation by City

The 15 properties will be rehabilitated to City Code and FHA standards by private contractors under the supervision of the Neighborhood Development Division rehabilitation staff.

3. Transfer of Ownership

After the rehabilitation is completed and a certificate of occupancy is obtained, the ownership of the properties will be transferred from the City of Plainfield to the Housing Authority.

4. Lease Purchasers Selection and Management

The Housing Authority will select all lease purchasers. During the lease period the Housing Authority will collect all payments and maintain the properties.

5. Lease Purchaser - Home Ownership Counseling

Home ownership counseling, conducted by the City Relocation Office Housing Counseling Program will begin as soon as the lease purchaser is selected and will continue for at least 2 years after the mortgage closing.

6. Sale to Owners

As soon as sufficient funds for the downpayment and closing costs have accumulated in the escrow account and the family has demonstrated financial capability to carry a mortgage, a mortgage will be obtained and the final sale will take place.

7. Revolving Fund to Rehabilitate Additional Properties

The proceeds from the sale of the properties to the individual owners will be placed into a jointly controlled revolving fund which will be used to rehabilitate additional foreclosed properties for sale to other upwardly mobile families.

8. Acquisition by the City of Additional Properties

When sufficient funds have accumulated in the revolving fund additional properties will be acquired for rehabilitation.

9. Same Procedure Outlined Above Repeated

After additional properties for this program have been acquired, rehabilitation, lease purchaser selection, home ownership counseling and sale to owner will take place on the additional properties.

THE NEW STATE HOUSING AUTHORITY URBAN PARTNERSHIP

AND

HOUSING AUTHORITY CONSULTING

While increasing demands are being placed upon non-profit organizations to provide the low cost affordable housing needed in the State, the expertise of housing authorities is being ignored. Within the State of New Jersey there are approximately ninety housing authorities which operate and maintain over 50,000 conventional public housing units. This is a wealth of knowledge and expertise that is yet to be tapped by either the State or local non-profit groups who are trying to develop low cost affordable housing.

It is vital to the success of the State mandate to provide affordable housing to low and moderate income families to devise programs and program regulations which encourage the use of the existing local housing organizations and housing authorities, rather than to encourage the creation of new untried and duplicative municipal housing organizations.

It is important to call to the attention of the Department of Community Affairs the extensive experience of public housing authorities in the development and management of housing for the poor. Many of the answers to the implementation problems of the Fair Housing Act have been learned by the hard earned experience of the New Jersey housing professionals. Both of the reports prepared by the Affordable Housing Program Special Study Committee in 1985 and 1986 state, "We have serious reservations about the affordable housing programs' emphasis upon the municipality as the sole proposer of applications for funding from the agency. Clearly, New Jersey municipalities have an undisputed role and responsibility in the areas of planning and zoning. However, New Jersey municipalities have, historically, established specialized local housing

agencies to develop and manage low and moderate income housing. The Department of Community Affairs ought to recognize that "city halls" have no direct experience or track record in the production of low and moderate income housing. The Fair Housing Act and Affordable Housing Program regulations confuse the historic relationship between general units of local government and the specialized agencies, Housing Authorities, which these governments have often brought into existence for the sole purpose of meeting low and moderate income housing needs. We note this failure to adequately recognize the substantial organizational capabilities and expertise of the existing providers of assisted rental housing may well result in costly mistakes and errors as new -- and in some cases -- duplicative local housing agencies attempt to relearn the fundamental lesson of the past; moderate density assisted rental housing is the most cost effective method of meeting the housing needs of low and moderate income households."

For the past fifty-five years, the State of New Jersey has recognized the need for specialized organizations to develop, operate and maintain low cost housing. The first legislation in New Jersey pertaining to public housing, was the Public Housing Law of 1933. This act provided for incorporation of public housing corporations as public agencies. A second act in 1938, The Local Public Housing Authority Law, empowered municipalities and counties to authorize creation of local housing authorities. The authorities were to be agencies of local government used to plan, finance, construct and manage public housing projects.

In the Public Housing of New Jersey report submitted to the Commissioner of the New Jersey Department of Community Affairs in August 1987, it states, "Public Housing Authorities are proven producers of low

income housing, having been in the business of producing housing in New Jersey since 1938. Collectively, New Jersey's local housing authorities are our state's greatest housing resource for low income citizens. With them, New Jersey has the management expertise and experience needed to help alleviate housing shortages in the State. A new relationship, one of a partnership working towards common goals needs to be established between DCA and the authorities."

Unfortunately, since the inception of public housing in New Jersey, PHA's have been considered separate from the State, both by the State and the Housing Authorities. The State cannot continue to disassociate itself from this vital supplier of low income housing, especially at this time when the courts and the Council on Affordable Housing are mandating creation of new affordable housing units.

A change in the current DCA policy must be considered which will allow housing authorities to directly apply for all State funds including Balanced Housing monies.

At no time in our State's history, has the need for joint cooperation, both with funding resources and technical assistance, been as critical as it is today. In order for any low cost affordable housing to be developed, there is a need to layer funding resources. No longer are the resources of the federal government (through the U.S. Department of Housing and Urban Development) available to support the creation of new low cost housing. It is now incumbent upon the developers of low cost housing to find various alternative sources of revenue.

There are many initiatives housing authorities are ready, willing and able to implement. However, there must be an infusion of seed capital as a start. One of these initiatives is the creation of mixed income projects. Housing authorities have interpreted their enabling legislation as allowing them to develop and maintain this type of project. For example, using 80% market rate units to subsidize 20% low income units. If, however, the law is strictly interpreted, housing authorities may not legally be able to develop this type of project. In that case, the enabling legislation would have to be changed. Furthermore, the funding necessary for a housing authority to make a sound financial determination regarding the feasibility of such a project must be come from some type of seed capital program from the State.

There is more than just a need for upfront seed capital, or additional assistance with capital resources for new construction funds. There is a need for a long term commitment by the State to assist authorities with shortfalls in federal funding for such areas as security, insurance, day care, trash collection and general operations. Furthermore, the Department of Community Affairs can assist the housing authorities by acting as an advocate with the State legislature.

The conclusion of the Public Housing of New Jersey Report stated very clearly that the best unused resource for the production of affordable housing is the public housing authority. It stated, "The expertise and

effectiveness of the authorities has been proven. More innovative authorities have been working hard to come up with exciting new policies to help New Jersey meet its low and moderate income housing needs. These strides have been strong, but much more is needed. The time is long overdue for the State to stop ignoring PHA's and make a concerted effort to assist production, both technically and financially. Many of the needed mechanisms to help the authorities to better meet the rising demand for low and moderate income housing are already firmly entrenched in DCA. Now is the time for DCA to step forward, initiate policies, and provide the assistance needed to encourage this vital source of housing production."

NEED FOR REVISION OF LOCAL HOUSING AUTHORITIES LAW  
TO PERMIT CONSTRUCTION OF LOW MODERATE INCOME HOUSING

The Local Housing Authorities Law, N.J.S. 55:14A, should be amended to specifically authorize housing authorities to construct and sell or rent low moderate income housing. The amendment should include a broad authorization as to the means of financing such construction including an authorization to issue bonds.

The Housing has not been constructed for several reasons. The state has not provided sufficient funding; the state has not authorized housing authorities to finance such construction; and the state has used its limited funds in encouraging inexperienced organizations to perform the task.

The state authorized the municipal creation of local housing authorities to construct low income housing. The statute should now be amended by including low moderate income housing within its scope and the state should work through its experienced housing authorities in accomplishing its goals. There is no better way to accomplish our housing goals. Funding to amortize the buildign should be provided by the state as in other states.

## Refuse Cost Problems

Under the Mandatory Source Separation and Recycling Act adopted in April of 1987, each municipality must reduce the volume of municipal solid waste entering disposal facilities through recycling and waste reduction efforts. The goal is a 25% reduction in waste within two years. Municipalities are mandated to adopt source separation ordinances which require all residences to separate recyclable materials from regular trash. This includes not only single family homes, but multi-family buildings as well.

The most successful recycling collection programs are those which operate similar to normal trash disposal practices and which are convenient for the resident. These types of collection systems achieve higher participation rates. In multiple family buildings where trash disposal varies from building to building, a unique collection program must be developed for each type of waste handling system. Another difference between single family residential collection systems and multiple family recovery programs is that compliance with the program requirements tends to be lower in multiple dwelling buildings. This results because it is difficult to determine who is and who is not participating. Therefore, the ability is lacking in multiple family buildings to enforce the ordinance through visual inspections and peer pressure tactics.

A unique recycling collection program must be developed in each multiple family building because of the varied waste collection methods and building and population demographics. These factors include: one building; building complexes; public or private waste collection services; material storage availability; waste disposal practices; equipment availability and; population demographics (elderly). Depending on the combinations of these characteristics, different types of recovery systems and collection programs will apply. Given the low income character of the buildings and residents from programs are not always successful.

The publicity and education efforts for recycling must also be designed separately from a residential curbside recycling program, given that the participation requirements differ. In addition, the methods used to reach the residents in a multiple family building may differ. These buildings may have a concentrated population of non-english speaking or elderly residents. Advertisements in traditional media channels might not be the most effective, therefore, requiring specialized approaches.

Due to the nature of public housing authority projects, additional concerns for implementing successful recycling collection programs exist. Many public housing projects have difficulty in educating residents of the importance of recycling and therefore have difficulty in achieving high recovery rates. Also, limitations with regard to material storage and equipment can hinder the efficiency of recycling programs. Finally, housing authorities have a limited funding source which restricts the ability to implement effective and efficient material recovery systems.

Depending upon the buildings waste disposal system, several types of material recovery collection programs could successfully be implemented with proper manpower and facilities. Recycling collections should parallel regular trash disposal as closely as possible. Waste is disposed of primarily in one of three types of systems, including: chutes located in chute rooms; chutes mounted in the hallway, or; containers in or outdoors. Whenever possible, it is advantageous to utilize the chute room as a recovery site for recyclable materials, since this is the point of disposal. Where there is no chute room available, another collection point must be designated within the building or surrounding courtyard. This would require a significant change in disposal habits for residents. In the case where residents deliver waste to a container, it is not unreasonable to ask residents to deliver recyclable materials to containers located in the vicinity of the trash container.

To minimize the impact of implementing recycling programs on public housing authorities budgets, the Authority might consider becoming part of the municipal recycling collection program if available. The key to the success of any recycling program is gaining the support and participation of residents. One method to achieve participation is through active social organizations. Another method is to provide direct financial incentives to the participants. Unfortunately, this is lacking in public housing.

Recycling means increased cost and manpower during a period of budget contraction and spiraling costs such as refuse collection and insurance. Many Authorities that do not have municipal collection as part of their service under the cooperation agreement have had their cost per ton of refuse rise from fifteen dollars to one hundred thirty dollars due to high tipping fees. The Authorities cannot raise rent, have a fixed income under the HUD PFS system and must reduce a difficult budget even more. This cost is clearly eligible for cost beyond control in the annual contributions contract between HUD and the Authorities. Because at this time this appears to be a New Jersey problem, there is no national movement as with insurance to correct this inequity. The Department of Community Affairs could urge HUD and its New Jersey Congressional Delegation to take action on this problem. It is a shame when housing authorities have to reduce other vital services such as security to pay for refuse and recycling.

FINANCIAL PLIGHT AND FUTURE OF  
NEW JERSEY HOUSING AUTHORITIES

ISSUES

Over the past several years Housing Authorities have been subject to new State regulations which require an outlay of management funds which HUD does not provide nor which can be obtained from tenants thru rent increases. Both rents and subsidies are regulated by Federal Law.

Expenditures as a result of the Right to Know Law, the recent Fire Safety Codes, and Recycling laws must come out of line items in our budget which were meant for other things such as routine maintenance, security and other unrelated and unreimbursed costs. In other words these State mandated laws actually cause us to reduce our level of providing decent and adequate housing.

We are also at a disadvantage when new State programs are made available to Housing Authorities. This is so because we have no funds available to provide for sharing in program cost which is required in almost every case. Programs like Congregate Housing, DYFS Social Service, and various Employment training programs which require sharing in program cost must be passed up simply because HUD never allowed for such program cost sharing in the Performance Funding System budgeting process.

Also, we have absolutely no funds available for planning new housing units. Development cost subsidies from Hud are non existent. Housing Authorities across the country have been shut out of producing low cost housing for a number of years.

### FACTS

Housing Authority Budgets are regulated by the HUD Performance Funding System (PFS). The PFS was developed by HUD in 1974 at which time each Housing Authority was given an Allowable Expense Level (AEL) per unit, per month based on their 1974 expenditure level. Housing Authorities which had high expenditures were given high AEL'S. Housing Authorities that were operating under low levels were given low AEL,S. These AEL'S were then used as the basis for all future budgets. Yearly increases were given based on an inflation factor of approximately 7%. Any new expenditure which was incurred by a Housing Authority would have to come from a line item which in itself needed the 7% boost just to keep up with normal inflation trends.

Items such as the Right to Know Act, Fire Safety Codes, Trash Recycling Regulations and other new expenditures not common in 1974 would have to be appropriated from normal routine expenses. As a result many Housing Authorities put off completing routine expenditures and their properties suffered. Some Housing Authorities are now being classified as "Troubled" because they have no reserves and others will follow in the future if relief is not forthcoming.

NJAHRO-NJAHRA POSITION

NJAHRO-NJAHRA advocates the following actions which could help Housing Authorities serve the needs of its low income population.

1. Grant Housing Authorities relief from various State Regulatory fees and provide financial assistance to help defray the cost of new regulations recently instituted.

2. Help Housing Authorities in getting relief from local regulatory fees such as building permits, occupancy certificates (CO's), and dumping fees.

3. Provide State assistance to Housing Authorities that have very low Allowable Expense Levels by direct financial aid.

4. Provide financial assistance for planning costs to develop new units utilizing the HUD Voucher program as a guarantee to mortgage holders or other inovative measures.

5. Intervene for Housing Authorities that may have land available and help convince both federal and local officials that the land should be released, at no cost, for the use of low income housing that could be provided by non profit corporations set up by the Housing Authority.



ASSOCIATION OF LOCAL HOUSING FINANCE AGENCIES

1101 Connecticut Ave., N.W., Suite 700 • Washington, D.C. 20036 • 202 857-1197

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JAN 20 1989

January 18, 1989

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OF PLAINFIELD

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Plainfield, NJ 07060

Dear Rich:

This is in response to your request for information on what Housing Authorities in New Jersey might do to help respond to the affordable housing crisis. In particular, you asked for information regarding issuance of tax-exempt bonds to provide housing opportunities for first-time homebuyers and low- and moderate-income renters.

City and county housing agencies -- be they housing authorities, departments of housing and/or community development, or single-purposed housing financial agencies -- and some state agencies have utilized tax-exempt bonds as one of the tools to stimulate affordable housing opportunities. Utilization of this tool increased dramatically in the early 1980s as the federal government withdrew from its responsibilities to provide funding for housing. Unfortunately, in the 1986 tax Act, Congress placed new restrictions on tax-exempt bonds to control the amount of revenue loss associated with these bonds. Despite the new restrictions, tax-exempt bonds are still a useful tool in responding to housing needs.

Mortgage Revenue Bonds

These bonds are issued by local and state agencies to provide mortgage money for first-time homebuyers. Typically, tax-exempt bond financed interest rates are 1.5 percent below the conventional rate. Those assisted must have incomes no higher than 115 percent of area median income for households of 3 or more (100 percent for households smaller than 3 persons). For loans originated after December 31, 1990, mortgagors may be subject to recapture of a portion of the subsidy if the home is sold within 10 years.

37X

Authority to issue Mortgage Revenue Bonds is governed by state law. In addition, an issuer must seek an allocation of bond authority from the designated state agency responsible for allocating the unified state private activity volume cap. In addition, issuers may trade all or a portion of Mortgage Revenue Bond authority for authority to issue Mortgage Credit Certificates -- tax credits to those otherwise eligible for Mortgage Revenue Bond assistance.

Local housing agencies use the Mortgage Revenue Bond program for one or more public purposes:

- o Promote new affordable housing construction (through builder set-asides);
- o Provide homeownership for targeted households;
- o Stimulate housing rehabilitation and home improvements;
- o Promote substantial rehabilitation;
- o Stabilize, improve neighborhoods through homeownership;
- o Promote higher density housing (townhouse, condominium projects); and/or
- o Reduce housing authority land inventory.

Authority to issue Mortgage Revenue Bonds under the Internal Revenue Code expires December 31, 1989 unless extended by Congress. As you know, ALHFA is lobbying actively for an extension of this date.

#### Bonds for Multifamily Housing

Local housing agencies and states may also use other forms of tax-exempt bonds to stimulate construction and substantial rehabilitation of rental housing. They may issue private activity revenue bonds (assuming an allocation from the unified state volume cap) for projects in which at least 20 percent of the units are reserved for those at 50 percent of area median income or 40 percent of the units at 60 percent of area median, adjusted for family size. The balance of the units may be rented to those paying market-rate rents. The difficulty with these bonds is that the subsidy provided by a lower interest rate is insufficient, even in combination with the low-income housing tax credit (in fact, the amount of the credit is reduced from 9 percent to 4 percent when bonds are used). Projects don't pencil out without additional subsidy.

Agencies have therefore turned to other types of bonds -- governmental where the project is owned by the government, or issuing bonds on behalf of 501(c)(3) non-profits. Under current law both types of bonds, if not used solely to acquire existing properties, are exempt from the targeting requirements and the volume cap. Pending legislation, however, would change this.

ALHFA members are very excited about and are actively working with the Senate Housing Subcommittee as it drafts a new "National Affordable Housing Act," including a housing block grant. This is seen as filling the gap, in connection with bonds and an improved low-income housing tax credit, and


making significant production of new or substantially rehabilitated housing a reality.

New Jersey Housing Authorities would be well advised to seek whatever enabling authority they need to take advantage of new opportunities to help finance affordable housing.

Information which we have been able to gather indicates that the New Jersey Housing & Mortgage Finance Agency (NJHMFA) issued \$51.4 million of housing bonds in 1987 (9 percent of the \$571.5 million total state cap) and \$49.7 million in 1988 (13 percent of the \$383.6 million cap). NJHMFA competes for bonding authority with all other local and state issuers on a first come, first served basis. At this point, we have not learned how much of the cap for the past two years has actually been used so we cannot assess the level of competition for bonding authority. I will call you when we receive this information.

I trust this letter has assisted you. Do not hesitate to call me if you have more questions.

Sincerely,



John C. Murphy  
Executive Director

# New Deals: PHAs as Financiers

by  
Myra H. Barron

**L**ocal housing authorities have played an important role as financiers. Until the mid 1970s this financing role was performed primarily in conjunction with HUD to implement the program for affordable housing. The mid 1970s saw an expansion of the role of authorities. Many became lenders for privately owned housing, both with and without HUD assistance. But by the mid 1980s all of these types of financing were essentially terminated. Now housing authorities are beginning to finance not only privately owned non-federally assisted housing, but also their own non-federally assisted housing.

Today, the rules of the financing game have changed significantly under the Housing Act and the Internal Revenue Code. Tax-exempt financing under the Public Housing Program is essentially over. Section 8 New Construction and Rehabilitation Programs have ended. New restrictions on industrial development bond financing have caused a tremendous decrease in these types of bonds.

The Deficit Reduction Act of 1984 required for the first time that obligations that were tax exempt under Section 11b of the Housing Act also meet requirements under Section 103 of the Internal Revenue Code. It was June of 1985 when the IRS determined that the rollover of short-term public housing notes for projects completed before June 19, 1984, could retain their tax exemption.

*Ms. Barron is Assistant County Attorney for the Fairfax County Redevelopment and Housing Authority, Fairfax, Virginia, and a member of the Board of Directors of the Housing and Development Law Institute.*

Left unclear was the tax exemption for certain outstanding public housing notes issued under Section 11b and for public housing notes to fund new projects.

During the year-long uncertainty, HUD borrowed funds from the U.S. Treasury to pay public housing notes as they matured. HUD ultimately retired approximately \$14 billion in outstanding short-term public housing notes. The higher cost of taxable financing for public housing that resulted from the 1984 Act has been a motivating factor in HUD's pursuit of a capital grant program (rather than one based on note and bond financing) to fund new public housing.

The Consolidated Omnibus Budget Reconciliation Act of 1985 in effect authorized HUD's prepayment of outstanding Housing Authority public housing notes. A debate currently on-going is whether the prepayments made by HUD release housing authorities from all HUD public housing regulations, not just its debt obligations. While the outcome remains unclear, it nevertheless raises the possibility that authorities may now be able to operate public housing simply as housing units subject only to local and state constraints.

Under the 1983 Amendments to the U.S. Housing Act, funds under Section 8 are no longer available to private developers for new construction or substantial rehabilitation. This legislation ended the ability of PHAs to issue Section 8 bonds.

Under the 1986 Tax Reform Act, much tighter constraints have been placed on tenant incomes in residential units and the use of bond proceeds to finance private rental developments that qualify as tax exempt. Under the 1986 Act, Private Activity or Exempt Facility bonds have replaced IDBs. Most significantly, the definition of "lower in-

come" was revised to reduce the tenant's qualifying income from 80 percent to 50 percent of area gross median income.

Either 20 percent of the units must have tenants earning 50 percent or less of the area gross median income, (adjusted for family size), or 40 percent of the units must have tenants earning 60 percent or less of the area gross median income, adjusted for family size.

This 20-50 or 40-60 test has rendered most potential bond-financed projects uneconomical. State volume caps have been imposed to limit the total volume of such bonds each state can issue. These changes, combined with generally low-interest rates for conventional loans, have severely restricted housing authority financing for private multi-family rental developments issued since 1985.

## New Techniques

Given these radical changes in financing, what are the options for housing authorities? New financing techniques for providing affordable housing are being explored in which local housing authorities play a key role.

First, state housing authority laws do not restrict PHAs to constructing, acquiring, owning and operating housing solely with federal subsidies. Many housing authority laws are broadly written, enabling PHAs to own, acquire, construct, rehabilitate, and/or operate real property.

An authority can finance the acquisition of its housing under its general powers to issue bonds. These bonds are tax exempt under Section 103a of the Internal Revenue Code. Under Section 103a, interest on "state and local bonds" are obligations of states or political subdivisions. A housing authority, by statute gener-

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ally is a political subdivision.

Not all housing authority bonds are, in fact, tax exempt as Section 103b (now Section 142 *et seq.*) of the Internal Revenue Code makes clear. But generally, if the projects are owned and operated by the authority, the obligations issued to finance them fall under Section 103a. The tax exemption reduces the interest costs to service the debt. Such financing is less expensive than a traditional commercial loan.

Why is this financing not more widespread? The financing of an authority project without federal assistance, though legally permissible, may not be economically feasible. There may be a very limited market for the authority's bonds because of the limited ability of an authority to repay principal and interest.

A pledge of an authority's general obligation is not much comfort to a bondholder. PHAs have no ability to tax as a source of revenue. Few authorities have any assets other than their federally restricted public housing, or any income other

than public housing rental revenues and perhaps Section 8 existing fees.

While the project itself can be mortgaged, it may not be considered sufficient security and a pledge of project revenues from a low-rent development would be inadequate. Additional credit enhancement in the form of mortgage insurance or a letter of credit is expensive and difficult to obtain.

An authority may be able to own and operate a project in an economically feasible manner with an internal subsidy achieved by higher rents from a mixed-income development. Sufficient cost savings may be achieved by combining tax-exempt financing, higher revenues generated by from market-rate units in the development, and cost savings from exemption of the property from real estate taxes—where authorized by state statute.

But this scenario, economically appealing as it may be, raises certain legal issues. Most state statutes require housing projects to be for low-income persons. If the state ena-

bling legislation permits financing for a "housing project," does the project have to have all low-income occupancy? Perhaps the provision be interpreted differently: if some or a majority of the units serve low-income people, can the balance be moderate or market rate? Perhaps "low income" on a local level can be defined to allow a broad enough range of incomes to sustain higher rent levels for some units.

Some jurisdictions enable the financing of projects that are in conservation or redevelopment areas without a limitation on the income-group served. These provisions may also be helpful—the project itself might qualify as the conservation or redevelopment area.

Where low-income housing is concerned, these state statutes await clarification by state Attorney General opinions, court decisions, legislative amendments, or otherwise. But even if mixed-income projects can be financed by an PHA, each authority may need to decide if it should serve other than low-income persons. Serving only low-income persons, even if legal and desirable, may be economically unachievable.

## Alternate Financing

One possible approach for PHAs is taxable financing. By issuing taxable rather than tax-exempt bonds, a local authority would not be limited to the strict IRS Exempt Facility Bond requirements. The statewide volume cap on the amount of bonds issued would be inapplicable, as would the limitations that require that a specific percentage of units be occupied by certain income groups.

An authority would have more latitude in the absence of federal constraints. State law, however requires that authority activities serve a "public purpose," such as providing affordable housing. Authorities would have to develop criteria to satisfy the public purpose requirements of the state statute.

Clearly development of luxury housing could not be legally justified. Authorities would have to walk a tight line in establishing criteria to meet their public purpose. A devel-

*(Continued on page 78)*

## The Legal Basis of PHA Financing of Public Housing

A brief historic overview lends some perspective to the changing role of PHAs. The traditional method of funding public housing through the mid 1980s was the issuance of notes and bonds by local authorities. As set forth in the Housing Act, the federal government is authorized to back these notes and bonds by pledging its full faith and credit to make annual contributions to the PHAs in amounts equal to the principal and interest due by the authority on its obligations to its bondholders. The authority was essentially a "pass-through" between HUD and the bondholders. Traditionally, HUD handled all of the details of the issuance, including having the bonds printed and marketed. The PHA Chairman and Secretary had to sign the obligations. Beyond that, however, there was little to no involvement by the authority in the process once it adopted its HUD-authored resolution authorizing the issuance of the bonds or notes.

In order for local authorities to issue public housing notes and bonds, more than federal authorization was needed. The state statute that created the authority also had to provide such authorization. The typical provision found in state housing authority laws is broadly written. It does not limit an authority solely to issuing notes or bonds secured by federal government pledges or for federally subsidized public housing. Many housing authorities have broad authorization to issue notes and bonds for a variety of purposes in addition to public housing and to repay these obligations from general revenues, the revenues of the project, federal guarantees, or otherwise.

Federal law, in particular Section 11b of the Housing Act, provided that interest on public housing bonds is tax exempt. Many state statutes have also excluded such interest from state income taxes. The interest rate paid by the authority to the bondholder could be set lower than the interest rate on a conventional bond because the holder would not have to pay taxes on the money it received. When interest

and income tax rates were high, the tax exemption on interest provided a significant cost saving in the financing. In fact because of the advantages of both federal guarantees on repayment as well as the tax exemption, public housing notes and bonds were considered to have in effect received a "double subsidy."

The late 1970s and early 1980s saw the expansion of local housing authority financing beyond traditional public housing projects. Authorities were able to increase the stock of affordable rental housing by financing privately owned housing. The expansion occurred through the use of bonds: Section 8 (or Section 11b) bonds and Industrial Development Bonds (or IDBs). Under these programs, authorities issued bonds and lent the proceeds to private developers to create projects for lower-income tenants.

As with public housing notes and bonds, these bonds to finance private rental housing have been authorized under federal as well as state statutes. The Section 8 (or Section 11b) bonds were used to fund housing developed under Section 8 of the U.S. Housing Act. Under this subsidy program, a private developer received federal rental subsidies for 20 to 100 percent of its newly constructed or rehabilitated rental units. Bonds issued by local authorities to finance the construction and/or acquisition and rehabilitation of Section 8 developments, like the public housing bonds, were tax exempt under Section 11b of the U.S. Housing Act. The language of Section 11b did not limit the tax exemption to public housing owned and operated by local authorities, but rather applied it to "lower-income housing projects" in general. As HUD programs expanded under the Housing Act to provide rental subsidies through private developers, the financing capacity for local authorities under Section 11b correspondingly expanded.

A second type of housing authority bond issued for privately owned units were originally called Industrial Development Bonds and now are referred to as Private Activity

or Exempt Facility bonds. Under the Internal Revenue Code if a developer offers, among other things, a minimum of 20 percent of the units for rental for a period of at least 10 years to lower-income persons, interest on an authority bond issued to finance the project will be tax exempt.

Many state housing authority laws are broadly worded, enabling authorities to issue bonds, whether or not they are backed by federal subsidies or guarantees, and whether the obligation to pay principal and interest on the bonds is derived from the authority's general revenues, is limited to project revenues, is guaranteed by the federal government, or is provided by other credit enhancement. Section 8 and Industrial Development bonds have been limited obligations of the authority with no direct federal guarantees.

But state authorization would be needed in two other areas as well in order for an authority to issue an IDB or Exempt Facility bond or to issue a Section 8 bond. The authority is not the owner and manager of the project it is financing. It is lending the proceeds of the bonds to a private owner. An authority must have the power not only to issue bonds but to lend its money. This statutory power to lend must be available to an authority for it to issue these types of bonds.

Second is the power to finance housing for both low- and moderate-income persons. The ability to finance mixed-income housing may be essential if authorities are to finance private developments. Unless Section 8, Vouchers, or some other subsidy is available for all of the units, a private developer may not have an economic incentive to provide all lower-income rental units. The subsidy from the authority in the form of a lower-interest cost on its loan to the developer, provided from the proceeds of tax-exempt authority bonds, would be insufficient. The subsidy for the lower-income units must come not only from lower loan costs achieved through the tax exemption but also from the revenues of the higher-rate units.

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(Continued from page 76)

oper would have to find that the lower cost and ready availability of authority financing is not offset by local rent and income requirements.

Another financing technique includes authority participation as partial owner with a private entity in a housing development. Authority ownership participation could be achieved by contributing cash, land, or expertise. The authority, in return for its contribution, could impose requirements—such as limiting the income group to be served, setting management standards, and limiting the rents. The developer's need for authority funding would provide the outer limits for authority controls.

But another constraint is purely legal. State law has to be examined to assure that an authority is not prohibited from such public/private ownership. If the state statute authorizes ownership of real estate, it is important that it also authorizes

an authority to "have any interest" in that property.

Again the legal issue—whether the authority can participate in the project if it does not serve all low-income residents—may arise. Furthermore, a state statute may prohibit an authority from renting any of its projects on a profit-making basis. The private entity may well be a for-profit partnership or corporation. Also, an authority without a controlling interest will be subject to decision-making by others. Does the state statute enable the authority to delegate certain decision-making functions? As a participant, an authority will be exposed to potential liability caused by actions of its private partners. A PHA may find it difficult to get insurance coverage (such as Officers and Directors Liability Coverage) for participation in an entity it does not fully control.

For these reasons, some authorities have created nonprofits. An authority

may find that through a nonprofit it or its commissioners or officers can do what the authority itself is not able to do. The ability of an authority to participate in a nonprofit depends on state law. Nonprofits in which municipal officers serve as directors, and in which public moneys are a major financial resource, are already important vehicles in some states for developing and financing affordable housing.

Typical municipal legal constraints such as sunshine laws, public bidding, and other procurement law requirements may be applicable to these quasi-public nonprofits. If a nonprofit, though created at the behest of and/or controlled by an authority, has broader powers than the authority itself, the state law would no longer be a barrier to equity participation or certain other authority activity. Social and economic, rather than legal, considerations then become the determinative factors in developing a locality's housing finance policy.

Recently, authorities, in looking for financial resources other than the federal government, have begun to look to their own communities. Typically, the law authorizes municipalities to lend or give money directly to its housing authority. A municipality can, as part of its budget process, set aside funds to donate or to loan to authorities. Municipalities also generate funds through bond issues. A governing body can issue bonds to provide funding for authorities.

Generally, municipalities are subject to stricter limitations under state law when they issue bonds than are authorities. These limitations may be set out in the state constitution as well as in specific statutes. Unlike housing authorities, which have no taxing power, municipalities have the ability to tax and, therefore, have constraints designed to protect the public from excessive debt.

Generally, there must be voter approval before general obligation bonds can be issued. Otherwise, a municipality can incur debt only on an annual basis with repayment subject each year to the availability of appropriations. Also, there are statutory ceilings on the dollar amounts of general obligation bonds a municipality can issue.

Finally, as a general principle, municipalities cannot lend the credit for private purposes. Numerous cases hold that individuals or private developers cannot be the direct recipients of municipal funds because it would not serve a "public purpose." A municipality can, however, provide funds directly to housing authorities whose "public purpose" may include lending the proceeds to the individuals or developers for housing.

Another way to tap municipal funds are through a municipality's investments. Rather than obligating funds through a bond issue or by appropriation, a municipality could use its investments (that is, those funds not currently committed to other uses) to purchase authority notes or bonds. Either the housing authority law or provisions governing investments by municipalities may enable a county/city to invest in authority bonds. In light of the fact that authority bonds may not be attractive investments to bankers or the public, the municipality may be the only purchaser. From the municipality's viewpoint, it may provide needed flexibility.

Finally, a growing source for municipal capital is a Housing Trust Fund. A city or county, often combined with private corporate support, may set aside a pool of funds in trust for affordable housing. A housing authority's role in a Trust Fund ranges from advisor or trustee to recipient, depending on state law and policy considerations. Funds available to municipalities to establish Housing Trust Funds have increased through linkage programs. Municipalities can require developers to provide monetary or other contributions for housing in return for development concessions.

Two California cases decided this past June by the U.S. Supreme Court could limit the flexibility of localities in raising housing funds from the private sector. The Fifth Amendment of the Constitution prohibits governmental taking of private property without providing just compensation to the owner. These two cases focus on what governmental action constitutes "taking of private property" and, hence, triggers the requirements for governmental payment to a private party.

In *First English Evangelical Lutheran Church of Glendale v. County of Los Angeles*, the Supreme Court held that an interim local ordinance that temporarily prohibited all use of property located within a particular flood plain area, could amount to such a "taking of private property." Municipalities experimenting with building moratorium and other regulatory use restrictions on property to encourage development or affordable housing need to exercise caution.

Of particular concern is the case of *Nollan v. California Coastal Commission*. In this case, the Supreme Court invalidated a California Coastal Commission ruling that required a property owner to allow the public to pass across his private beach in return for a coastal development permit to replace a small bungalow with a larger more permanent house. The Court found that the access requirement was not "reasonably related" to the grant of the development permit for the home.

Imposition of the access requirements did not serve the same governmental purpose as the development ban and, therefore, was not a valid land-use regulation.

If legally permissible, authorities on a local level may be able to accomplish much of what HUD has done on a federal level. State housing authority acts may provide the statutory authority, or may need to be amended. This will vary from state to state. Establishing the necessary legal framework may become a central task of housing authorities in the future. Laws alone cannot build affordable housing. But without the necessary legal framework, affordable housing cannot be built.



HOUSING AUTHORITY OF PLAINFIELD  
Admissions and Housing Services Department  
203 West 7th Street  
Plainfield, New Jersey 07060

M E M O R A N D U M

TO: Richard D. Fox, Executive Director  
FROM: Bernice E. Holley, Tenant Selection Supervisor, P.H.M.  
DATE: January 23, 1989  
SUBJECT: Admissions & Occupancy Concerns

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The quality of a nation's cities are an important aspect for continued prosperity as well as on going respect of the local Housing Authorities.

The reality of our current housing problems exist because of the great demand and need for affordable housing. One need only to examine the enormous waiting lists maintained for Public Housing and Section 8 Rent Subsidy Programs for verification of this problem.

On May 21, 1984, page 21486 of the Federal Register indicates that effective 7/1/81 "only very low income families can be approved for admission to any unit in a public housing project for which initial occupancy began on or after 10/1/81, except with the prior approval of HUD".

The admission office is currently in the process of implementing the January 1, 1981 Preference Rule transmitted to us from HUD.

Federal Preferences are:

1. Involuntarily displaced
2. Living in substandard housing
3. Paying more than 50% of income for rent

The goal to provide a decent home and a suitable living environment, at affordable rental to all eligible applicants appear to be in jeopardy.

Federally Mandated changes have placed the local Housing Authorities in a contradictory position of achieving and maintaining this goal while also trying to remain operationally solvent.

With limits imposed on the authority because of mandated changes, we feel that the Federal Government has placed restrictions upon us that will:

1. Destroy the social and economic mix of tenants -
2. Have projects become shelters for the homeless, while we direct housing assistance to those with the most urgent need -
3. Undermine the needs of local agency to maintain a broad range of income -
4. Eliminate fairness to eligible applicants who expressed a Federal Preference at time of application but are no longer in need at the time of assistance -
5. Eliminate fairness to those who have been on our waiting list for an extended period of time -

In today's rental marketplace, one of the key factors to displaced persons and families having to resort to living in substandard housing, is affordability; their income cannot support decent safe and sanitary housing. This not only affects the very low income family. On a daily basis we receive telephone calls and applications from individuals I shall call "the working poor!" These families feel that they are being discriminated against because they are gainfully employed. With all the factors involved in maintaining a household, even with competent money management, many have come back to our office to seek assistance. They are looking for some relief before their situation becomes destitute. There will be many who would not have reached the point of desolation if they were not restricted initially by the changes we have implemented thru Federally Mandated Preferences. I foresee many instances in which it will only a matter of timing for a situation to reverse itself. When this occurs, the probable conclusion reached by applicants would usually be the credibility of agency and staff.

In previous years there was a mechanism used by the State to forward rental payments directly to landlords on behalf of a AFDC (Aid For Dependent Children) recipient. In our effort to coordinate our accounts receivable and avoid the possibility of eviction, it would be advantages to establish a system between the State and the recipient for their share of rent to be paid directly to the Housing Authority.

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## Opinion

### WHAT IS THE ROLE OF PUBLIC HOUSING TENANTS?

#### Proposed Law Raises Many Troubling Issues For Public Housing

*By Vito Gallo*

The recent legislative proposal to alter the composition of New Jersey's 21 largest housing authorities by replacing three locally-appointed commissioners with elected tenant representatives deserves careful scrutiny, not hasty action.

It is ironic that the recently enacted "Local Redevelopment and Housing Law," which governs all aspects of local housing authorities, warranted three years of study by the State Commission on County and Municipal Government and three additional years of legislative debate, while the Assembly proposal to radically alter the governance of New Jersey's largest housing authorities moved from its Assembly hearing to passage in under 20 days.

The time has arrived for New Jersey to recognize the valuable role that resident participation can play in governing public housing. Indeed, the New Jersey Chapter of the National Association of Housing and Redevelopment Officials (NAHRO) encouraged the Legislature, through the enactment of the Local Redevelopment and Housing Law, to mandate the appointment of a tenant/resident commissioner.

In many respects, this is in keeping with current practice. It is commonplace in New Jersey to find broadly representative local housing authority boards. And it is not uncommon to see one or more locally appointed tenant/resident commissioners — particularly among the larger housing authorities in the State.

It is significant to note that no other state has gone in the direction that A-1304 proposes: to require that tenant/resident commissioners be elected, thereby making housing authority boards a mix of elected and appointed members. The issue of being appointed versus being elected is more than just a subtlety.

Appointed boards have historically functioned as effective advocates for low-income housing while having the ear of the very local officials who must grant tax abatements, zoning waivers and other essential local approvals. Thus, appointed boards reflect local public attitudes while having the freedom to undertake long-term projects. One need only look back to the ill-fated (federally blessed) local "Community Action Agencies" of the 1960s to see the antagonism that developed between elected boards of these agencies and city halls. Is this a workable model for a local public housing policy-making board?

There are other troubling issues, as well. Tenant/landlord

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## **OPINION: Gallo**

*Continued from page 3*

relationships become problematical with a near majority of elected tenants on public housing boards.

It is also troubling to see that this legislation mandates the random dismissal of three members of these boards — disregarding the loss of leadership and board continuity that such an abrupt action would entail. The bill's mandate for three tenant commissioners on boards where four members constitute a quorum clearly crosses the line between having boards that represent the public's interest and boards that represent the private interests of tenants.

The Legislature needs to balance the legitimate needs of tenants to have a voice in governing with the public's need to be assured that community-wide affordable housing needs are uppermost in the minds of public housing boards. The local appointment of commissioners — including the mandatory appointment of a resident commissioner of every local housing authority in the State — is the best way to balance these public and private interests. ■

09-29-1992 01:39PM FROM Summit Housing Au

September 28, 1992

To: Richard Fox, President- N.J. Chapter of NAHRO  
From: Matt McDevitt, Vice President- Housing  
Re: DCA Hearing on Municipal Housing Authorities

1. Landlord tenant laws. The cease notice requirement makes it very difficult for a Housing Authority to evict unruly problem causing residents. If someone violates the lease they should be held accountable. The cease requirement burdens a Housing Authority with proving the person has violated the lease twice before eviction can commence.

Review truth in renting act and make and make adjustments to help Housing Authorities keep better control of its properties.

2. HUD admission requirements and preference in tenant selection handicap a Housing Authority. It is almost impossible to have a mixture of residents in different economic levels.

Push HUD to enact regulations increasing the preference percentage from 10% of units filled to 30% or 50%. Congress has passed legislation permitting this but HUD has been dragging its feet for two years. This will enable PHA's to have more flexibility in tenant selection. Also HUD should be urged to qualify all applicants at 80% of the medium income level. Some are now capped at 50%.

3. HUD should review the operations of all Housing Authorities in regard to the PFS and AEL calculations. A standard should be set according to size, age of buildings and number of family and elderly units occupied. All PHA AEL's should be based on a standard.

MANDATORY TRAINING FOR EXECUTIVE DIRECTORS AND  
COMMISSIONERS OF LOCAL PUBLIC HOUSING AUTHORITIES

STATE MANDATE - STATE PAY

The recently enacted Local Redevelopment and Housing Law mandates the training of all Executive Directors and Boards of Commissioners of public housing and redevelopment authorities.

As the law states, Commissioners must satisfactorily complete the course of study within one year, or they may not be reappointed, and an Executive Director has two years to satisfactorily complete the course of study or be removed from the position.

When this law was being reviewed both by the Assembly Housing Committee and the Senate Community Affairs Committee it was thought that companion bill A-3232 would be ratified. This bill would have appropriated \$90,000 for the development and initial offerings of these state-mandated courses. Unfortunately, this bill was never posted and therefore was never voted on during the legislative session.

During the past three years members of the New Jersey Chapter of the National Association of Housing and Redevelopment Officials (NJNAHRO) have been working closely with DCA's Division of Housing to establish a course curriculum which would be beneficial to a new Commissioner as well as relevant to one who was currently serving.

The major opposition to this training mandate is the cost burden placed upon public housing authorities who are presently overburdened with financial demands on their limited resources.

In a memorandum dated April 8, 1992 to Charles Richman, Assistant Commissioner of DCA from David Gardner, Director of the Housing Division Mr. Gardner outlines the estimated costs to implement this training. (See attached Memorandum).

It was estimated that to train 560 Commissioners and 80 Executive Directors it would cost approximately \$360,000 during the first two years. In addition, it was agreed upon by NJNAHRO to support DCA's proposal that would share the costs of this training on a 50%-50% basis with the housing authorities.

Unfortunately, these DCA funds were another casualty of the current budget crunch and are no longer available. Thereby leaving the entire financial burden on the public housing authorities.

The State philosophy of "State Mandate - State Pay" should be adhered to, and there should be an appropriation of at least \$90,000 a year for the next two years to cover one half of these training costs as a gesture of goodwill and cooperation.

COOPERATION BETWEEN THE STATE DEPARTMENT OF COMMUNITY  
AFFAIRS AND LOCAL PUBLIC HOUSING AUTHORITIES

The recent past has seen the level of cooperation and interaction between local public housing authorities and the Division of Housing in the Department of Community Affairs reach an unprecedented high.

The New Jersey Chapter of the National Association of Housing and Redevelopment Officials (NJNAHRO) has been cultivating this relationship over the last several years in anticipation of greater cooperation, support and ultimately funding from the State as the federal government relegates its responsibilities to the States.

Fortunately for both the local housing authorities and the Department of Community Affairs this process has borne fruit. The most recent example of this newly founded relationship of trust and cooperation can be seen in the number of joint conferences sponsored by both organizations as well as the inclusion of the Director of the Housing Division on the Executive Board of NJNAHRO. The Director's ongoing involvement with NJNAHRO has not only given him an insider's look at the problems facing housing authorities every day, but also gives the housing authorities an insider's look at the operations of the State Division on Housing.

Through our mutual respect for each others' strong points as well as weaknesses we have been able to cooperatively combat some of our problems. One major problem all housing authorities face when trying to develop affordable housing is the lack of adequate funding. On several occasions the department has, through the Balanced Housing Program or its banking contacts, assisted housing authorities to find the necessary funding to complete housing project.

Currently, one housing authority is trying to develop 12 units of low income housing and is seeking a grant of \$250,000 from the Department's HOME program. The housing authority has raised over \$450,000 in donations, has a commitment from a local bank for \$400,000 and is only in need of these "gap" funds to make the development financially feasible.

With new responsibilities placed upon the Department by the newly enacted Local Redevelopment and Housing Law it is apparent that the State and the local housing authorities must work together closely.

The State Chapter of NAHRO looks forward to fostering this relationship and building upon it for the betterment of the residents we serve.

## Summary

The State Department of Community Affairs and Housing Authorities should now proceed to implement security and tenant training programs rapidly while also planning programs described herein. A working task force consisting of the Deputy Commissioner and the joint committee should plan funding for various programs presented in this paper. The commissioners office may also wish to have other departments involved such as Department of Human Services - DYFS for day care funding, Treasury regarding Bonds, State attorney General Office for eviction laws and the Dept. of Insurance concerning a Housing Authority Insurance reciprocal. Many improvements can be made which will not require funding but do require cooperation from state Government. The Department of Community Affairs and joint association task force should identify state funding sources for the various programs mentioned and proceed to develop guidelines to solicit requests for proposals from Housing Authorities.

The Housing Authorities look forward to a new working relationship with the state to expand low-moderate cost housing opportunities and improve public housing in New Jersey.

We have gathered here, I hope to contribute what we can to our public housing program. It is important that we first define the various segments of public housing, and examine in that context the legislation currently pending and those additions which could make them all work.

Public housing has 3 components which effect it's residents the federal or H.U.D. the state represented by D.C.A. the local government represented by the Authority or the commissioners. With all three elements formulating policy things could become confusing at times.

Currently our state legislature is considering approximately 33 separate bills which would effect the residents of public housing. The most direct influence is Assembly, No. 1670 which would practically create tenure for executive directors. Enacting this legislation could effectually bring us back to the period when corruption was the rule. It also says to commissioners "even if you don't like the E.D.'s methods unless you can prove he committed a crime your stuck with him. How you can consider this legislation in this day and age makes me wonder about the intent of the assemblymen and women who presented it.

At the same time Assembly # 1307 takes a huge step forward in establishing standards not only for executive directors but for commissioners. The only change I would recommend here is that rather than the Commissioner of community affairs determining the courses required that a professional organization such as NAHRO be called on to create the standards.

JSK

I'm not here today just to critique the legislature. For the past two (2) years I have been able to observe from a close position the operations of housing authorities. The most acute problem I've encountered involves the placement of residents in housing. Allowing that the intentions of all those involved are noble, consideration of those people waiting on our lists must come before everything else. All too often community groups lobby for their own, that lobbying has caused all forms of fraud, from falsified forms giving undo preference points to people. While many people in need are skipped over on the list. Very often these lobbying groups enlist commissioners to appeal to the executive director's to overlook these falsifications. I would urge the legislators present to examine the possibility of regulating the lobbying ability of these groups. Perhaps we have to limit any lobbying to the public advocates office and prevent the abuses which have been so rampant.

Another critical area affecting the operations of housing authorities is the mixed population requirement Assembly bill # 777 addresses this problem for a limited group of residents. The problem is fast becoming the most pressing for management. It is obvious that senior citizens have a need for segregated facilities (age segregation only) that being economically impractical we must limit the ratio of seniors to handicapped. Our failure to confront this problem will cause conflict throughout the program. Along with the need to limit the program we must also recognize that housing authorities are not social service agencies. Before placing any handicapped people in public

housing the social service agencies which are working with the resident must arrange the delivery of necessary services. Housing authorities do not have the finances to maintain the essential services and failing to provide these services can only create havoc.

This may be a good time to point out the responsibility of the members of housing authorities to the municipality which appoints them. While we all know the need for public housing we also know the importance of maintaining our cities. Careful consideration should be given towards the financing of mandated programs and the additional cost of maintaining the additional services which must be borne by the municipalities. This is significant also when you consider Assembly bill#1304 or the Senate bill# 642.

I understand that my comments are vague but given the nature of the hearing I do not want to go into very much detail at this time. I would welcome the opportunity to discuss each of the pending bills with the appropriate panel. I would like to thank you for your interest in public housing, and for your time.

STATEMENT BY: Richard M. Keefe, Executive Director  
New Jersey Association of Housing and Redevelopment  
Authorities

DELIVERED TO: State of New Jersey Senate Judiciary Committee

AT: Public Hearing on operations of Public Housing Authorities (PHAs)  
in the State of New Jersey, held at Long Branch, NJ

DATE: September 30, 1992

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The question foremost in the minds of most critics of PHA Management is whether local housing authorities, as an institution, possess the capability to meet today's critical challenge of successfully managing such housing, or whether the PHAs should be scrapped in favor of management by private institutions and/or tenant organizations.

I believe that this question can be answered only through an honest and forthright analysis of those changing trends and circumstances that have effected PHAs, and of the more acute problems resulting therefrom. It is my purpose to do just that herein.

At the outset, let us first review the past performance of PHAs. Prior to 1952 PHAs were extremely self-confident having successfully organized the original low-rent housing program, developed and managed the original low-rent housing units, in many cases converted such units and/or produced new housing for defense plant workers, had a very successful experience in providing housing for war veterans, and were just gearing for urban renewal either as local

renewal agencies or as a key element in providing relocation housing for the then newly created Urban Renewal Program.

In the years that followed, many PHAs were busily engaged in developing new units primarily to meet the needs of urban renewal relocatees and in expanding development activities as they became involved in Turn-Key Housing Projects, low-income home ownership programs, acquisition and rehabilitation of existing housing for low-rent use, letting and subletting of privately owned units, and the modernization of the older low-rent projects.

To date, New Jersey's local housing authorities have added more than 80,000 low-rent dwelling units to the limited supplies of standard housing available for low-income family and senior citizen occupancy. More than 175,000 people are presently living in these units, and more than 40,000 families are waiting to get in.

In short, since the inception of the low-rent housing program New Jersey's PHAs have provided better housing for an estimated 900 thousand people.

Not only has the program provided low-income families and senior citizens with a chance to get out of deteriorated slums and into clean, decent housing at low rents, but it has also given them a new lease on life and in many cases a new incentive to work for a better future.

The basic fact is, that for all of their admitted problems PHAs made a very important contribution to the goal of a decent home and a suitable living environment for all of our citizens.

Let us now identify those changing trends and circumstances which in recent years have resulted in problems of a significant magnitude and have caused PHAs to focus their full attention on the area of housing management:

- ... Changes in the occupancy pattern within low-rent housing projects, both in terms of income and race.
- ... Increasing racial tension and tenant unrest.
- ... Lawlessness and wholesale vandalism, especially within the high-rise family projects.
- ... Increased tenant demand for participation in development of PHA management policies.
- ... Increased tenant demand for more and better tenant services.
- ... Declining PHA income as a result of (a) the admission to low-rent housing of an unusually high number of very low income and welfare families; (b) reduction of rental income as a result of application of the Brooke Amendment rent formula, especially with respect to welfare families; (c) limited HUD operating subsidies; (d) a drastic reduction in rents from welfare families as a result of the State's implementation of the flat welfare grant system; and (e) rapidly increasing rental delinquency.
- ... Rapidly increasing operating costs resulting from (a) extensive vandalism; (b) tenant neglect of PHA property; (c) the need for, and provision of police security patrols within many projects; (d) the need

for greater property maintenance as a result of the advanced age of many projects; (e) the need for major improvements and/or additions to the projects in order to correct or compensate for poor original design; and (f) the impact of inflation.

These trends and circumstances and resulting problems have and continue to make clear the fact that a low-rent housing program limited by inadequate financial resources and outmoded management and maintenance techniques cannot, and indeed will not, meet the critical needs of today, much less those of tomorrow.

The question -- what can we do -- where do we turn -- what are the answers? As I see it, the solutions to PHA problems lie in reform in several key areas, and require action on many fronts -- at the Congressional level, especially with respect to the need for adequate funding and elimination of the inequities of the Brooke Amendment -- at the HUD and HEW level, in the area of social services and the provision of adequate operating subsidies -- at the State level, in the area of welfare reform -- at the municipal level, with respect to the delivery of police, social, recreational and other municipal services -- at the housing authority level -- and at the tenant level.

Before addressing those actions required on the part of PHAs and tenants, let us dwell for a few minutes on the critical need for adequate funding and reserves for operations. This need is best demonstrated by the following actions which some authorities

have been forced to employ, or are presently considering, as emergency measures to ward off eventual bankruptcy:

- ... Deferment of necessary maintenance work items.
- ... Elimination of needed tenant services.
- ... Curtailment or elimination of security services.
- ... Sale of needed PHA equipment.
- ... Reduction of maintenance and management work forces, regardless of need.
- ... Restriction of new occupancies to families and individuals falling within the highest income eligibility quartile, thus eliminating from occupancy the poorest families and most senior citizens
- ... Increasing vacancies where rent per dwelling unit is not sufficient to cover unit costs
- ... Deferment of payments in lieu of taxes.
- ... Disregard of Federal rent limitations, and the fixing of fair rents.

We all know that the continued use of many of these devices can only result in harmful effects of a community-wide nature. However, we should also be aware of the fact that PHAs cannot work miracles and unless adequate funding and reserves for operations are made available, it will be impossible for PHAs to successfully come to grips with the full scope of the problems they face, and employment of such measures might well become the order of the day.

Frankly, I think that this would be most unfortunate. I am convinced that the basic ingredients for successful housing management exists within the present institutional framework and that the necessary reforms are within the PHAs capabilities to achieve, provided that all other responsible parties are willing to do their part.

As to required tenant actions, it is to be emphasized that the success of PHA efforts is greatly dependent upon the cooperation of tenants -- especially in the areas of parental guidance -- care of dwelling units and project property -- and timely payment of rents.

Now for those items of self-reform; those actions which our PHAs can take to demonstrate to the skeptics that housing authorities, as an institution, can and will respond to the changing needs and new challenges we face today. I strongly suggest that PHAs consider the following, if they have not already done so:

- ... Development of a fiscal policy that will permit use of a PHA's limited financial resources in the most efficient and best possible manner.
- ... Tapping of all funding sources -- local, State, HUD and HEW.
- ... Development of a balanced tenant population to provide increased income, and to provide for mingling of families in an atmosphere in which they can learn and benefit from each other to insure a better social and economic climate within PHA projects.

- ... Recognition of the major scale and fundamental nature of the changes taking place and reflection of these changes in PHA management and maintenance policies.
- ... Review and revision of purchasing policies in order to ensure that needed items are purchased at the best possible price.
- ... Review and revision of PHA inventory control system with an aim toward cutting waste and eliminating thievery.
- ... Review and revision of PHA organizational structures and salary and staffing patterns in order to ensure that they relate to today's problems and that the PHA's way of doing things is organized and practical, and that salary schedules are developed with the aim in mind of retaining and/or attracting high quality personnel.
- ... Continuous review of PHA income limits for admission and continued occupancy, and a periodic updating of same.
- ... Continuous review of PHA rent structure and revision of the rent computation factor where necessary and practical.
- ... Development of a firm but fair rent collection policy, with provision for eviction of chronic rent delinquents.
- ... Development of a comprehensive and systematic dwelling unit inspection program, including provision for housekeeping counseling where necessary.

- ... Development of the capacity to deliver required maintenance services in a timely manner.
- ... Development of the capacity to cut maintenance costs without reducing the level of maintenance services.
- ... Development of a sound preventive maintenance program.
- ... Development of a maintenance training program with an aim toward increasing productivity.
- ... Development of a maintenance system that will provide for an on-going upgrading of project property.
- ... Continuous review and upgrading of PHA management skills. Management is a specialized art and it must be increasingly professional and systematic, must provide service, and must be increasingly more collaborative with the tenants.
- ... Development and/or improvement of PHA lines of communication and PHA relations with tenants by providing procedures for grievances, by recognizing tenant leadership, by providing for meaningful tenant involvement -- in short, by establishing an effective partnership with tenants.
- ... Development of an interest by tenants in the maintenance of not only their own units, but the projects as a whole.
- ... Review of the total program of security needs, not just in terms of city police patrols, but in terms of the feasibility of tenant patrols and the development

of security programs that are geared to the needs of each individual project, reflecting the character of the neighborhood and the community. Such programs should be developed on an organized basis with clear cut rules, clear and close ties with the local police department, and organized training programs.

- ... Development of a firm and effective policy for dealing with troublemakers and tenants found guilty of repeated acts of property neglect.

I think that we will all agree that aside from the funding problem, the single most critical need in public housing today is the need to improve communications and relations between Management and tenants.

Some PHAs have a tendency to review the rising chorus of complaints and demands from tenants as a power struggle and a threat to PHA decision making authority.

I have found that cooperative tenants are Management's greatest potential resource for achieving good management. They are not asking for the final decision making authority; what they are asking for is well managed and well maintained projects, and that our Management and Maintenance staffs be responsive to their needs. When they have a broken oven they want it repaired promptly -- when a troublesome tenant violates housing authority regulations, established for the good and welfare of all tenants, they want prompt and appropriate action taken against the violator.

When they have a grievance they want assurance of a fair hearing under an established grievance procedure. They want recourse when it is evident that Management and/or Maintenance personnel are not being sufficiently responsive. They are seeking meaningful tenant involvement -- they want to know how the funds are to be spent and what priorities will be established, and the right to question same if they appear impractical.

When tenants feel they are being treated fairly and have a voice in management matters, all the evidence suggests that they will take greater pride in their projects and better care of the property.

If properly inspired and organized they can also do many things that management would otherwise find difficult or perhaps impossible to do.

Tenants who are genuinely concerned about the welfare of their living environment will find much more effective ways to deal with troublemakers than the housing authority.

Security patrols organized by tenants might be a welcome adjunct to the authority's uniform police patrols since they should be an added deterrent to crime and vandalism within the projects.

Conversely, when tenants feel alienated, neglected and are frustrated by a remote and unresponsive management the result is likely to range from increased vandalism to rent delinquencies and rent strikes. An obvious but important point here is that the state of tenant relations will have a significant impact on the bottom line of the budget sheet, one way or the other.

In urging that management look on tenant involvement as an opportunity as opposed to a threat, I am not in any way suggesting the kind of soft management that neglects the need for firmness and good sense when it comes to collecting rents on time, evicting where necessary, selecting tenants to insure a balanced social and economic mix, and insisting on tenant responsibility in complying with the provisions of the dwelling lease and the rules and regulations set forth in the tenant handbook.

I believe that management firmness and meaningful tenant involvement can and should go hand in hand.

Along with the need for improving communications and relations with tenants, PHAs should consider their role with respect to the social and economic needs of the tenants.

I think it is clear that PHAs have a major leadership role to play in meeting the social and economic needs of their tenants.

Unfortunately, many PHA Directors and Managers are of the opinion that their job is to provide housing only, and they are not in the social welfare business.

Obviously, the job of the housing authorities is not to substitute for the work of other agencies in the human development field, but the authorities can and should be playing a key role in at least two areas: (1) taking initiative and working with local health, education, recreation, welfare and employment agencies to help package and provide for the delivery of needed services to public housing tenants, and (2) taking leadership and providing effective counseling and referral services to help tenants obtain the services they need.

Here again is an area where working with tenant organizations can pay dividends. If organized properly, tenants can play a major role in outreach, referral, and follow-up assistance.

Of course it still takes staff and money to get things going, and it is unfortunate that neither the Federal or State governments see the apparent need to provide adequate funding and technical assistance for the development and implementation of needed tenant/resident service programs.

Conclusion - In summary, PHAs are at a critical juncture. They are faced with a considerable amount of critical questioning about their capacity to perform. At the same time, they are faced with an apparent unwillingness on the part of the Federal and State governments to provide the assistance they require to meet the changing needs and new challenges of today. But, the PHAs cannot afford to despair, they must continue their efforts to effect changes in those areas where they can and must improve in order to survive, and they must redouble their efforts to demonstrate to the skeptics that housing authorities, as an institution, can and will respond in a positive manner to today's critical challenge of successfully managing the public housing under their jurisdiction. And the new leadership within those PHAs

which were made to suffer at the hands of a few greedy  
and unscrupulous individuals, must continue their  
their efforts to put their houses back in order.

**PRESENTATION**

By

**MR. AVERY GRANT**

to the

**N. J. SENATE JUDICIARY COMMITTEE**

**PUBLIC HEARING ON**

**HOUSING AUTHORITY PRACTICES IN**

**NEW JERSEY**

in

**LONG BRANCH, NEW JERSEY**

**September 30, 1992**

**PRESENTATION**  
**To The**  
**N. J. STATE JUDICIARY COMMITTEE PUBLIC HEARING**  
**September 30, 1992**

To the Chairman, Senator Gormley and other members of the N.J. Senate Judiciary Committee, I wish to thank you for this opportunity to present a number of concerns and issues raised by members of the African American community.

Since the shortage of safe, clean, and affordable housing is one of the top five most critical issues for African Americans, this state senate committee's investigations of the Long Branch Housing Authority in addition to those by the FBI and the Inspector General and various other elements of the U.S. Department of Housing and Urban Development (HUD) raises several serious questions as follows:

1. In view of the critical shortage of housing as well as tax dollars, why is there still another investigation? Is this not duplication?

2. Is there any truth to the word in the "street" that this investigation has some partisan political motivation which would cast doubt on the credibility of the investigation?

3. Again, members within the African American community have the perception that the investigation may be targeted toward Black managed housing directors.

Finally, many African Americans believe that the suspended director in his short tenure at the housing authority has made substantial positive changes.

With respect to the charges against the director we believe that he is entitled to due process and the assumption of innocence in our courts until proven guilty. We in the African American community do not condone criminal or wrong doing by anyone Black or white. We are concerned that the director be given a chance to defend himself and not be charged with "carry over" wrong doings by previous persons at the authority

While many have raised the question of possible duplication of investigations we do not challenge the right of the senate committee to conduct this investigation. The questions that are raised is that since funds and housing are critically short and the FBI is a premier investigating agency with outstanding auditors as well as other investigators, why and what is to be gained by still another investigation. The feeling is -- why can't the FBI data be used by the state. It is the understanding by many that the director through an independent auditing agency found improprieties and took action. Why can't this data be used?

Many African Americans have a perception that this investigation may be yet another "unconscious conspiracy" to undermine Blacks who are elected or appointed to high public offices all over this country. The perception is that this inquiry may have a tinge of getting at a Black executive who "won't go along" with prior practices.

Many African Americans were quite disturbed by the suspension of the director of the Long Branch Housing Authority and want this committee to know that they felt he was hired to clean up the authority and operate it in accordance with state and federal regulations. Therefore, we would like for the committee to know that positive things the suspended director had accomplished as follows:

- \* He brought respect and competency to Managing Public Resources.
- \* Instituted stricter but fairer Personnel Management and Policies and increased morale and competency.
- \* Engaged an Auditor for Financial Accountability and Controls of this authority to determine deficiencies.
- \* Instituted new Accounting and Record Keeping Systems to safeguard financial resources.
- \* Established Strong Outreach Programs for Tenants - Increased accessibility to Director & Staff and a sense that someone cares.
- \* Established:
  - Drug Elimination Program - funded at \$250,000 annually. Now in its second year at \$250,000.
  - Hired a competent Drug Director.
  - Hired a competent Drug Counselor.
- \* Established Police Patrols at Housing Authority to improve safety.
- \* Improved relations with Police Department and Public Safety Director.
- \* Established Self Sufficiency Program to secure training and schooling to improve employability.
- \* Established Youth Programs to counter disaffection.
  - Annual Back-To-School Festival to encourage staying in school and achieving.
  - After School Homework Program for 3rd to 8th grade students.
  - Established basketball courts.
  - Established Summer Recreational Program.
- \* Created Tenant Selection Committee for placements
- \* Distributed over 1000 Toys.
- \* Worked with Police Department to distribute Xmas Baskets.
- \* Secured a volunteer Certified AIDs Counselor.

We note that the investigation seems to be more focussed upon negative issues. We submit that in this day of shrinking funding a redirection of emphasis should be on promoting empowerment of the

tenants including their children. Programs which raise one's self esteem and educational programs which increase employability, home ownership, and encourages entrepreneurship should be a key part of a state, federal, and private partnership in public housing. We commend the suspended director for establishing programs with the above focus. We believe the state incentives with matching private incentives including volunteers would be extremely effective in encouraging empowerment.

We believe that if the investigation costs \$25,000 that those funds could train 30 youth in how to start a business, using Junior Achievement as a model, 30 youth (K-1), (2-3), (4-6) grades in Hands on Science, peer tutoring using high school or college student tutors, or pay tuition for several adults at the Brookdale Learning Center, etc.

In summary, we obviously want housing authorities to operate without criminal wrong doing or improprieties and provide safe, clean, and affordable housing and at the same time encourage empowerment programs so that people can become homeowners, entrepreneurs, etc. We therefore hope that your committee will also look at some of the positive issues while investigating the negative aspects.

The following undersigned support this presentation to the N.J. Senate Judiciary Committee:

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1.	<i>James W. Dool</i>	<i>405 Atlantic Ave Long Branch 07740</i>
2.	<i>James A. Jordan</i>	<i>52 Baruch Dr., L.B., N.J. 07740</i>
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4.	<i>Adrian Ferguson</i>	<i>175 L.B. Ave #10 L.B. NJ</i>
5.	<i>Anthony Ferguson</i>	<i>175 L.B. Ave #10 Long Branch</i>
6.	<i>(S. Owens)</i>	<i>208 Atlantic Ave L.B.</i>
7.	<i>Michael Blum</i>	<i>29 Hillside Ave L.B.</i>
8.	<i>Michael Blum</i>	<i>29 Hillside Ave L.B. NJ</i>
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41	Villa B. Arman	116 Wilma Place Long Branch - N.J. 07740.
42	Elizabeth A. Brown	96 Rockwell Ave, Long Branch, N.J.
43	Jermaine C. Elvin	236 Liberty St. L.B.
44	Kathleen Kiehl	120 70th St. Neptune
45	Helen Day	Inton Falls N.J.
46	<del>Conita Perry</del>	<del>65 Cable ends N.J.</del>
47	Louis D. McInden	L.B. N.J.
48	x Donald J. Cooper	89 Cooper Ave. L.B.
49	x Alex Crumba	89 " " "
50	x Beatrice Royster	77 Corner Ave Long Branch, N.J.
51	Gretha Outen	789 Cooper Ave #3 L.B.
52	Brian McMahon	79 Cooper Ave. L.B. N.J.
53	Sandra Brooks	81 Cooper Ave Long Branch N.J.
54	Jelena White	77 Cooper Ave Long Branch N.J.
55	Kenya Brooks	81 Cooper Ave Long Branch N.J.
56	Mark Ramon	77 Corner Ave Long Branch N.J.
57	Helen Amour	77 Cooper Ave Long Branch N.J.
58	Chloe Arman	77 Cooper Ave Long Branch N.J.
59	Clayton Arman	77 Cooper Ave L.B. N.J.
60	x Doris Huber	
61	x Marie Drake	
62	x Robert Clark	

The following undersigned support this presentation to the N.J. Senate Judiciary Committee:

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63		<del>Frank Taylor</del>	31 Cooper Avenue C.D., N.J.
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65	X	<del>Arden Smith</del>	
66	X	<del>Johnnie Romaine</del>	
67		<del>Frank Taylor</del>	
68	X	<del>Henry Romaine</del>	
69		Frank E. Taylor	75 Cooper Ave C.D. NJ
70	X	Harold Anderson	75 Cooper Ave
71	X	Lucas Anderson	75 Cooper Ave.
72	X	Clifford D. Ad	117 Cooper
73	X	Tom Quinn	117 Cooper
74	X	Ben Tate	
75	X	<del>James White</del>	<del>171 Belmont Ave</del>
76		Eloise Perry	91 Cooper Ave I.B.
77		Charles Perry	Cooper Ave Long Branch
78		Ruth Perry	Long Branch
79		Ralph Reeve	21 James St.
80		Wesley Reeve	21 James St
81		Bernice Reeve	21 James St.
82		William Reeve	21 James St.
83		Harold Reeve	21 James St.
84		Eddie Perry	175 Long Branch Ave.
85	X	Kellie Tate	220 Grant St
86	X	Robert Tate	220 Grant St.
87			

The following undersigned support this presentation to  
the N.J. Senate Judiciary Committee:

	DATE	NAME	ADDRESS
88	9-28-92	John Mae Hillary	263 LIBERTY ST. Long Branch
89	9-29-92	Deanna West	81 Avenue Blvd Long Branch
90	9-29-92	Frankie Crawford	140 7th. Ave.
91	9-29-92	William Taylor	140 7th. Ave.
92	9-29-92	William J. Miller	171 Pulswell Ave
93	9-29-92	Mattie Jackson	263 LIBERTY
94	9-29-92	Melvin Williams	263 LIBERTY
95	9-29-92	Ronald Williams	263 LIBERTY ST
96	9-29-92	Verna Cannon	263 LIBERTY ST
97	9-29-92	Frederick Grace	263 LIBERTY
98	9-29-92	James C. Robinson	82 Atlantic Ave L.
99	9-29-92	William H. Benson	111 UNION FREE PATH
100	9-29-92	John W. Moore	1541 Morris Ave L.B.

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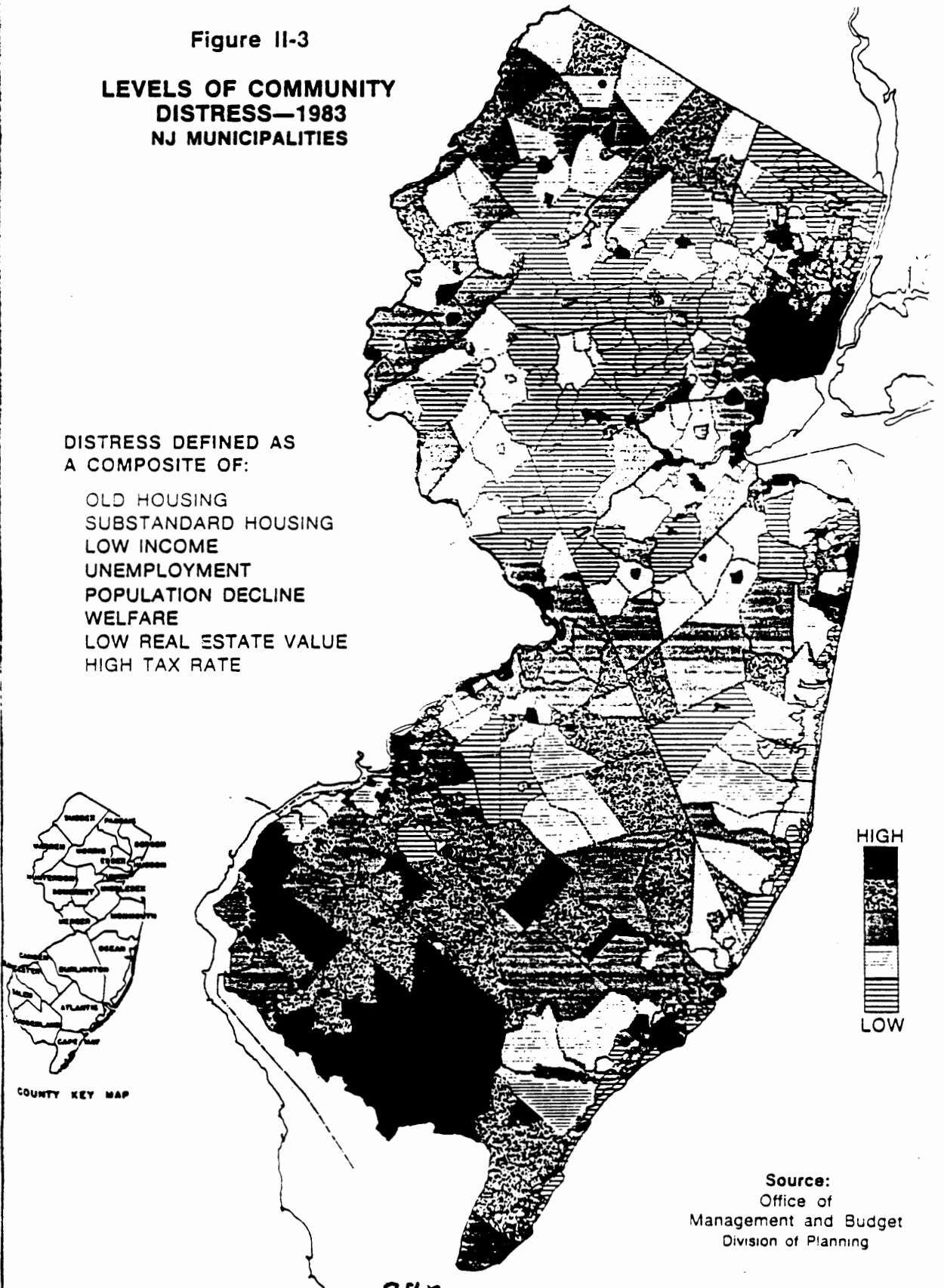
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Figure II-3

**LEVELS OF COMMUNITY  
DISTRESS—1983  
NJ MUNICIPALITIES**

**DISTRESS DEFINED AS  
A COMPOSITE OF:**

- OLD HOUSING
- SUBSTANDARD HOUSING
- LOW INCOME
- UNEMPLOYMENT
- POPULATION DECLINE
- WELFARE
- LOW REAL ESTATE VALUE
- HIGH TAX RATE



HIGH  
  
 LOW

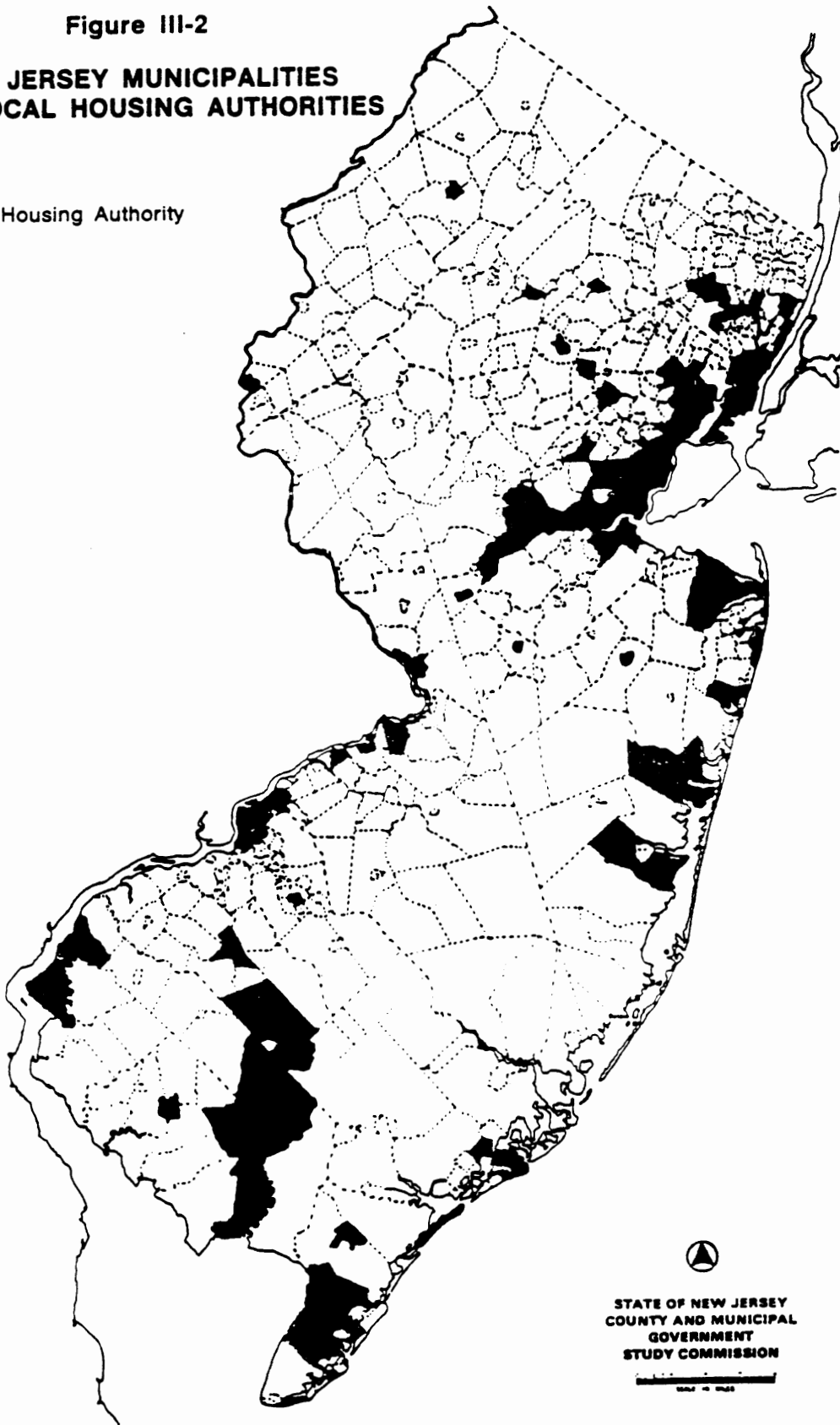
COUNTY KEY MAP

Source:  
Office of  
Management and Budget  
Division of Planning

Figure III-2

**NEW JERSEY MUNICIPALITIES  
WITH LOCAL HOUSING AUTHORITIES**

■ Local Housing Authority

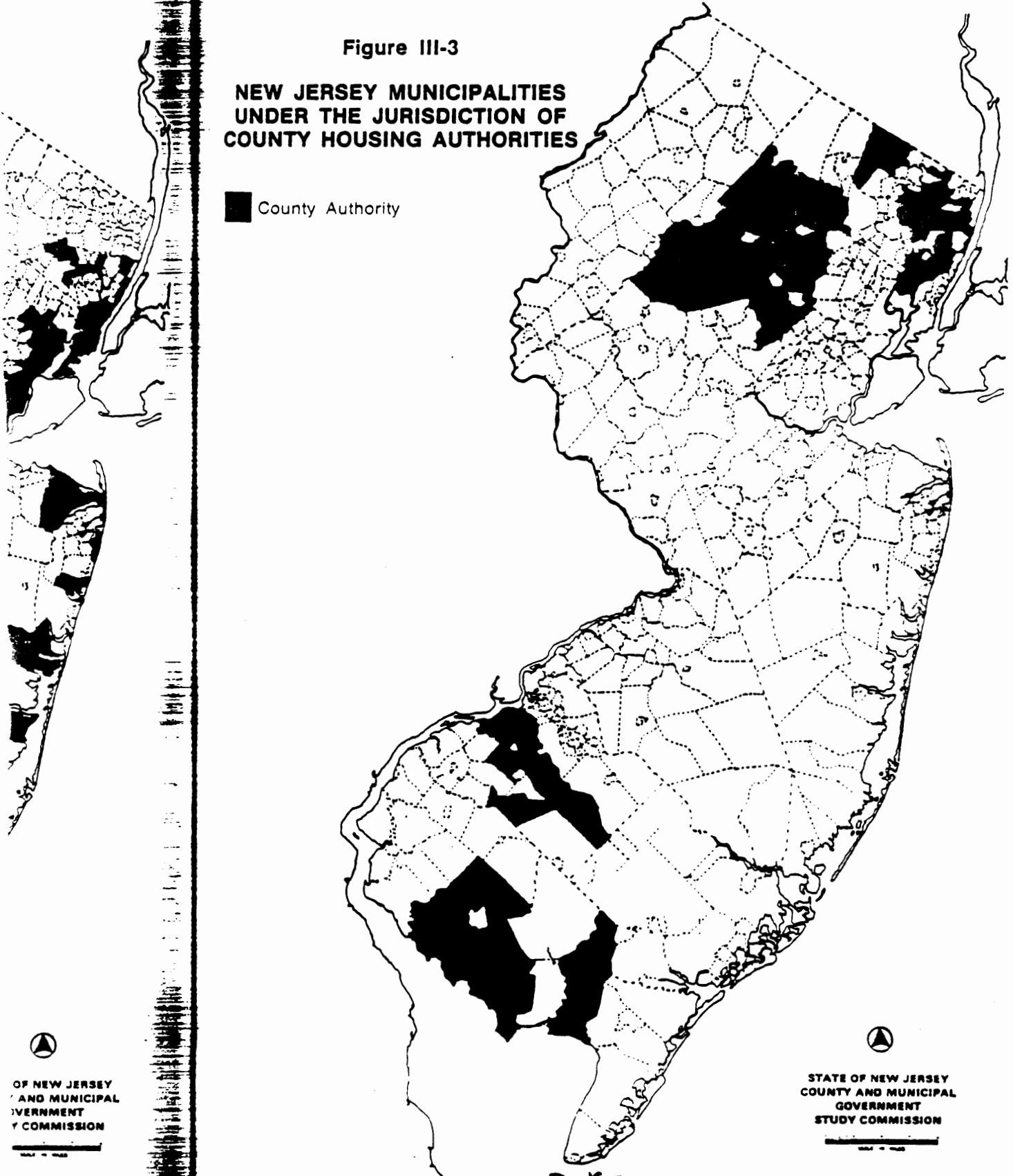


▲  
**STATE OF NEW JERSEY  
COUNTY AND MUNICIPAL  
GOVERNMENT  
STUDY COMMISSION**  
SCALE 1:500,000

Figure III-3

**NEW JERSEY MUNICIPALITIES  
UNDER THE JURISDICTION OF  
COUNTY HOUSING AUTHORITIES**

■ County Authority



OF NEW JERSEY  
AND MUNICIPAL  
VERNMENT  
Y COMMISSION



STATE OF NEW JERSEY  
COUNTY AND MUNICIPAL  
GOVERNMENT  
STUDY COMMISSION

90X45



1992

# Programs of HUD

- ★ Empower the Poor Through Resident Management and Homesteading
- ★ Help End the Tragedy of Homelessness
- ★ Help Make Public Housing Drug Free

## *Homeownership and Opportunity for People Everywhere*

- ★ Enforce Fair Housing For All
- ★ Create Jobs and Economic Development through Enterprise Zones
- ★ Expand Homeownership and Affordable Housing Opportunities

Jack Kemp  
Secretary

## Section 8 Moderate Rehabilitation Program

Assists very low-income families in obtaining decent, safe, and sanitary housing in privately-owned, rehabilitated buildings.

**Nature of Program:** Public housing agencies (PHAs) administering this program advertise the availability of funds and select landlords to participate in the program based on a competitive process. Landlords agree to rehabilitate properties to meet certain safety and sanitation standards. PHAs set the rents based on the costs of owning, managing, maintaining, and rehabilitating the property and they must fall within the maximum rents for the area as determined by HUD. Rental subsidies remain available for 15 years for in-place eligible tenants and for tenants referred from the PHAs' list of eligible families waiting for assistance. Eligible tenants must pay the highest of either 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated for housing. Preference is given to families occupying substandard housing, involuntarily displaced, or paying more than half of their income for rent.

**Applicant Eligibility:** PHAs apply to administer the program in their jurisdictions. Project sponsors, which may be private owners or profit and nonprofit or cooperative agencies, apply to PHAs. Very low-income families with incomes not exceeding 50 percent of the median income for the area are eligible to occupy the assisted units.

**Legal Authority:** Section 8, U.S. Housing Act of 1937 (42 U.S.C. 1437f).

**Administering Office:** Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, Washington, D.C. 20410-5000.

**Information Source:** Local public housing agencies or HUD Field Offices.

**Current Status:** Inactive.

## Public Housing Development

Federal aid to local public housing agencies (PHAs) to develop housing for lower-income families.

**Nature of Program:** Local PHAs develop, own, and operate public housing projects. HUD furnishes technical assistance in planning, developing, and managing the projects and gives three kinds of financial assistance: funding for 100 percent of development costs, annual contributions for operating subsidy, and modernization funds.

Several different methods are used to develop public housing. Under the "Turnkey" method, the PHA invites private developers to submit proposals for construction or substantial rehabilitation, selects the best proposal, and agrees to purchase the project on completion. Under conventional-bid construction, the PHA acts as its own developer, acquiring the site, preparing its own architectural plans, and advertising for competitive bids for construction. The PHA may also acquire existing housing, with or without rehabilitation, from the private market.

**Applicant Eligibility:** PHAs established in accordance with State law.

**Legal Authority:** U.S. Housing Act of 1937 (42 U.S.C. 1437 et seq.).

**Administering Office:** Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, Washington, D.C. 20410-5000.

**Information Source:** HUD Field Offices.

**Current Status:** Active.

## Public Housing Operating Subsidy

Federal aid to local public housing agencies (PHAs) for project operation.

**Nature of Program:** HUD provides additional annual contributions (operating subsidies) required to help PHAs maintain and operate their projects, establish operating reserves, and offset operating deficits. The operating subsidies are calculated in accordance with a regulatory formula within the Performance Funding System (PFS).

The PFS formula uses an equation based originally on the costs of PHAs deemed to be well-managed. The formula and inflation factor are updated annually and are used by individual PHAs, using their operating characteristics to determine annual eligibility.

**Applicant Eligibility:** PHAs that administer public housing under Annual Contributions Contracts with HUD.

**Legal Authority:** Section 9, U.S. Housing Act of 1937 (42 U.S.C. 1437g).

**Administering Office:** Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, Washington, D.C. 20410-5000.

**Information Source:** HUD Field Offices.

**Current Status:** Active.

## Public Housing Modernization (Comprehensive Grant Program)

Federal aid to public housing agencies (PHAs) and Indian housing authorities (IHAs) to finance capital improvements in public housing developments with five hundred units or more (FY 92); 250 units or more in FY 93 and thereafter.

**Nature of Program:** HUD finances capital improvements and related management improvements in public housing developments to upgrade living conditions, correct physical deficiencies, and achieve operating efficiency and economy.

**Applicant Eligibility:** Eligible PHAs/IHAs are entitled to receive a formula grant in accordance with procedures established under this program.

**Legal Authority:** Section 14 of the U.S. Housing Act of 1937 (42 U.S.C. 14371), and Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625) Section 509.

**Administering Office:** Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, Washington, D.C. 20410-5000.

**Information Source:** HUD Field Offices.

**Current Status:** Active.

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## **Public Housing Modernization (Comprehensive Improvement Assistance Program)**

Federal aid to public housing agencies (PHAs) and Indian housing authorities (IHAs) to finance capital improvements in public housing developments with fewer than five hundred units (FY 92); fewer than 250 in FY 93 and thereafter.

**Nature of Program:** HUD finances capital improvements and related management improvements in public housing developments to upgrade living conditions, correct physical deficiencies, and achieve operating efficiency and economy.

**Applicant Eligibility:** Eligible PHAs/IHAs apply and compete for the Comprehensive Improvement Assistance Program Funds.

**Legal Authority:** Section 14, U.S. Housing Act of 1937 (42 U.S.C. 14371).

**Administering Office:** Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, Washington, D.C. 20410-5000.

**Information Source:** HUD Field Offices.

**Current Status:** Active.

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U.S. Department of Housing and Urban Development  
Assistant Secretary for Public and Indian Housing

# Report of the New Jersey Strike Force

October 1990



## EXECUTIVE SUMMARY

As a result of the discovery that the Executive Director and other employees of the Passaic, New Jersey Housing Authority misappropriated federal funds intended for the benefit of the residents of public housing, on January 22, 1990, Secretary of Housing and Urban Development Jack Kemp created a "strike force" to review the operations of several of these public housing agencies (PHAs). A total of eleven PHAs in New Jersey were reviewed by Strike Force teams. In addition, the Assisted Housing Management Branch (AHMB) of the Department's Newark Field Office was reviewed by the Strike Force. Finally, eight PHAs outside the state of New Jersey were also reviewed, as a means of "spot checking" to ascertain whether practices similar to those discovered in Passaic were common throughout the public housing industry. Strike Force teams reviewed the same areas for all PHAs visited, concentrating on those areas which were problematic for each particular PHA.

Serious problems were discovered with many of the PHAs reviewed in New Jersey. Because of the nature of some of these concerns, certain Authorities were referred to the Office of Inspector General (OIG) for further investigation and review. Otherwise, the Strike Force did not encounter any other PHAs involved in activities at the level of the Passaic Housing Authority. Other than those allegations referred to the OIG, problems found at these PHAs resulted from mismanagement, ignorance of federal requirements, and to a great extent, a lack of understanding by PHA Boards of Commissioners as to their role in the public housing program.

More specifically, problems were detected in the following areas:

- oversight: PHA Boards of Commissioners are not executing their oversight and monitoring responsibilities regarding the operation of their Authorities.
- personnel and administration: PHAs are not complying with the Department's requirement that salaries and other employee benefits be comparable to the pertinent local public practice ("salary comparability").
- cost allocation procedures: PHAs lacked or had improper procedures for the proration of expenses between the various programs administered.

- financial management: internal controls and financial management practices were inadequate at many PHAs to ensure the avoidance of loss of federal funds.
- economy of operation: excessive travel by employees and Commissioners and other instances of abuses were discovered.
- procurement: practices and policies were not in compliance with federal regulations and HUD handbooks.
- nepotism: PHAs did not seriously attempt to avoid nepotism in their personnel practices.

The Strike Force also reviewed the operation of the AHMB of HUD's Newark Field Office. Serious deficiencies in the administration of that office were found. Some of the problems had been identified in earlier reviews; HUD's New York Regional Office, however, had failed to follow up in resolving these prior findings against the Field Office. HUD Headquarters, in addition, failed to provide the New York Regional Office and the Newark Field Office with adequate policy guidance in several areas which were discovered to be problematic, including nepotism and salary comparability.

Regarding the most serious practices uncovered at the Passaic Housing Authority, involving an intent to defraud federal officials and the determined misappropriation of federal funds, the review of the eight PHAs outside of New Jersey by the Strike Force disclosed no practices similar to those of that Authority's management. However, the reviews of these authorities did confirm that problems exist in various areas, including the oversight given PHAs by housing boards, salary comparability, administrative cost allocations, procurement, and nepotism. Moreover, these findings clearly demonstrate the severe inadequacy of the present audit coverage of PHA operations provided by Independent Public Auditors (IPAs) and used by the Department to monitor the financial integrity of PHAs, a system mandated by the Single-Audit Act of 1984. The Department must issue policy guidance for the use by HUD Field Offices, Boards of Commissioners, and PHAs to address these widespread and common problems.

As is evident from the serious nature of the Strike Force's many findings, the state of public housing authorities in New Jersey is indeed extremely troubling. It is quite apparent that some Executive Directors and Commissioners in New Jersey have treated their PHAs as private kingdoms, to the ultimate detriment of the residents and the American taxpayer.

It is impossible to judge or evaluate the state of PHAs in New Jersey as compared to the rest of the nation based solely on the review by Strike Force teams of the eight PHAs outside of that State. There are approximately 3,115 PHAs throughout the United States; a review of eight is hardly a representative or scientific sample. Again, the review of these non-New Jersey PHAs was a means of "spot-checking" for Passaic-type problems elsewhere. Notwithstanding this, however, the clear consensus of the reviewers, based upon all their PHA reviews, their review of the Newark AHMB, conversations with PHA and HUD staff, and finally, their many years of HUD experience, was that the situation in New Jersey was notably worse than in the rest of the country. The reason is the existence in New Jersey of a widespread perception among PHA Executive Directors and Newark staff, as determined in interviews by Strike Force review teams, that top management at HUD Newark would eventually back down from any confrontation with a recalcitrant PHA.

The following are recommendations intended to address, as expeditiously as feasible, problems detected by the Strike Force. However, these are not by any means all-inclusive reforms of the public housing program. Rather, these are only some of the first steps in a what will be a difficult, ongoing effort to change the program so that HUD ensures program accountability. HUD's Office of Public and Indian Housing (PIH) has also been working to develop a program that would enable it to assess more comprehensively the effectiveness of a PHA's administration of its public housing program (the Public Housing Management Assessment Program). In addition, PIH has arranged to contract for a major study of the present methods used by the Department to monitor PHAs. The Strike Force effort, then, should be seen in the larger context of the Department's endeavor to reform the public housing program. The recommendations are:

1. Continue HUD's emphasis on resident participation and input into the management of PHAs. The Secretary should write a letter to the Chairperson of all Housing Boards of Commission encouraging each Board's support for the formation of resident or tenant councils as a means of assisting and complementing that Board's oversight and monitoring of the PHA's operations, and ensuring the ultimate effectiveness of PHA management.
2. Direct that the Assistant Secretary for Public and Indian Housing issue suggested guidelines for use by PHA Commissioners in executing their responsibilities regarding the governing and oversight of the PHA. Such guidelines should include specific suggestions, depending upon the size of the PHA, on information that Commissioners should regularly receive from the Executive Director of the PHA.

3. The Secretary should write to appointing authorities of all PHA Boards of Commissioners explaining the background and experience that they should require of a potential commissioner, and of the specific areas of expertise (financial, property management, resident affairs) that should be represented on the Board.
4. Direct that the Assistant Secretary for Public and Indian Housing and the Assistant Secretary for Housing review and fully assess the Department's requirement of local comparability regarding public housing authority (PHA) compensation and personnel practices, with the intent of issuing specific monitoring guidance to Field staff. This effort should encompass an analysis of alternative compensation methods, including flexibility for cases of troubled housing authorities, and alternative methods of Field Office monitoring of PHA compensation practices.
5. Direct that the Assistant Secretary for Housing and the Assistant Secretary for Public and Indian Housing develop further guidelines regarding the use by PHAs of funds from their administrative budgets, and develop policy guidance for use by Field Office staff in monitoring the use of these funds by PHAs.
6. Establish a HUD Task Force, chaired by the General Counsel and including the Assistant Secretaries of the Offices of Public and Indian Housing, Housing, Community Planning and Development, Fair Housing and Equal Opportunity, and the Deputy Under Secretary for Field Coordination, to develop Departmental guidelines regarding HUD grantee practices involving nepotism.
7. Direct that the Assistant Secretaries for Housing and for Public and Indian Housing establish specific criteria, for distribution to PHAs which manage multiple programs, governing the eligibility and allocation of administrative costs that can be charged to these various programs.

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8. Request that the Office of Inspector General (OIG) review all, or at the very least, a much greater percentage of the audits submitted by Independent Public Auditors (IPAs) of PHA/IHA operations on a substantive basis and not merely for form. In addition, the Department should intensify its legislative initiative to exempt PHAs/IHAs from the requirements of the Single-Audit Act. In connection with this legislative initiative, the Inspector General and the Assistant Secretary for Public and Indian Housing should be directed to investigate the auditing function as presently performed by IPAs in order to evaluate methods of improving its effectiveness, including the possibility of having HUD contract directly with IPAs for their services in auditing PHAs/IHAs, instead of having the PHAs/IHAs contract directly with the auditors.
  9. Direct that the Assistant Secretary for Administration and the Assistant Secretary for Public and Indian Housing develop alternative training delivery methods so that increased training to Public and Indian Housing Field staff can be provided on an annual basis, for both basic and advanced HUD employees. A Department-wide Demonstration Program should be undertaken to apply any alternative training delivery methods developed. In addition, the Assistant Secretaries should institute a training process that would lead to certifications in a professional discipline for the various professions present in the HUD Assisted Housing Program, with requirements for continuing education upon receipt of the certification by the employee.
  10. Direct that the Assistant Secretary for Administration and the Assistant Secretary for Public and Indian Housing investigate establishing a "journeyman" position, at a GS-12 level, for Housing Management Specialists (HMSs) in AHMBs of HUD Field Offices. In conjunction with this effort, entry and journey level requirements for the various professions throughout the Department should be analyzed, along with any impact that differing grade levels have on the administration of the public housing program, in an effort to ensure consistency and uniformity between HUD's various program offices.

11. Direct that the Assistant Secretary for Public and Indian Housing convene a meeting of HUD professionals of various organizational levels to determine methods of focusing and streamlining the functions of each profession responsible for the work of a Field Office AHMB. The duties and responsibilities of each position should be analyzed in conjunction with efforts to develop a broader, more comprehensive approach to the Department's monitoring of PHAs.
12. Direct that the Assistant Secretary for Administration and the Assistant Secretary for Public and Indian Housing work to establish the capacity in every AHMB for a contracting and procurement expert.
13. Direct that the General Counsel, through the Field Office structure, review those areas of State and local civil service laws relevant to the personnel practices of PHAs which require clarification, as determined after consultation with Field Office AHMB staff. A memorandum of law providing guidance to Field staff in these areas should be written for each State. Field counsel should be directed to make a similar effort regarding each State's procurement laws and regulations requiring clarification, as determined after consultation with AHMB staff.
14. Direct that the Assistant Secretary for Public and Indian Housing require each HUD Regional Office to develop a public housing quality control program for Field Offices within their Region.
15. Direct that the Assistant Secretary for Public and Indian Housing issue a model procurement policy for PHAs. In conjunction with this effort, the Assistant Secretary for Public and Indian Housing should investigate methods by which Field Office staff can more effectively review and evaluate Request for Proposals ("RFPs") issued by PHAs for various goods and services.
16. Direct that the General Counsel develop model PHA legal services contracts for use by Field Office counsel as guidance in determining the propriety and reasonableness of PHA contracts for legal services.

17. Direct that the Assistant Secretary for Administration revise all HUD financial forms required from grantees receiving payments from the Department so that these forms include the following statement:

WARNING

U.S. Code, Title 31, Section 3729, False Claims, provides as follows:

"Any person who knowingly presents, or causes to be presented, to an officer or employee of the United States Government . . . (1) a false or fraudulent claim for payment or approval; (2) knowingly makes, uses, or causes to be used, a false record or statement to get a false or fraudulent claim paid or approved by the Government; (3) conspires to defraud the Government by getting a false or fraudulent claim allowed or paid is liable to the United States for a civil penalty of not less than \$5,000 and not more than \$10,000, plus 3 times the amount of damages the Government sustains because of the act of that person . . . "

The Department has already taken interim action to improve the condition of PHAs in New Jersey and its operation at the Newark AHMB. HUD's New York Regional Office was informed of all findings made by the Strike Force review teams regarding the operations of individual PHAs so that immediate action, where appropriate, could be instituted to remedy the particular concerns. Many PHAs have already moved to address many of the Strike Force findings.

Regarding the Newark AHMB, four of the Department's most highly qualified employees, from across the nation, have been detailed to that Office to serve as a management consulting team, and to provide heightened levels of training to the remaining Newark staff. The new Regional Administrator for Region II, and the new Field Office Manager at Newark have made it very clear to both HUD staff and New Jersey PHAs of their commitment to ensuring accountability, and of enforcing compliance with all federal regulations and HUD guidelines. The operations of the Newark Field Office have improved, and the Department will continue its efforts to ensure its further improvement.

Finally, the Department's strong action with respect to the Passaic Housing Authority and those individuals guilty of criminal wrongdoing has had a profound effect on the perceptions of HUD formerly held by many in the public housing industry of New Jersey.

**REVIEW OF THE ASSISTED HOUSING MANAGEMENT BRANCH  
OF THE NEWARK FIELD OFFICE**

The review of the AHMB was conducted during the period of March 26, 1990 through April 6, 1990. The team that reviewed the Branch was composed of staff from Headquarters and Region II that had reviewed PHAs in New Jersey for the Strike Force, as well as additional staff from HUD Headquarters and the New York Regional Office needed to conduct other areas of the review. A concerted effort was made to pursue specific instances of problems discovered at PHAs to their logical causation, whether at the PHA, Field Office, Regional Office, or Headquarters level.

The review of the Field Office AHMB was much more extensive than any of the reviews of individual PHAs. Strike Force review teams spent approximately two weeks at the Newark Field Office. In addition to the specific findings revealed from the reviews of targeted PHAs in the State of New Jersey, the review of the AHMB covered the following areas:

- implementation of public housing program procurement policies and regulations;
- implementation of the Comprehensive Improvement Assistance Program (CIAP);
- implementation of PHA salary comparability and personnel policies;
- approval of professional services contracts;
- Field Office program administration;
- Field Office personnel and resource management, and

Serious deficiencies were detected with the methods in which the Newark AHMB conducted its monitoring function. The New York Regional Office, moreover, had failed to follow-up on prior findings against the Field Office arising from its previous reviews. In many instances, Headquarters had failed to provide adequate policy guidance, particularly in the area of local salary comparability, and had failed sufficiently to train its Field staff.

The following is a summary of the principal findings and observations of the review team. Specific findings, their causes, and the recommendations made are detailed in Appendix B to this report.

### Supervision and Management

The AHMB lacked adequate supervision. Management did not conduct the proper review of staff work necessary to ensure that proper decisions were made and that appropriate follow-up activity was conducted. This void in supervision and lack of general management allowed problems and issues to remain unresolved. Departmental policies, procedures and regulatory requirements were consequently not properly enforced. Some examples of this failure in management include the following:

- the reviews performed by the AHMB did not address professional services contracts (i.e. legal, fee accounting). As a result, most contracts contain provisions relative to charges and services which violate Section 315 of the ACC.
- the AHMB updated PHA Performance Profiles on an annual, rather than a quarterly, basis contrary to HUD procedures. This failure to update the profiles deprived staff of important information needed to identify and react quickly to PHA problems.
- the AHMB functions were not coordinated; CIAP Joint Reviews, for example, were not coordinated between engineers and housing management specialists, nor did housing management specialists and financial analysts coordinate the proration or allocation of administrative costs of the CIAP and Section 8 programs.

Administrative Items - Salaries, Conflicts of Interest, and Nepotism

The on-site review of eleven PHAs in New Jersey and the review of the AHMB revealed that salary comparability, supplemental compensation, and conflict of interest and nepotism matters were not appropriately addressed by the AHMB. The salary compensation formula for PHA administrative salaries formerly used by the AHMB was flawed (see Appendix B). Headquarters failed to analyze properly the effects of this formula, and mistakenly acquiesced in its use by Newark. The use of an improperly structured formula, in conjunction with the opportunity for PHAs selectively to choose high paying local entities (such as school boards) to establish salary comparability, has led to the excessive compensation practices for PHAs prevalent in New Jersey.

The AHMB failed to inform PHAs of the New Jersey State law requirements governing supplemental compensation to PHA employees upon retirement. As a result, thousands of dollars in payments of ineligible costs have been made to retired PHA employees. Although the Director of Housing Management had received opinions on this subject from the Area Counsel, the AHMB had failed to take action to issue a standard notification to all PHAs that the maximum supplemental compensation (terminal leave payments) may not exceed \$15,000.

Issues involving conflict of interest and nepotism appear to have been addressed in a purely ad hoc manner. Documentation indicates that conflict of interest concerns at some PHAs, for example, were forwarded to the Area Counsel for an opinion, while conflict of interest concerns regarding others were handled by the Branch Chief, who in one instance granted a waiver of a provision of the ACC without consulting the Field Office Counsel.

Admittedly, the nationwide guidance provided by Headquarters on salary issues and nepotism has been totally inadequate. The Newark AHMB's administration of the guidance which did exist, however, was itself insufficient. AHMB staff were confused as to the effect of the New Jersey state civil service laws on PHA employees regarding important, recurring issues, such as supplemental compensation. The AHMB made little effort to review the PHA's documentation regarding salary comparability. The argument forwarded by AHMB staff that the HUD PHA Personnel Policies Handbook 7401.7 does not specifically and literally require that salary comparability be investigated very clearly displays a reticence on the part of Newark staff to exercise professional judgment. The fact that HUD requires PHAs to keep documentation in their files as justification for salaries implies that an exercise of professional judgment occasionally is required, to go beyond the literal requirements of HUD Handbooks and ensure that a PHA is operating in an efficient manner.

### Management, Maintenance, and Annual Performance Reviews

The Management reviews performed by the AHMB indicate a failure on the part of staff to prepare adequately for reviews in accordance with HUD's Field Office Monitoring of PHAs Handbook. This lack of preparation before an on-site review has resulted in consistently poor definition of review scope and depth, and a resultant inadequate allocation of staff resources.

Moreover, the management and engineering reviews performed by the AHMB do not adequately address procurement issues. Major procurement and contract deficiencies were discovered at most of the PHAs visited by Strike Force review teams.

The AHMB failed to conduct annual performance reviews of PHAs in accordance with HUD Handbook requirements. For example, the Field Office failed to obtain all required data and information necessary to complete work papers in order to establish, as accurately as possible, performance standards. As a result, performance standard sheets were incomplete. In some instances, specific standards were not marked, without proper explanation, to indicate that data was not available in office files. Project profiles also were incomplete. None of the profiles reviewed contained information covering a five year period, as required by HUD's Monitoring Handbook. Failure to have and use such information negated the trending review processes used by Field Offices.

### Maintenance, Utility, and CIAP Engineering Reviews

The Engineering Reviews conducted by the AHMB lack clear definition of what precisely is wrong. Many findings were missed by the AHMB staff. For example, improper procurement practices at the Housing Authorities of Asbury Park, Carteret, North Bergen and Elizabeth were not discovered during CIAP reviews of these agencies. Field Office utility reviews of the Perth Amboy and Carteret Housing Authorities failed to address the inadequate energy audits done by these authorities.

The Technical Support Section of the AHMB did not sufficiently prepare prior to conducting maintenance and operations reviews, utility reviews and CIAP reviews (such as reviewing HUD Handbook and regulatory requirements, previous reviews, and review checklists). In addition, it performs reviews (maintenance and operation reviews, utility reviews and project engineering surveys) more frequently than required by HUD's Monitoring Handbook, without documentation supporting the need for such reviews. This has caused valuable staff resources to be wasted.

### Occupancy Audits and Occupancy Plans

The team's review of an AHMB report which identifies those PHAs with occupancy-wide percentages below 97 percent found that the report listed nine such PHAs. An analysis of data found on the Form HUD-51234, submitted by PHAs, indicated eight PHAs with vacancy problems, four of which were different than the nine on the AHMB's report. There is a lack of coordination of internal sources of information available to determine the correct occupancy status of PHAs. This has a direct impact upon accurate operating subsidy eligibility calculations.

A number of PHA occupancy audit findings remain open. A review of 18 occupancy files reflected 13 open findings requiring staff or supervisory follow-up. These findings cover a time period beginning February 1988 through February 1990.

### PHA Operating Budgets

The process used by the AHMB in the review and approval of PHA operating budgets had weaknesses and did not ensure that costs charged to the low-income public housing program were eligible and reasonable, nor that the calculation of operating subsidy was mathematically accurate. Questions regarding reasonableness or appropriateness of budgeted salaries and administrative expenses were the primary responsibility of the HMs, who do not consider the overall financial condition of the PHA. In addition, the number of units used on a PHA's operating budget is not checked against information available (e.g. Form 51234 and Form 52295) to ensure correct operating subsidy eligibility calculations.

There is no coordinated review of a PHA's Operating, CIAP, and Section 8 budgets. The proration of salaries and other administrative expenses as reflected on the PHA operating budget, for instance, are not compared to the administrative expense line item reflected in the CIAP budget and/or Section 8 operating budget. As a result, the prorations/allocations reflected in the PHA operating budgets many times exceed the amounts reflected in the CIAP budget, or do not include the allocation of expenses associated with the Section 8 program.

The AHMB does not actively address the review and approval of legal and fee accounting services contracts. Consequently, most contracts contain general provisions relative to charges and services that violate Section 315 of the Annual Contributions Contract.

The engineers of the Technical Support Section had been issuing disclaimers regarding the reasonableness or appropriateness of maintenance and non-routine expenditures on PHA operating budgets in instances where there was insufficient information in a PHA's files to make a reasonableness determination. These disclaimers were made on the PHA operating budget review worksheet, which was used by the Field Office to approve or disapprove the PHA's budget. By not following through and ascertaining the facts, the engineers were not providing the information needed by the financial analysts to enable them to make informed decisions regarding the approval of PHA budgets. The use of a disclaimer was an attempt by the engineering staff to avoid responsibility in this area. Instead of insisting on information from the PHA to justify its expenditures, then, the engineers simply kept the budget review process moving, undermining the very purpose of the process.

#### Comprehensive Improvement Assistance Program (CIAP)

The AHMB conducts CIAP Joint Reviews on all projects for which PHAs request funding in a particular fiscal year. As a result, staff time is wasted reviewing projects with lower priority need and/or little chance of being funded. Moreover, PHAs are not being required to view their needs in a comprehensive manner, set priorities, and project future funding requests.

There is no documentation that the AHMB staff routinely reviews prior findings against a PHA (resulting from previous management reviews, utility reviews, maintenance and operations reviews, occupancy audits, etc.) to prepare for CIAP Joint Reviews. Such preparation is necessary to ensure that needed management improvements are taken into consideration during the funding of CIAP.

Work items in CIAP budgets, approved by the Newark Field Office, are not sufficiently detailed to determine for what the CIAP funds will be used (work item descriptions do not describe the type of material or equipment to be used, for example).

CIAP monitoring reviews were conducted solely by Engineers and did not include a review of the PHA's progress in implementing management improvements. Current HUD Handbook guidelines require that HMSs monitor management improvements twice a year.

## POST REVIEW MEASURES

The Strike Force's review of the Newark AHMB revealed many systemic problems in its operation. However, one important aspect of the Newark office must be addressed. Many of the members of the staff of the Newark Field office expressed their feeling that they could not confront many of the Executive Directors of the New Jersey PHAs because "management" would not stand behind its employees. According to Newark Field staff interviewed by review team members, the late Walter Johnson, former manager of the Newark Field Office, truly believed that PHAs were autonomous local entities, and felt that his staff should not overly interfere in the affairs of the PHAs. Whether the belief that Field Office management would be "soft" on PHAs was warranted is ultimately immaterial, since many in the Newark Field Office acted in accordance with that perception. Therefore, some individuals, like Paul Marguglio, the former Executive Director of Passaic who had also been president of the New Jersey professional organization of PHA executive directors, would simply refuse to cooperate with HUD staff. The perception that HUD would not confront them had a corrosive effect on the Field Office staff. HUD employees were unwilling to confront or pressure recalcitrant PHA management under these circumstances. Strike Force reviewers stated that this perception was apparently widely held by many Commissioners and Executive Directors of New Jersey PHAs, possibly as a direct result of Paul Marguglio's influence in the public housing industry of that State.

The Department's strong actions regarding the Passaic Housing Authority have clearly eliminated any such perceptions. The Newark Field Office is under new and vigorous leadership, as is HUD's New York Regional Office. Both Offices have been aggressive in pursuing the Department's (and therefore the taxpayers' and residents') interests in New Jersey. In addition, HUD's Office of Public and Indian Housing (PIH) has detailed four of its most highly qualified employees, from around the country, to the Newark AHMB to establish effective management systems, train staff, and to improve the operations of that AHMB. The Department will continue its efforts in this regard. More reviews of New Jersey PHAs, conducted by New York Regional and Newark Field Office staff, will continue to ensure that any improper practices which may remain at some Authorities are corrected.

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**REVITALISING DISTRESSED  
PUBLIC HOUSING  
A MANAGEMENT CASE**

**Robert J. Rigby, Jr.**

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**HOUSING IN THE 90's: COMMON ISSUES**  
International Conference, NAHRO-CHRA-IoH  
University of Illinois at Urbana-Champaign

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The following paper was presented at the International Conference, "Housing in the 90's: Common Issues", sponsored by NAHRO (U.S.), IoH (Great Britain) and CHRA (Canada), October 13-15, 1989, University of Illinois, Urbana-Champaign. Each of the three participating countries gave a keynote address and presented papers on: Public-Private Partnerships, Housing Subsidies and Income-Support Policies and Management of the Public and Non-Profit Housing Stock. This paper was the U.S. Presentation re: Management. The Conference was organized by Professor Robert D. Katz, Director, Housing Research and Development Program, University of Illinois at Urbana-Champaign, Urbana, Illinois, USA. A complete version of all conference papers will be published in the spring of 1990.

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**REVITALISING DISTRESSED  
PUBLIC HOUSING:  
A MANAGEMENT CASE**  
Robert J. Rigby, Jr.

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**HOUSING IN THE 90'S: COMMON ISSUES**  
International Conference, NAHRO-CHRA-IoH  
University of Illinois at Urbana Champaign

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## INTRODUCTION

When asked to review "Housing Management ..." a number of cliches immediately came to mind, from the trite, "It's a hard job, but someone has to do it", through the accurate, "When you're up to your ass in alligators, it's tough to drain the swamp." Indeed, it has been a persisting paradox that supposedly enlightened societies give so much attention to the first few years in the life of government assisted housing and so little to the remaining fifty or more. During the past decade, successive national Administrations have heeded the criticism and have lessened the contradiction. Public sector housing expenditures have been reduced by almost 70%. Thus, attention is paid to NEITHER the first few years, NOR the remaining life of assisted housing. So much for the political setting.

The vast majority of public and quasi-public housing is in good condition (for the present) and serves its intended residents well. This very positive record, however, has not received proportional media and political attention. Rather, the public lens has focused on the difficult, the distressed and especially on the disasters and, in turn, is creating an equivalent image of public and social housing programmes. (The fact that these public programmes are the only ones that serve the very poor is lost amidst the media's obsession with failure.)

Jersey City is usually asked to present conference papers because it is, indeed, multiple problem housing. It falls short of the immense, monolithic, highrise disasters, which in many instances have been conceded as dysfunctional by clients and sponsors alike. (New York City remains the most notable exception, having many highrise developments which work quite well.) Jersey City does represent, however, very difficult and distressed public housing and does serve the very poor. It is characteristic of a significant number of public and social housing estates and of where more estates seem to be heading by either design (in Great Britain) or default (in the U.S.)

This paper gives a brief review of the Jersey City case over the past decade and a half. The lessons and implications of the review are offered not as blueprints -- there are none in this business -- but rather in the spirit of sharing experience and learning from practice in the real world. Hopefully, it will be of some use to the public agencies, housing associations and non-profits trying to fend off the alligators.

## BASIC STATS

The JCHA provides housing and related services through its public housing program to approximately 15,000 low-income persons, 6% of Jersey City's overall population and 25% of the City's low-income population, (typical percentages for local authorities in U.S. cities)\*. The agency owns and manages 4,000 apartments located on 10 separate estates, two reserved for the elderly (40-360 units) and eight for families\*\*. Of the family estates, five are 1940's garden apt. complexes of 3-4 story, brick buildings with 200-500 apt.'s per estate and 25-35 units per building; three are 1950's 10-13 story high-rises, with 500-700 apt.'s per estate with 80-100 units per building. (By U.S. standards, the JCHA is a relatively large agency, with relatively large estates.)

Estate residents are almost all very poor (\$7,200 average annual income) and are predominantly minority families, 85% overall, ranging from 50%-99% on individual estates. Slightly more than half JCHA households are headed by single women with children and slightly less than half receive public assistance as their primary source of income; (JCHA's population is slightly more concentrated than equivalent U.S. averages in major cities).

\* The JCHA also provides federal housing subsidies (vouchers) to approximately 2,000 additional low-income families and elderly households living in privately owned, rented apt's. and administers a dozen or so housing-related programs for low-income residents.

\*\* Estates, projects, sites, developments are all synonyms for public or social housing communities.

## BEFORE

By the early 1970's, six of the JCHA's family estates (3 low-rise and 3 high-rise) suffered the conditions and character of many larger public housing estates in older urban areas nation-wide. Problems were multiple, deep-seated and cumulative in effect.

The litany of distress begins with money. Local housing authority revenues were extremely limited, especially since the agency began to serve much poorer tenants (early 1960's), with only minimal rent paying capacity. At the same time, operating and capital costs were driven upward by inflation and aging of the physical plants. The central government offered little assistance. Maintenance services and general estate conditions declined. As standards of behavior dropped, increasing numbers of unsupervised children, young adults and friends gained a free reign, especially in public areas. Vandalism and property destruction became commonplace. Incidents of serious crime rose. Residents who could afford to do so moved out. Vacancies increased, as fewer prospective applicants accepted apartments. Conditions worsened. Residents who remained had nowhere else to go.

The degree of deterioration varied somewhat by estate. Some represented a complete breakdown of social and managerial order. Some were just forgotten. All, however, became miserable places to live, places pervaded with fear, resentment and despair. Local authorities couldn't cope and a worsening spiral moved downward, pulling with it the lives of very real people, very poor people with few, if any, options and little, if any, hope.

**AFTER**

By the mid-1980's, five of the JCHA's very distressed estates (the 3 low-rises and 2 of the 3 high-rises) had been turned about, in terms of physical condition, maintenance services and community dynamics. Revitalisation efforts were initiated one estate at a time, beginning in the late 70's through the mid 80's and continue to date. Notwithstanding that specific results varied somewhat by estate, the following changes were achieved and SUSTAINED at all five estates.

**Re: Standard Housing Management Indicators\***

- o Estate vacancy rates were reduced from a 5-20% range to between 1-3%;
- o Requested apartment repairs (a very high tenant priority) which remained undone at the end of any given month, were reduced from a 150-300/estate range to between 20-50 per estate
- o The number of households delinquent in rent payment for more than 30 days was reduced from a 15-30% range to between 2-6%/mo./ estate
- o Approximately \$5,000-\$30,000/apt. of capital improvements (or modernisation) was achieved at each estate, typically including complete replacement of utility systems, upgrading of mechanical systems, substantial building exterior work and some interior apt. rehabilitation, especially kitchens and bathrooms

\* The highrise estates represent the higher end of the given ranges.

- o Open spaces were completely re-designed and substantially renovated, including: improved lighting, better defined areas in front of building entrance ways and intended use of grounds areas, providing for tenant gardens and flower growing areas and increased parking areas and new walkways, leisure and recreation areas.

**Re: Related Social Indicators:**

- o Major crimes against people and property were reduced from three times the City's average to at or below the City average, and to much lower than in other low-income neighborhoods without public housing estates;
- o Vandalism and property abuse were reduced from a rampant norm to a manageable level; it occurs (especially graffiti), but only erratically and at a level that can be addressed, usually in a week's time;
- o Social events (e.g., senior citizen dinners, teen-age dances, resident trips, ...) have been consistently sponsored by estate tenant organisations and received well by estate residents.
- o Estate tenant organisations have intervened, formally and informally, in a host of "people problems" (e.g., disorderly residents, rent payment difficulties, wayward youngsters, security and crime information) prior to situations reaching a crisis, which is when official agency intervention typically occurs, usually in punitive fashion. (This point is often overlooked, since it usually results in bad things not happening, only evidenced through absence.)

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- o Estate tenant organisations and a City-wide tenant association have accepted responsibility for a variety of management and special programme functions, ranging from complete day-to-day management (in 3 estates via Resident Management Corporations) through responsibility for summer recreation and food programs, youth employment training programs and supplemental security efforts (especially, hiring and supervising off-duty police). The tenant organizations not only met these responsibilities, but also generated community employment by hiring and training estate residents to perform involved tasks.

Candor requires noting that the estates have not become "ideal" residential communities. Notwithstanding some social improvement, poverty and related problems (unemployment, under-education, drug abuse, racial concentration ... ) still persist, almost by definition.\*

However, for estate residents who remember how awful conditions had been, on-going problems pale in light of the dramatic changes achieved. The positive transformation is unmistakable to even the most casual observation. More important than physical improvements, the estates have become functioning neighborhoods, where people are no longer embarrassed to invite friends and relatives to where they now readily call "home". The improvements reflect a change in estate attitude, not to "successful", but at least to affirmative struggle, to a sense of real, functioning community, to a good start and half a chance at a better life.

\* U. S. public housing admissions rules limit eligibility to households at or below 50% of the median income of the metropolitan area of residence.

## THE PROCESS: KEY ELEMENTS

Between then and now there were lots of stories, lots of daily work which more than filled the intervening decade. For purposes of this paper, only highlights and the lessons of hindsight are reviewed. (At this point the audience should sigh with relief ... "Thank goodness; we would have been here all night listening to war stories").

Three elements were fundamental to turning about JCHA estates: a working partnership with estate tenant organisations, the organisation of estate and agency management in a fashion that maximized estate-based capacity and sufficient capital improvements or modernisation. Some remarks about the importance of and difficulties with each element may be of interest.

### ... Resident Organisations

It seems quite clear that positive changes could not have been achieved -- and the high-rise estates could not have survived -- through agency efforts alone. The housing and human needs of large estate populations far exceed available resources and the political will and capacity of central and local governments. The problems that confront concentrated, poor populations are too many and too rooted to be affected solely by external intervention. Achieving improved physical and social conditions required that estate tenant organisations be involved in, and therefore have a vested interest in, the process and product of almost every stage of the turnabout enterprise.

Many of the roles played by respective organisations are not very novel. A few are somewhat unique. Both examples seem worth noting.

- o **Re: Decision-making** -- the organisations provided a structure for decision-making which could sort through the diverse preferences and interests (including conflicting interest) which naturally arise in any community;
- o **Re: Planning** -- the organisations assisted in making decisions re: priorities for allocating available resources, especially during the critical, early days of a turnabout programme, when resources are usually most limited and general resident skepticism the highest;
- o **Re: Implementation** -- the organisations assisted in making decisions regarding the sequence and content of proposed rehabilitation work and acted as a conduit and screening vehicle for channeling estate residents into employment opportunities generated by revitalisation activities;
- o **Re: Evaluation** -- the organisations provided regular (at times vociferous) feedback regarding agency performance; it bridged the inevitable gap between theory and practice, intentions and results;
- o **Re: Political Pressure** -- the organisations (sometimes individually and often collectively) provided a means to OVER-REPRESENT the interests of respective estates with municipal and other governmental entities. It was only through organised pressure that the Housing Authority and its estates could compensate for the lack of social status and influence which typically results from being poor. This was especially necessary in gaining better coverage and response by local police;

as epitomized by recent increases in drug related crimes, volunteerism cannot and should not cross the potentially lethal line drawn by violence and arms.

- o **Re: Management Roles** -- as previously noted, three estates have accepted complete responsibility for directing and supervising day-to-day management and maintenance, through Resident Management Corporations. Through elected boards, under contract with the JCHA, the RMCs have their own management staff and supervise Housing Authority maintenance staff. The Resident Corporations provide a permanent on-site presence in terms of both knowledge and responsiveness to the full gamut of activity that unfolds day by day at respective estates. For slightly higher costs than what the JCHA would probably have otherwise spent, the RMCs continue to deliver a much better management and community product.

Most important, an estate resident organisation is probably the only entity that can address the most fundamental problem confronting difficult to manage estates -- the breakdown of community norms and social controls. What types of behavior are emulated, tolerated and prohibited in any community are ultimately set and enforced by the community. Neighborhoods work (or do not work) to the extent that these voluntary norms and standards of conduct are widely accepted and regularly enforced, both directly and indirectly. Resident leaders are the only legitimate force that can say and pursue: "Public housing is not built for killers, dope pushers or thieves. Public housing residents must be responsible for their children and guests. Property destruction, vandalism and disorderly behavior infringe on the community's right to live and raise their families in peace and safety. It will not be tolerated. WE will (at least try to) remove violators from the community". It is hard to conceive of an outside

party who would even assert, much less be supported in such propositions, necessary propositions if social housing is to work.

Admittedly, "saying" what behavior is legitimate and illegitimate does not ensure compliance. And often there is not. However, it does set the action agenda to be mutually pursued by the community, the agency and other enforcement authorities. Having all "authorities" focused upon the same objectives is the only way the "good guys" have half a chance against the "bad guys", or that a distinction can be made between the two.

Assuredly it takes time and attention to create and sustain estate tenant organisations. General citizen participation in civic affairs is the exception not the rule. Consistent, detailed and substantive involvement in the limitless tasks involved with estate management is extraordinary, not typical behavior. Building trust between understandably skeptical residents and agency staff is accomplished only gradually, through shared experiences, honest dialogue and genuine openness of both parties. The process is incremental, evolutionary. It requires careful nurturing.

It also requires extensive training and technical assistance on a regular basis. If the potential for residents to become a formidable management resource is to be realised, time and money must be invested in assisting the tenant organisations to gain necessary knowledge and skills (no differently than with any other organisation).

Maintaining strong tenant leadership is also problematic. Calls to the front of the line have consequences for those who answer. Tenant leaders get tired, frustrated and offended no more or less than we bureaucrats. There are lulls and fall outs, just as often as there are times of mutual achievement and celebration.

Nonetheless, Jersey City's case is testimony that the degree of difficulty in creating a working partnership, at both community and agency levels, is far exceeded by the importance of the effort and the undeniability of the results.

As lower income communities confront the current epidemic of "crack" and the physical and psychological violence exacted upon its victims, the point could not be better taken or applied. Without internal community norms and a will to fight back, the well armed, big business of the drug trade and its human casualties would surely overwhelm even the best of "housing management". Only through the continued resolve and resources of community AND official leadership at the local level can this frightening and insidious plague be prevented from ravaging and laying waste to our communities. (Sorry for the overused metaphor -- but it's quite accurate.)

### ... Estate-Based Management

The point regarding changes in the actual management of the estates is a relatively straightforward one. The JCHA had a highly centralized management and maintenance organisational structure. It didn't and couldn't work. Even if resources were greater, the JCHA would still have been ineffective.

In similar fashion as appears to be the case with Britain's Priority Estates Project, the JCHA decentralised its management and maintenance staffs, placing an on-site manager, semi-skilled repairers and janitorial or groundskeeper staff at each estate. And, estate managers were given authority over estate maintenance staffs. (Prior to the transition, Management & Maintenance were separate departments and nobody was in charge of or accountable for anything. It was always "the other guy's fault".)

Simultaneously, the JCHA decentralised its operating budgets and tenant selection (lettings) systems, establishing both on an estate-by-estate basis.

The JCHA recognised that:

1. Too many different things happen in active communities for any distant bureaucracy to know and effectively respond. On-site staff and resident leaders are much better positioned to address the volume and diversity of daily occurrences at social housing estates.
2. Central agency staff must direct much of their attention to resource creation and allocation for "tomorrow"; communities, especially poor communities, must focus most of their energies on "today", and so too must estate-based staff. What often appears to be "two different worlds" by accident or "insensitivity" is more accurately a function of different perspectives derived from qualitatively different roles and responsibilities.
3. Decision making authority and resource capacity should be vested accordingly.

It took some time for all involved to adjust to the new alignment. The changeover was far from smooth. Central resources needed to be reallocated to support estate operations and central office staff needed to be re-oriented to behave as if everyone were "on the same team". The message that "turf wars" and "whose fault it was" are no longer the order of the day needed to be OFTEN repeated. The notion that estate managers were "in charge" of daily estate operations was accepted in practice only very gradually by residents, estate maintenance staff and estate managers themselves.

Decentralising budgets improved the equity of inter-estate resource distribution and enhanced each estate's flexibility in setting its own budget. Overall funds, however, remained so limited that results were less than head-turning. Estate oriented screening and placement gave estate management better control over who would live at

respective estates. It also sent out the message that applicants were seeking acceptance to particular communities, not merely some faceless government program. The Authority was, however, on the edge of crossing the paternalistic federal policy line which requires centrally controlled admissions practices\*.

Nonetheless, over the long term, JCHA experience offers reasonable evidence that an estate-based approach is the most effective way to organise staffing and responsibility. It better aligns resources and management capacity with the multiple tasks which estates must address everyday. The advantages of proximity to the tasks and problems, in terms of knowledge and responsiveness, are often cited in favor of not-for-profit entities, which tend to be smaller in size and less remote from the subject matter. It is a lesson which larger agencies, such as the JCHA, needed to learn and emulate.

#### ... Sufficient Modernisation

It should be stated quite clearly that no system of management nor extent of resident-agency partnership can compensate for the lack of basic capital improvements. If housing is to perform its primary shelter function and also serve as a nexus for social improvement, the physical facility must be sound and in reasonable working order. The point seems an obvious one. Yet it is often lost in a cloud of unfunded good intentions or the swirl of convenient political rhetoric about "money not being the solution".

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\* Recently, the (Reagan Administration's) Dept. of Housing and Urban Development found the JCHA's decentralised system of tenant selection and lettings in violation of (their interpretation of) equal opportunity and fair housing practice and required the JCHA to revert back to a centralised system. Despite the irony that HUD's approach (in our own humble opinion) exacerbates segregation and denies equal opportunity to far greater numbers of people than a decentralised system, the JCHA has conceded the point. Apartment turnover is low enough for the change not to have too negative an effect, and HUD was holding up millions of dollars of modernisation funds until the JCHA agreed.

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Admittedly, improved maintenance systems and reduced vandalism contribute positively to the condition of estate facilities. However, if the JCHA had been unable to at least gradually replace or repair long neglected mechanical systems and building elements and restore the integrity of the physical plants, it would have been near impossible to sustain resident enthusiasm and management initiatives. If estate residents constantly face unheated apartments in the cold and leaking roofs in the rain, it is highly unlikely that admonitions to "get involved" would be heeded. Estate managers cannot be held "more accountable", nor ensure that "things are under control", if the lights keep going out.

To gain sufficient funding and direct the funds to where agency and estate tenant leaders had agreed upon, the JCHA faced the same obstacles as almost all housing providers must confront.

First and foremost, central government funding was inadequate, while the gap between local needs and available funds widened. Appeals about the long term public benefits of preserving an irreplaceable social investment were lost in the horizons of political decision makers being limited to the next election. Resulting competition for scarce resources was (and is) nothing less than Darwinian. At the expense of paying attention to other management areas, an inordinate amount of staff time and effort was devoted to playing the grant game. Thankfully, it was played well and with positive results in almost every year since the late 70's. Modernisation of \$5,000-\$30,000 per apartment at eight of ten estates of one local housing authority, even when gained over a decade, represents very high averages relative to other local authorities in the U.S.

The level of JCHA funding emphasizes that success (to the extent that Jersey City represents it) cannot be achieved "on the cheap". In some ways, Jersey City represents what Brookings Institute Fellow, Anthony Downs, has described as the usual outcome of "Demonstration Programmes", i.e., to demonstrate the real cost of success, proving that, if applied in large scale, governments can't (or won't) afford the achievement. Nonetheless, in the long term, governmental and agency expenditures on modernisation (at a level approximately

Jersey City's) is assuredly less costly than permitting further deterioration of the housing and community structures. The cost of replacing existing units with newly constructed apartments (in the U.S. at approximately \$100,000/apt.) far exceeds the cost of regular and catch-up modernisation. It is a case of "pay now or pay later" and also an issue of who carries the burden of payment.

Even more relevant to respective national political climates, the Jersey City case emphasizes that representations that the housing problems of low-income households can be "solved" through "creative approaches" and "new ideas", without substantial federal support, are, at best, hot air and, at worst, a cruel hoax.

The second major modernisation obstacle to be overcome was equally problematic. Where and on what, even limited funds can be utilized, is excessively over-regulated by central governments. The rules change almost annually, depending upon the latest government crisis, enlightened insight or foolproof formula. Additional and inordinate resident meetings and staff time were required to explain the often inexplicable and to stretch the permissible uses of funds gained to the legal and regulatory limits.

Striking a balance between central government priorities and local needs and programmes is a most difficult craft. Revitalisation plans and schedules were constantly adjusted to fit within the parameters of central government policy. (It benefited no one to expend too much time rallying against the wisdom of governmental kingpins, if the net result was no money for local estates.) At the same time, we had to ensure that local adaptations were not so severe as to mutate the basic direction and agreements reached at agency and estate levels. Realising that improvements would be incremental and that adjustments would need to be made at the onset of each estates' turnabout programme was an important component of the overall planning process.

A bottom line is that significant and useful funding may not be a self-sufficient element of revitalisation, but it certainly is a necessary one.

**... A Coordination Footnote**

As was (hopefully) implied in the review, tying the revitalisation elements together, in something approaching a coordinated fashion, is as important as the elements themselves. The pace of tenant organisational development at each estate was directly tied to gaining sufficient modernisation funds. Agency and tenant leaders intentionally delayed efforts at encouraging community meetings, participation, etc. until the agency had the funds to accomplish basic rehabilitation. So also, the level of accountability and expectations of estate managers needed to be in line with the state of the physical plants.

Prior to the agency encouraging and tenant leaders pursuing significant programme roles for estate organisations, especially estate management, the JCHA had to ensure that its management decentralisation was in place and functioning fairly well. Estate management is a hard enough job when given reasonable authority and response capacity, nevermind being tangled in a remote bureaucracy.

The Jersey City experience evidenced often and unequivocally that all three revitalisation elements -- the residents, management and modernisation -- interact as dynamic forces. It is the quantity and quality of that interaction that shapes the framework and contours of the revitalisation process.

**Some Luck And ...**

A major weakness of any retrospective summary is that it sounds too pat, too processed, even with the qualifiers. It misses the irrational; the absurd; the times things come together purely by chance; the times things fall apart without apparent explanation. A healthy incredulity is not given its just due.

Reviews tend to be unmindful of the subtleties which often shape the process of pushing and shoving people and programmes. They often fail to communicate just how fragile are the human beings and systems upon which so many depend and of which we are a real part. They infrequently admit that on occasion some luck is needed as much as fortitude.

This review is subject to all these inadequacies. My apologies. For all of those things were indeed a part of Jersey City's enterprise.

**CONCLUDING REMARKS**

The most important lesson which the Jersey City case offers is that public housing for very poor, concentrated estates can be managed and managed well. More than a decade ago the epitaph for Jersey City's estates had been written and all but etched in stone by almost all involved parties. Today, five formerly miserable places to live have been transformed into working communities, where poorer people can live and raise their families with a semblance of dignity and hope. No, the estates aren't ideal. Nonetheless, Jersey City's public housing communities are far better than any other alternative which our society and our time remotely offer. We think the implications are significant.

If very poor, highly concentrated estates can be turned about, then the vast majority of public and social housing can indeed be well managed. Most estates face lesser concentrations of problems than Jersey City; IF given a reasonable level of government support, they will continue to provide invaluable housing resources. If an estate which had fallen into such severe distress as Jersey City's can be rescued, then estates caught earlier in the process represent an even more compelling case for public investment. If a working partnership between community and agency leaders can achieve the turnabout experienced in Jersey City despite negative national policy, imagine what could be accomplished with supportive public policies?!

The case further highlights that when the ideologues carp about the public sector being unable to manage, they do so despite evidence proving them sorely mistaken. When central governments use the "failure" of public housing management to justify severe budget cuts for lower income housing and cloak the selling off of public housing stock in the rhetoric of empowerment, they fail to address the Jersey City's of the industry and its many betters. When federal governments fail to provide reasonable support of housing for families of modest and lesser means, it is not due to lack of a workable programme. It is due to the lack of political will.

The Jersey City case and hundreds like it probably won't change very much at national levels. U.S. and (more recently) British public policy seem unlikely to address in a substantive way the worsening problems of poorer and working class families, especially minorities, in the foreseeable future. The consequences of social inaction will continue to be left or thrust upon the doorsteps of public and social housing management. Housing agencies and resident leaders will continue to confront a gauntlet of unmet needs, unresolved dilemmas and the absence of alternatives on a host of fronts.

We will need to cope with growing pressure to house the neediest, the poorest, while simultaneously trying to create and maintain stable communities. We will need to "do something" about doubled up - overcrowded, rent delinquent and disorderly families, while realising that they have nowhere else to go - especially the children. We will try to ensure safe communities and rid our estates of the violent and the drug dealers, while knowing that the capacity of our law enforcement agencies and criminal justice systems is woefully inadequate. And, on and on.

Nonetheless, we will "cope, do something and ensure ..." as best our mutual energies and talents allow. Despite the odds, the cases of positive local performance presented at this Conference offer heartening evidence of our capacities. The exchange of experience between respective countries about what has already been accomplished, speaks well for what can be done in the future.

When local housing agencies and resident leaders work in close partnership, the enterprise really has changed things for the better, at least in some places, for some people. Good, mutual management, supported by all levels of government is what stands between people with the fewest options having half a chance and their being overwhelmed by daily crisis. The more this message gets out the better off we will be. The better will be our chances to increase the numbers and powers in central governments who will exercise both concern and compassion in their enactments and give housing management half a chance.

In Jacob Bronowski's *The Ascent of Man*, he states that "Man likes to do what he does well and having done it well he likes to do it better." A host of housing studies have concluded that the only people who seem to like public housing are those who live in public housing. We have offered each other examples of managing well. I am confident we will do it again and even better. We just can't let the bastards get us down.

RJR, Jr.

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