New Jersey
Department of Community Affairs

SUPERSTORM SANDY COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY

Public Law 113-2; January 29, 2013
FR-5696-N-01; March 5, 2013
FR-5696-N-06; November 18, 2013
FR-5696-N-11; October 16, 2014

ACTION PLAN AMENDMENT NUMBER 28

SUBSTANTIAL AMENDMENT

- **Transferring Funds to the Reconstruction, Rehabilitation, Elevation, and Mitigation Program and the Low- To Moderate-Income (LMI) Homeowners Rebuilding Program**
- **Transferring Funds to the Fund for the Restoration of Multi-Family Housing (FRM)**
- **Clarification to the Non-Federal Cost Share (Match) Program**
- **Clarification to the Rental Assistance Program**
- **Clarification to the Blue Acres Buyout Program**

PUBLIC COMMENT PERIOD: December 11, 2018 to January 9, 2019
DATE SUBMITTED TO HUD:
DATE APPROVED BY HUD:

Philip D. Murphy
Governor

Lt. Governor Sheila Y. Oliver
Commissioner

SECTION 1: OVERVIEW

New Jersey (State) received approval from the U.S. Department of Housing and Urban Development (HUD) for the State's Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan on April 29, 2013. The Action Plan described the State's allocation of $1,829,520,000 of first round CDBG-DR funds allocated by HUD to support New Jersey recovery efforts. Since that time, HUD has approved twenty-seven amendments to the Action Plan, including Substantial Amendment Number 7, which detailed the allocation of $1,463,000,000 of second round CDBG-DR funds across the recovery programs, and Substantial Amendment Number 11, which described the allocation of $501,909,000 of the third (and final) round of CDBG-DR funds intended to address unmet recovery needs.

This **Action Plan Amendment Number 28 (APA 28)** is considered a substantial amendment according to the definition stipulated in the March 5, 2013 HUD Federal Register Notice 5696-N-01.

This Amendment is available in English and Spanish through DCA's website at http://www.renewjerseystronger.org, and can be obtained by email to sandy.recovery@dca.nj.gov (Subject: APA 28) or by contacting Sandy Recovery Division Constituent Services at 609-292-3750. To obtain a translated copy in a language other than Spanish, please call 1-855-SANDYHM (1-855-726-3946). When the agent answers the line, inform them of the requested language. For hearing-impaired users, Text Telephone Service is available at (TTY/TDD) 609-984-7300 or 1-800-286-6613.

The public comment period for Action Plan Amendment 28 is open on December 11, 2018 to 5:00 p.m. on January 9, 2019. Per HUD requirements, a public hearing will be held during the comment period on January 8, 2019 from 4:00 p.m. to 6:00 p. m. at the following location:

Toms River Municipal Complex, Council Meeting Room
33 Washington Street
Toms River, New Jersey 08753

Comments on this proposed amendment can be submitted at the hearing, or via email to sandy.publiccomment@dca.nj.gov or to the attention of Lisa Ryan, New Jersey Department of Community Affairs, 101 South Broad Street, Post Office Box 800, Trenton, New Jersey 08625-0800. All comments are given the same consideration regardless of the method of submission.

SECTION 2: FUNDING TRANSFERS

Through this Amendment, the State proposes to transfer $50 million in Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to the Reconstruction, Rehabilitation, Elevation and Mitigation (RREM) Program and the Low- to Moderate-Income (LMI) Homeowners Rebuilding Program (collectively, the Programs).

Additionally, the State proposes to transfer $379,500 remaining in the Sandy Homebuyer Assistance Program (SHAP) to the Fund for the Restoration of Multi-Family Housing (FRM).

Transfer of Funds to the RREM Program and LMI Program

Table 1: Transfer of Funds to the RREM Program

Approved New Jersey Action Plan Program	Activity Previous Allocation	Amount of Transfer	Activity Revised Allocation
Tenant-Based Rental Assistance Program	$28,886,017	(-)$1,523,768	$27,362,249
Stronger NJ Business Grants Program	$75,500,000	(-)$750,464	$74,749,536
Stronger NJ Business Loans Program	$123,500,000	(-)$18, 819, 197	$100,680,803*
Neighborhood & Community Revitalization	$74,625,000	(-)$2,250,344	$72,374,656
Non-Federal Cost Share (Match) - Local	$91,000,000	(-)$10,000,000	$81,000,000
Non-Federal Cost Share (Match) - FHWA	$69,840,427	(-)$1,714,582	$68,125,845
Local Planning Services	$12,786,718	(-)$11,700	$12,775,018
Blue Acres Buyout Program	$174,500,000	(-)$7,951,174	$166,548,826
Pre-development Loan Fund	$3,666,706	(-)$271,665	$3,395,041
Neighborhood Enhancement Program	$38,727,006	(-)$2,707,105	$36,019,901
RREM Program	$1,303,684,781	(+)$46,000,000	$1,349,684,781

*Inclusive of the $4,000,000 transferred to the LMI Homeowners Rebuilding Program

Table 2: Transfer of Funds to the LMI Homeowners Rebuilding Program

Approved New Jersey Action Plan Program	Activity Previous Allocation	Amount of Transfer	Activity Revised Allocation
Stronger NJ Business Loans Program	$123,500,000	(-)$4,000,000	$100,680,803*
LMI Homeowners Rebuilding Program	$50,294,758	(+)$4,000,000	$54,294,758

*Inclusive of the $18,819,197 transferred to the RREM Program

RREM Program and LMI Homeowners Rebuilding Program

The RREM and LMI Programs provide grant awards to eligible primary homeowners for activities necessary to repair storm-damaged homes, including rehabilitation, reconstruction, elevation, and mitigation. The State has allocated more than $1.3 billion to the RREM Program. To date, RREM has already completed approximately 6,300 projects and disbursed more than $900 million to eligible homeowners. In addition, the State has allocated over $50 million to the LMI Program, resulting in more than approximately 200 projects completed.

Despite the State's progress, some homeowners find it difficult to make meaningful progress in their construction. Applicants face delays for a variety of reasons including fraudulent contractors and a lack of qualified builders, but most of all, applicants lack the necessary funding to complete construction.

The State developed a multi-faceted approach to guide homeowners to completion. This approach consists primarily of two program updates: (1) offer additional construction funding and (2) extend rental assistance. The first is detailed below, while the second update is addressed in Section 3.

First, the State will create a "Supplemental Fund" ("Fund") to offer applicants additional construction funds to complement the grant award received through the Programs.

The award will be calculated based on unmet need and carry a five-year residency requirement, which will be secured by a subordinate mortgage on the subject property. No monthly principal payments will be required upon completion. Rather, the mortgage will be forgiven after five-years following the completion of construction.

The mortgage will burn off or be forgiven at the rate of 20% per year. Upon sale of the subject property prior to completing the five-year residency requirement, the applicant will be required to pay back to the State any unforgiven portion of the loan.

These additional funds will be available exclusively to RREM and LMI Program applicants who still have an unmet need. Between both programs, 695 applicants bear a total unmet need of $44.1 million. The average estimated Total Development Cost for each of their projects is approximately $266,000, more than $100,000 over than the maximum allowable grant. For these applicants, 55% of whom are LMI, $150,000 will never be enough to complete their projects.

Importantly, this additional financing can be used ***only*** toward eligible costs incurred to complete an eligible scope of work under the RREM or LMI Programs; applicants cannot use this funding to enhance or expand their rebuilding plan.

The Fund is intended to fill the gap for RREM and LMI Program applicants who have no other means to complete construction. Therefore, homeowners who have not completed construction but who have addressed their funding gap with other government, non-profit or philanthropic funds are not eligible. Homeowners who have completed construction are also not eligible for additional financing through the Fund.

The Supplemental Fund is essential to completing the State's housing recovery efforts. Sandy-impacted families need the additional resources to complete construction and get back home. At this phase of recovery, applicants in the two programs who had the ability to fully fund their projects with other funding sources, including personal finances, have done so. Additional funding is critical for applicants who have reached this impasse.

Importantly, this proposed funding transfer does not affect any existing commitment of program funds to any individual, business, community or project.

Transfer from the Tenant-Based Rental Assistance Program

The Tenant-Based Rental Assistance (TBRA) Program provides temporary rental assistance to LMI residents. Rental assistance is provided for twelve months with an option to renew, but not to exceed twenty-four months.

Per the waiver provided in Federal Register Notice 5961-N-02, all subsidies are scheduled to end December 31, 2018. The program has successfully transitioned many applicants to existing State rental assistance programs for LMI renters. Moreover, the program has spent nearly the entire allocation prior to the prescribed deadline.

The State has concluded that transferring $1,523,768 will not impact DCA's ability to fully serve all eligible TBRA applicants. An extension request will be submitted to HUD for these funds upon transfer.

Transfer from Stronger New Jersey Business Grants Program

The Economic Development Authority (EDA) oversees the Stronger NJ Business Grants Program, which provides grants/forgivable loans to small business of up to $50,000 for working capital or construction needs. The program's application period closed on December 31, 2013, and since that deadline, EDA has disbursed $55.8 million to 1,150 small businesses. The State has concluded that transferring $750,464 will not impact the program's existing obligations. An expenditure extension modification will be submitted to HUD for these funds upon transfer.

Transfer from Stronger New Jersey Business Loans Program

The Stronger NJ Business Loans Program is also overseen by the EDA and provides low-cost loans of up to $5 million to eligible small businesses for Sandy-related repairs, working capital and/or business expansion to create jobs and help revitalize the economies of Sandy-affected communities. The program has approved approximately $83 million in loans for 120 businesses, as of the third quarter 2018. The State has concluded that transferring $22,819,197 will not impact the program's existing obligations. An expenditure extension modification will be submitted to HUD for these funds upon transfer.

Transfer from the Neighborhood Community Revitalization Program

The Stronger NJ Neighborhood and Community Revitalization (NCR) Program invests in municipal projects through two initiatives: Streetscape projects and the Development & Public Improvement (D&I) projects. The Streetscape projects are funded with grants of up to $1.5 million to support projects such as street lighting, sidewalks, and landscaping in the nine most impacted counties. More than $12 million has been disbursed for these projects.

The NCR D&I projects include larger scale planned physical improvements that contribute to the revitalization of Sandy-damaged areas. At the end of the third quarter approximately $43 million has been disbursed for D&I projects. Because NCR has committed all its available funding, the State has concluded that transferring $2,250,344 will not impact the program's existing obligations. An expenditure extension modification will be submitted to HUD for these funds upon transfer.

Transfer from the State and Local Non-Federal Cost Share (Match) Programs

The State has allocated $69 million of CDBG-DR funds to the Non-Federal Cost Share Program to cover the 20 percent non-federal cost share for the Route 35 project funded by the Federal Highway Administration. The State highway project on the Barrier Island was reconstructed with flood vents, pump stations, and other "best practice" mitigation measures. Reconstruction was completed in 2016. Thus, the State's re-allocation of $1,714,582 will not impact existing obligations under the program.

Additionally, the State has allocated $91 million to the Non-Federal Cost Share (Match) Program to offset the cost to State, county, municipality and other government entities for their funding portion of FEMA-funded disaster recovery projects. FEMA pays 90% of the costs for such projects and requires the State and local government entities to pay a 10 percent match. The State covered some or all of the 10 percent cost share for many disaster-recovery projects through the Non-Federal Cost Share (Match) Program.

After covering the eligible match for local governments and reserving enough funding to cover the required match for the State agencies' FEMA-funded projects, the State has concluded that a reallocation of $10,000,000 will not impact existing obligations under the Non-Federal Cost Share (Match) Program. An expenditure deadline modification will be submitted to HUD for these funds upon transfer.

Transfer from Planning Programs

To meet planning needs across multiple platforms, the State created the Post Sandy Planning Grant Program, which provides Local and Regional Planning Grants to address ongoing planning needs resulting from Superstorm Sandy by allowing communities to develop community recovery plans that strategically address vulnerabilities exposed by the storm. Communities could then hire certified planners to address conditions created or exacerbated by the storm and identify approaches to more resilient building and sustainable economic growth. The program also provides Statewide Planning Grants to state agencies for activities required by HUD for the implementation of programs, including historic preservation, archeological, and other mitigation studies.

The State has concluded that transferring the remaining $11,700 in funding will not impact DCA's ability to meet the remaining local and regional obligations. An expenditure deadline extension request will be submitted to HUD for these funds upon transfer.

Transfer from the Blue Acres Buyout Program

Overseen by the Department of Environmental Protection (DEP), the Blue Acres Buyout program offers buyouts to property owners in a floodway, a flood-prone area, or an area that has sustained severe repetitive loss to remove residents from harm's way. Moreover, through the demolition of the properties and the creation of open space, the program enhances natural protections against future severe weather events.

The State continues to evaluate homes located in repetitive flooding communities. The State has concluded that transferring $7,951,174 will not impact DEP's ability to meet obligations under the program.

Transfer from Predevelopment Fund for Affordable Rental Housing

The Pre-Development Fund was overseen by the New Jersey Redevelopment Authority (NJRA) and provided financing to help nonprofit developers cover the pre-development costs of properties that are unsafe, underutilized, or in foreclosure. The program offered support at the early stages of development to allow nonprofit developers to complete site preparation work as well as work to finalize construction and permanent financing.

The program has fully served all eligible nonprofit developers. Transferring the remaining $271,665 funds from the Pre-Development Fund will not impact the DCA's ability to close the program. An expenditure deadline extension request will be submitted to HUD for these funds upon transfer.

Transfer from Neighborhood Enhancement Program

The State has allocated $38 million of CDBG-DR funds to the Neighborhood Enhancement Program (NEP), previously termed as the Blight Reduction Program. NEP was established to fund the rehabilitation or reuse of foreclosed, vacant or abandoned properties that present risk of neighborhood blight to create affordable housing.

The final application period for NEP closed on June 26, 2015. Even after serving all eligible NEP applicants, there remains $2,707,105 in available funding, which will be transferred to address the remaining unmet need in the RREM and LMI Programs.

Transfer of Funds to the Fund for the Restoration of Multi-Family Housing

Table 1: Transfer of Funds to the FRM Program			
Approved New Jersey Action Plan Program	**Activity Previous Allocation**	**Amount of Transfer**	**Activity Revised Allocation**
Sandy Homebuyer Assistance	$18,933,283	(-)$379,500	$18,553,783
Fund for Restoration of Large Multi-Family Housing	$651,547,401	(+)$379,500	$651,926,901

The Fund for the Restoration of Multi-Family Housing (FRM) Program is overseen by the Housing and Mortgage Finance Agency (HMFA) and provides funding to facilitate the creation or rehabilitation of quality, affordable rental housing units in the nine most impacted counties. CDBG-DR funds are provided as zero- and low-interest loans to qualified developers to leverage 9% and 4% low income housing credits, tax-exempt bonds, and stand-alone financing to support development. Development includes rehabilitation or replacement of affordable rental units that were damaged as a result of the storm, new rental housing that addresses an unmet need resulting from the storm, or conversion of existing structures into affordable housing that addresses an unmet need resulting from the storm. In addition, a portion of the fund will be used to assist in the development of new permanent supportive housing units for people with special needs as well as public housing and other federally-supported housing.

Increased demand, coupled with the storm-related depletion of rental stock, increased rents in all impacted counties. Taken together, the loss of units, low vacancy rates, and increased costs created hardships for LMI households seeking affordable rental housing. To continue efforts to create affordable housing in areas impacted by the storm, the State proposes a reallocation of unused Sandy Homebuyer Assistance Program funding.

Transfer from Sandy Homebuyer Assistance Program

The Sandy Homebuyer Assistance Program (SHAP), administered by the HMFA, provides equity contributions of up to $50,000 to eligible applicants seeking to purchase homes within the nine counties most-impacted by Superstorm Sandy as determined by HUD. Among other things, the program helps renters become homeowners and helped protect ratable bases in the counties hardest hit by the storm.

HMFA has approved all eligible applicants. Therefore, a reallocation of $379,500 will not affect any existing commitments to program beneficiaries. An expenditure deadline extension request will be submitted to HUD for these funds upon transfer to FRM.

SECTION 3: CLARIFICATIONS

Clarification to the Non-Federal Cost Share (Match) Program

The State is proposing clarifying language related to the Non-Federal Cost Share (Match) Program. The State created this program to offset the cost to State, county, municipality or other government entities for their funding portion of a FEMA-funded disaster recovery projects. FEMA requires the State and local government entities to pay a ten percent match for disaster recovery projects while FEMA pays the remaining ninety percent. Rather than see property taxes increase in the communities affected by Sandy, the State covered some or all the ten percent cost share for many projects through the Non-Federal Cost Share (Match) Program.

In continuance of this effort, the State clarifies that this assistance will fund the match for some or all costs associated with the FEMA Public Assistance program, Direct Federal Assistance, and any other federally-funded recovery projects that require a cost share. This change aligns with the initial Action Plan and will not affect the allocation to the program, nor will it affect program beneficiaries.

Clarification to the Blue Acres Buyout Program

The Blue Acres Buyout Program, overseen by the DEP, offers buyouts to property owners in a floodway, a flood-prone area, or an area that has sustained severe repetitive loss. To reduce administrative burden and maximize funding available for buyouts, the program was initially limited to homeowners in pre-defined targeted buyout areas. The State pledged to extend the program to other areas at its discretion, assuming available funding. Yet, the eligibility criteria included that the property must have been impacted by Superstorm Sandy.

To allow DEP to expand the program as intended in the Action Plan, the State clarifies that eligible properties must have been impacted by Superstorm Sandy, Tropical Storm Lee, or Hurricane Irene or have an impact exacerbated by one of these storms. This clarification is in accordance with Federal Register Notice 5696-N-01 and will not affect the allocation to Blue Acres, nor will it affect program beneficiaries.

Clarification to the Rental Assistance Program

The Rental Assistance Program (RAP), administered by the Housing and Mortgage Finance Agency (HMFA), offers RREM and LMI Program applicants up to $1,300 per month of rental assistance for up to twenty-one-months.

The State allocated $12.5 million in CDBG-DR funds to the RAP program in Action Plan Amendment 18. Concurrently, the State requested and received a waiver from HUD allowing the state to use up to $30 million of CDBG-DR funds "to provide up to 21-months of RAP assistance to eligible RREM and LMI program applicants." Federal Register Notice 5909-N-56. Per the waiver, RAP accepted its last application on December 31, 2017.

Eligible homeowners may receive a full 21-months of CDBG-DR assistance, in accordance with the waiver. Yet homeowners continue to be plagued by construction delays caused by contractor fraud and exacerbated by a lack of resources. To that end, the State has decided to make additional funds available for construction. However, until those homeowners can finish construction, homeowners will remain out of their homes.

Therefore, as the second prong of New Jersey's two-step approach to full homeowner construction completion, the State has requested a new waiver to allow homeowners an additional 19-months of rental assistance. Thus, eligible homeowners would be able to receive a full 40-months of CDBG-DR rental assistance. Further, to ensure applicants receive the maximum allowable assistance under the waiver, the State has requested an extension of those funds beyond June 2019. This will afford homeowners the ability to place additional funding and attention towards completing their project over the course of the next two building seasons in 2019 and 2020. While Action Plan Amendment 27 increased the total RAP allocation to $15.5 million, this clarification does not affect the allocation to RAP, nor does it affect the program's beneficiaries.

SECTION 4: PUBLIC COMMENTS/RESPONSES

As required by HUD, this proposed Substantial Amendment will be made available for public comment over a period of at least thirty days. Also, per HUD requirements, the State will hold a public hearing to solicit comments in connection with this proposed amendment. The date and location of the public hearing are as follows:

Tuesday, January 8, 2019 (4:00p.m.-6:00p.m. EST)
Toms River Municipal Complex, Council Meeting Room
33 Washington Street,
Toms River, NJ 08753

Commenters are able to submit comments to this proposed amendment (i) via email to sandy.publiccomment@dca.nj.gov (Subject: ACTION PLAN AMENDMENT 28); (ii) via U.S. mail; or (iii) via oral or written comments at the public hearing. All comments are given the same amount of consideration regardless of the method of submission.

The State will review all public comments provided during the comment period and, per HUD guidelines, will synthesize public comments submitted regarding this proposed amendment. The State will then include written responses to those comments as part of the final amendment submitted to HUD for review and approval.