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AFFORDABLE HOUSING IN HOBOKEN:
A COMPREHENSIVE PLAN OF ACTION

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prepared by the
Office of the Mayor
Hoboken, New Jersey

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I. INTRODUCTION

A. PRESERVING HOBOKEN AS AN ECONOMICALLY AND CULTURALLY DIVERSE COMMUNITY

Throughout its history Hoboken has been a melting pot home for generation after generation of tightly knit extended families. Solid brick and stone residential buildings ranging from the elegance of Castle Point Terrace to the simplicity of Willow Avenue provided decades of affordable housing to a wide spectrum of income groups. Hoboken's size, family structure, low building height, and economic opportunities produced a rich tradition of neighborliness, community pride, and long-term residency.

After 15 years of unprecedented residential development, Hoboken stands on the verge of losing its identity as a culturally diverse, family community. Fueled by the affluent metropolitan housing market, the housing industry has taken full advantage of Hoboken's attractions to stimulate a 'gold rush' in land use which increased property values as much as ten fold during this 15-year period. Community location, size, transportation and building quality have provided the basic incentives for successful speculation on and re-development of Hoboken land and buildings.

The consequence of so much activity in the housing market has been to increasingly price out of Hoboken growing numbers of long-term low, moderate, and middle income families. Rents in the private market continue to escalate beyond the means of many Hoboken families. Condominium conversions produce intensified pressure on remaining rental property and purchase prices

which are prohibitive for Hoboken's traditional population. Homeownership is virtually an impossibility for newlyweds and first-time buyers. Current taxes and the threat of revaluation-induced tax increases encourage existing homeowners to sell and leave Hoboken.

Hoboken's low income population has been the most severely hurt by these developments. The absence of new federal subsidies precisely at the moment when local housing costs have dramatically increased has left both city government and low income residents in a "no-win" situation. Long waiting lists for both public housing and Applied Housing, the spectre of 200 families waiting 48 hours on line for 20 Caparra Homes' apartments last year, and a 30% enrollment decline in the public schools during the past six years all provide ample testimony to the burden faced by Hoboken's low income community. Lacking sufficient knowledge of their existing rights and in the absence of more explicit legal safeguards, low income families have been prey to a host of tactics aimed at displacement. It is no accident that increasingly low income families bargain for an acceptable 'buy-out' agreement with the landlord. There simply is no recent experience which encourages low income families to believe that displacement can be avoided.

Through all of this Hoboken is quite literally losing its children. Displaced families have been largely replaced by childless couples and singles. The normal re-generation of Hoboken families has been abated, since young people who grow up here cannot afford to remain while raising a family. And the reduction in families with children is exacerbated by fundamental shortcomings in educational and recreational services, the two

most critical public amenities for families with school age children.

15 years ago Hoboken faced a very different crisis. Then close to 20 years of industrial, commercial and retail erosion had placed Hoboken at the point of bankruptcy. An enlightened public policy was articulated and programs established to lure private capital into Hoboken for housing and redevelopment. The current crisis quite clearly requires a bold new policy direction and a new generation of programs to ensure continued development of Hoboken within a framework of protecting and enhancing the quality of life for all its citizens.

B. AN INTEGRATED POLICY PERSPECTIVE

Maintaining Hoboken as a viable community for low, moderate, and middle income families requires an integrated public response to all factors which directly or indirectly contribute to the current crisis. While protecting and enhancing affordable housing is key to easing the displacement of long-term residents, this administration fully recognizes that serious attention must be given to all related problems which influence the quality of family living in Hoboken.

Waterfront and related development will undoubtedly play a major role in shaping Hoboken's future and accordingly the prospects for continued economic and social diversity. It is critical that such development provide housing, recreation, employment and other public amenities for existing Hoboken families. Moderating proposed high rise development is essential if the 'feel' of Hoboken is to be preserved and dangerous new pressures on the infrastructure avoided. Current parking,

traffic, and sewage problems must be resolved if appropriate future development can be achieved without intensifying existing deficiencies. Poor public education has persuaded many young couples to leave Hoboken in the past and discourages other families with school age children from moving here. If family sized housing units are to be constructed by the private market and entry level jobs provided through diverse economic development, the quality of public education in Hoboken must be demonstrably improved.

In recognition of the foregoing, this administration advances the following policy objectives to be pursued during the next four years:

- 1) To protect existing and develop new affordable housing.
- 2) To ensure waterfront and other development responsive to existing community needs.
- 3) To facilitate orderly and community sensitive land use planning and development by upgrading government participation, coordination and oversight.
- 4) To stabilize local property taxes.
- 5) To increase local employment opportunities through diversified economic development.
- 6) To improve the quality and quantity of public education services.
- 7) To improve the quality and quantity of recreation services.
- 8) To satisfy federal and state requirements to upgrade sewage flow and treatment in a timely and effective manner.
- 9) To create a partnership between the private sector, the citizenry and the government to address these objectives.

C. OBJECTIVES OF THE AFFORDABLE HOUSING PLAN

1. To develop new affordable housing from both new construction and rehabilitation of existing stock.
2. To encourage continued private investment in new development and rehabilitation.
3. To strengthen existing home ownership and create new opportunities for affordable ownership.
4. To maintain and improve the quality of existing private rental housing stock.
5. To ensure long term stability of existing subsidized housing stock.
6. To re-organize city government to provide effective means of accomplishing these objectives.

D. THE ECONOMIC BASIS FOR THE HOBOKEN INCLUSIONARY HOUSING ORDINANCE

While the legal basis for an inclusionary housing program lies clearly within the doctrine set forth by the New Jersey Supreme Court in the Mount Laurel decision, such a program must also have an economic basis; simply stated, if the program cannot be implemented in a way that maintains the economic feasibility of development in the community, the program will inevitably fail.

There are many urban areas in which the viability of private market development is so limited as to make an inclusionary program, in which internal subsidies are to be used to create lower income housing units (or contributions in lieu of units), impossible. This is not, however, the case in Hoboken. All of the evidence that we have seen makes clear not only that new development, rehabilitation and condominium conversion in Hoboken are profitable, but that they have been significantly

more profitable, on the average, than representative suburban multi-family housing development during the same period/*.

This remarkable profitability cannot be attributed to value created by the investors and developers alone. These developers are taking advantage of a community with remarkable attributes, which attributes have created the profit opportunities being garnered by developers. These include the location of the community, and its direct access to mid-Manhattan; the physical character of the community generally and its buildings in particular; and the social and demographic character of the community. Thus, it is the community that is in actuality creating a substantial part of the profit that is reaped by the developer.

At the same time, the actions of those developers in furtherance of these profits, while unquestionably benefiting the community in certain respects, harm the community in other regards. These harms, or negative externalities as they are termed by economists, include pressure on the city infrastructure, such as the well-known parking problem; and most severely, pressure on the affordable housing stock, which has been the mainstay of the community's character and a major resource for the less affluent population of the community.

Hoboken is no longer a "pioneering" community where an investor is faced with such risks that he must be able to obtain

*Although we have not analyzed specific projects in detail, our information indicates that representative total development costs on condominium conversion projects are typically in the area of \$100-\$110/square foot (SF), with sales prices in the area of \$150/SF, thus resulting in profit levels (before taxes), between 27% and 50%. We believe the average to be in the area of 30%-35%. This compares to typical before-tax profit margins of 12%-15% in suburban townhouse developments in New Jersey. This information is derived from a number of sources, which have reported highly consistent figures.

a greater-than-average profit in order to justify taking those risks. Hoboken is an established housing market, as an extension of the Manhattan housing market; under these circumstances normal risks and, therefore, normal profits, can reasonably be expected.

It is our conclusion that all of these factors support an argument that substantial resources exist within luxury development to generate internal subsidies for a range of affordable units. Furthermore, there are compelling policy reasons for so doing. Unlike the typical suburban development which is burdened with a set-aside by a municipality seeking to meet its Mount Laurel obligations and which has had no visible negative impact on lower income housing conditions, development in Hoboken is clearly having such negative effects. There is, therefore, an even more compelling justification for imposition of inclusionary requirements in such an environment than in the more typical suburban setting.

E. AFFORDABLE HOUSING DEFINED

For the purposes of meeting Hoboken's policy objectives, the following income standards shall be used to define eligibility:

			1986	
			<u>(Assuming \$26,000 median family income)</u>	
Low income	0 - 50%	median income or	0 - 13,000/yr.	
Moderate income	51% - 80%	median income or	13,000 - 21,000/yr.	
Middle income	81% - 150%	median income or	21,000 - 39,000/yr.	

This standard is adjusted from conventional HUD guidelines to extend the middle income level in order to better reflect the economic realities of Hoboken to provide affordable housing to a wider range of families and to reduce the average per unit subsidy cost factor.

II. A DEVELOPMENT STRATEGY FOR PRODUCING AFFORDABLE HOUSING

INTRODUCTION

The proposed housing development action plan addresses one of the most difficult tasks facing the city of Hoboken. That task is that of fostering the development of additional sound housing affordable to the low, moderate, and middle income population of the city, housing that will maintain the diversity of community and ensure that the revitalization of the city's economy and physical plant benefit not only wealthy immigrants, but all its residents.

In order to address this goal actions are proposed in two areas: mandating participation by private developers in the city's goal, through inclusionary development conditions and housing trust fund contributions; and affirmative steps by the city of Hoboken to develop additional affordable housing. Affordable housing, it should be stressed, includes but is not limited to low income housing; it is not only the poor who are victimized by displacement and who are unable to benefit from the new development that has taken place in the city. The needs of the city's moderate and middle income population must also be addressed by the housing program.

The following discussion focuses on a series of elements in the proposed affordable housing development strategy: first, a series of legislative and program initiatives, focusing around the enactment of an inclusionary ordinance and the creation of housing and infrastructure trust funds; second, a series of specific

proposed program actions; and third, the organizational structure, including the proposed reorganization of the Hoboken Community Development Agency (CDA), through which the strategy will be implemented.

A. LEGISLATIVE AND LEGAL INITIATIVES

1. ENACTMENT OF AN INCLUSIONARY ORDINANCE, PROVIDING FOR CONSTRUCTION OF LOWER INCOME HOUSING, OR MAKING A CONTRIBUTION IN LIEU OF CONSTRUCTION, AS A CONDITION OF ALL NEW DEVELOPMENT IN THE CITY OF HOBOKEN.

All private market development that takes place in Hoboken, however beneficial it may be in many respects, inevitably affects the housing conditions of Hoboken's low, moderate and middle income population. Much development, including new construction, substantial rehabilitation, and condominium conversion, affects rentpayers directly through rent increases or displacement. Other development, both residential and non-residential, affects the same population indirectly by further increasing the pressure on and the potential value of the remaining affordable housing stock. While the administration recognizes that it is not in its interest to prevent development, it seeks to ensure that development takes place with the least negative impact on the existing population, and in a way that make it possible to replace the affordable housing that is inevitably lost through development and redevelopment.

In addition to pressure on existing affordable housing, the development that is taking place in the city of Hoboken is placing great stress on the city's infrastructure, in particular in two areas - sewage treatment and parking. The city has begun the effort to develop action plans to deal with those two major

problem areas; at such time that those plans are developed and approved, the city will amend the ordinance to provide for a mix of contributions to the housing program, and to the proposed infrastructure trust fund.

The city of Hoboken therefore, proposes to enact the following ordinance:

PROPOSED INCLUSIONARY ORDINANCE PROVISIONS

1. ALL residential and non-residential development other than lower income housing development in the City of Hoboken, which shall include both new construction and substantial rehabilitation, shall be required to provide affordable housing as a condition of approval.

a. In the case of residential development, 20% of the units constructed, rehabilitated, or converted, shall be evenly divided between low, moderate, and middle income units.

b. In the case of non-residential development, the number of units constructed shall be determined on the basis of a formula keyed to the number of square feet of non-residential floor area, the projected number of jobs created, and the additional affordable housing needs projected to arise as a result of those added jobs. The formula shall specify the ratio between low, moderate and middle income units to be provided.

2. Units may be provided in the same building as the development incurring the inclusionary obligation, or may be provided in a different building within the city of Hoboken. Where provided in a different building, the units will only be accepted where a finding is made by the Community Development Agency (CDA) that the units are of comparable or better size, physical quality, and general environmental and neighborhood quality than they would be if provided in the same building or development incurring the obligation.

3. Residential developments containing fewer than 100 units and all commercial developments shall be permitted to make a contribution to the Hoboken Housing Trust Fund in lieu of constructing the units required under (1) above. The contribution can be in the form of (a) a cash contribution; (b) vacant land; or (c) buildings. Land or buildings shall be conveyed to the Hoboken Housing Development Corporation (HDC) and will be subject to the following conditions:

a. No vacant land will be accepted in lieu of all or part of a cash contribution unless the CDA finds that it is suitable for residential development;

b. No building will be accepted in lieu of all or part of a cash contribution unless the CDA finds that it is structurally sound, suitable for rehabilitation, and is an appropriate long-term part of the housing stock of the city of Hoboken; and

c. No building will be accepted in lieu of more than half of the cash contribution otherwise required, unless the CDA finds that existing cash resources available to the city for the purpose are adequate for anticipated rehabilitation and maintenance requirements.

4. Residential developments containing over 100 units shall be permitted to substitute a contribution in lieu of constructing up to 50% of the units required under (1) above, but only where the CDA makes a finding that such substitution will more effectively advance the housing policies of the city of Hoboken.

5. Affordable housing units, where provided, shall be divided equally between units affordable to households in each of the following three categories:

LOW INCOME	0	-	50% median family income
MODERATE INCOME	51%	-	80% median family income
MIDDLE INCOME	81%	-	150% median family income

6. Where a developer elects to make a contribution, the amount of the contribution shall be determined by multiplying the number of units required under (1) above, by the amount determined by the city of Hoboken to be the average cost of the city providing an affordable unit through its various housing activities.

The ordinance will specify that its provisions will not apply to development that may take place in the waterfront area. The waterfront area, however, will be subject to special developer agreements dealing with the provision of affordable units or contributions in lieu of providing such units. These agreements may require more substantial provision of affordable housing or contributions than the ordinance, but in no event may provide for a less substantial contribution.

2. ESTABLISHMENT OF THE HOBOKEN HOUSING TRUST FUND AS A VEHICLE FOR DIRECTING DEVELOPER CONTRIBUTIONS AND OTHER FUNDS TO THE AFFORDABLE HOUSING PROGRAM.

As the principal financial vehicle to be used to raise and spend funds on the affordable housing program, the Hoboken Housing Trust Fund will be created. The trust fund will receive all developer contributions made under the inclusionary ordinance, as well as special developer contributions that may be made under other agreements such as in the event of potential waterfront development. With these funds the trust fund will seek to pool any other housing funds that may be available and not restricted in a way preventing their inclusion in the trust fund. As outstanding commitments under the Community Development Block Grant program are completed, a substantial part of the funds made available should be allocated to the trust fund, as shall any funds that will become available through repayment of UDAG grants by developers. Funds may be available from other sources as well, including recently enacted state housing subsidy programs.

Funds collected in the trust fund will be used exclusively to maintain and expand the stock of affordable housing in the city of Hoboken. Priority activities for the trust fund will include:

a. Maintenance and rehabilitation of existing affordable housing. This could include rehabilitation of city-owned buildings; rehab loans to private building owners, who would agree to continue the building as affordable housing for a minimum length of time;

b. Acquisition and rehabilitation of privately owned rental properties. This activity, which would take place under the auspices of the Housing Development Corporation (described in Sec. II (C) (2) would be geared to maintaining buildings threatened with conversion and removal from the affordable housing stock, as affordable housing on a long-term basis.

c. Expansion of the affordable housing stock in the city of Hoboken: This would include any costs attendant on the construction of new affordable housing, including land acquisition, site improvements, capital

construction subsidies, as well as grants or loans to homeowners to create accessory apartments, etc.

Funds could also be used, but only to a limited extent, for activities ancillary to a housing development or rehabilitation project, such as non-residential facilities within a residential building, or the provision of tenant education or home-buyer counseling services.

The objective of the program, to the extent feasible, would be to enable the funds to revolve; i.e., funds would be made available as loans, although generally on a "soft loan" basis, so that they might be recouped in the future. Thus, if funds were made available to upgrade a building, a lien would be taken out on the property for the amount provided.

The trust fund would be a dedicated fund, administered separately from the municipal general fund by professional financial management. Its use would be directed by the Hoboken Housing Development Corporation. HDC is a crucial element in the plan: it is expected to become the vehicle through which the city can become an energetic actor in the development process, rather than merely reacting to the proposals of others.

3. ESTABLISHMENT OF THE HOBOKEN INFRASTRUCTURE TRUST FUND AS A VEHICLE FOR DIRECTING DEVELOPER CONTRIBUTIONS AND OTHER FUNDS TO THE RESTORATION AND IMPROVEMENT OF THE CITY'S PHYSICAL INFRASTRUCTURE.

We have already noted that the city has major needs with regard to improvement of physical conditions, in addition to its pressing housing needs. A particularly important need is rehabilitation and upgrading of the sewage system, both treatment and distribution, in the city. Another major need is for off-street parking. Both needs are exacerbated by the extent of new development taking place.

We propose the creation of an Infrastructure Trust Fund, to be a second dedicated fund to be used principally for sewage system and parking improvements in the city. At this time, however, specific plans for the implementation of improvements in these areas are not yet in place. Since we consider it inappropriate to levy contribution requirements in the absence of a clear plan for using the contributions obtained, it is proposed that creation of the infrastructure trust fund be deferred until those plans have been prepared, and adopted by the City Council. At such time, the infrastructure trust fund should be established, and the inclusionary ordinance amended to provide that developers subject to the ordinance must (a) provide a percentage of affordable housing of a cash contribution to the housing trust fund; AND (b) make a cash contribution to the infrastructure trust fund. The latter contribution requirement can be adjusted where developers themselves are providing infrastructure improvements directly.

4. LOCATE HOBOKEN'S REDEVELOPMENT AUTHORITY
WITHIN THE CITY ADMINISTRATION

At the present time the redevelopment authority vested in Hoboken's municipal government lies with the Hoboken Housing Authority. Assigning this responsibility to the Housing Authority goes back many years when federal urban renewal programs were launched and local housing authorities were designated by many urban communities to redevelop under-utilized land. Conditions have changed dramatically over the years. Urban renewal funds are no longer available and the critical mandate of the Housing Authority today is to continue the process of upgrading the physical

plant, management and services of public housing.

We propose to locate Hoboken's statutory authority to develop and re-develop property within CDA or its successor organization. The ultimate success of Hoboken's commitment to provide new affordable housing will rest largely on the ability of city government to reform itself in order to efficiently acquire, package, and/or develop property in conformance with stated policy objectives and new legal mandates.

5. REVISION OF THE HOBOKEN ZONING ORDINANCE
AND MASTER PLAN

In addition to the enactment of the inclusionary ordinance, if future growth of the city of Hoboken is to be effectively directed, the master plan and zoning ordinance of the city must be thoroughly reviewed, and amended where necessary, to become a key element in that process. The planning functions of the city and the development and housing responsibilities must be closely integrated; revision of the land use ordinance, in conjunction with the organizational and administrative steps described below, is an essential element in this process. We propose that a revised zoning ordinance be submitted to City Council within the next six months.

B. PROGRAM ACTIVITIES

1. INITIATING REDEVELOPMENT PROJECTS IN LARGELY
VACANT AND UNDERUTILIZED SECTIONS OF THE CITY
AS A MEANS OF CREATING ADDITIONAL HOUSING OPPORTUNITIES

In years past, the city of Hoboken, acting through its housing authority, undertook a number of redevelopment projects utilizing then-available federal urban renewal funds. Although those funds are no longer available, the combination of potential funds from the housing trust fund and the potential market

value of redeveloped sites and buildings creates the opportunity to undertake redevelopment projects once again, and to use such projects as a means of creating affordable housing opportunities.

In contrast to an infill housing program, which is appropriate for those areas which are largely built-up but which contain scattered vacant parcels, redevelopment is appropriate in those parts of the city which are largely vacant and underutilized, and contain only scattered existing structures. A number of city blocks, for example, in the southwestern part of the city are between 50% and 80% vacant; some of these blocks are also potentially attractive for private market development as well.

By undertaking redevelopment of those blocks, the city is able to achieve a number of important goals: (1) to increase the number of affordable housing units on those blocks, and in the city as a whole; (2) to utilize more of the value available in that land for public benefit, rather than for private speculation; and (3) to see entire city blocks developed as a whole, creating visual qualities and neighborhood amenities that cannot be created where development is taking place piecemeal.

In order to accomplish these goals, the city must, working through its Redevelopment Agency powers, be ready to use the power of eminent domain to acquire land which the owners may not be willing to sell. Given the speculative fever in Hoboken, and the wild value expectations of many landowners, eminent domain will be necessary in order to assemble the large parcels which make the redevelopment process effective. The objective of the

redevelopment program will be:

a. To assemble suitable areas, acquiring the land through eminent domain where necessary;

b. To prepare redevelopment plans which provide a balance of housing types and affordability levels, including percentages of housing affordable to low, moderate and middle income households;

c. To secure the redevelopment of the areas according to plan, through appropriate combinations of private market development and public initiative, working through the Hoboken Housing Development Corporation.

The redevelopment program will be undertaken jointly by city government and the Hoboken Housing Development Corporation. Although substantial lead time will be required before any housing units will be produced under this program, over the coming years this may be the most productive vehicle for creating additional affordable housing available to the city.

2. CREATION OF IMMEDIATE PRIVATE MARKET DEVELOPMENT OPPORTUNITIES ON PARCELS OWNED BY THE CITY AND HOUSING AUTHORITY IN ORDER TO MAXIMIZE PRODUCTION OF LOWER INCOME UNITS AND GENERATION OF TRUST FUND CONTRIBUTIONS FROM THOSE PARCELS

There are two pairs of vacant land parcels, one pair owned by the Hoboken Housing Authority and one by the city of Hoboken, which are suitable for medium to high density residential development, are located in areas of high private market demand, and which can be made available immediately for private market development. These parcels are (a) the two housing authority parcels on the block bounded by Hudson Street, Third Street, River Street, and Second Street, each roughly one-half acre; and (b) two city-owned parcels along or near Observer Highway, one between Bloomfield and Garden Streets, and the other between Garden and Park Streets, with a combined acreage of roughly 1.25 acres.

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These sites should be made available immediately for development, in a way that will maximize the ability of the city to achieve two objectives:

- a. Obtain attractively designed structures, consistent with the character of the surrounding area; and
- b. Create inclusionary developments, in which a substantial percentage of the units in each development are set aside for low, moderate, and middle income households.

In order to prepare these sites for development, three steps must be taken:

- a. Determine the configuration of the parcels to be offered: Both the River Road and Observer Highway sites include two separate parcels of land. A determination must be made as to whether 2, 3, or 4 distinct RFP's are to be offered.
- b. Include design guidelines for each parcel: If the quality of development and the compatibility of the development with surrounding areas are to be ensured, the design of these projects cannot simply be left to developers submitting proposals within the framework of the zoning ordinance. All of these sites are in highly visible locations and will have a significant effect on the visual character of the city. Issues such as building height, mass, transitions (particularly on the Observer Highway parcels), use of street level space, etc. are all complex and important.
- c. Prepare a request for proposals for each site and disseminate to prospective developers: The objective of the request for proposals is to elicit a detailed picture from each prospective developer of the manner in which he/she would develop each site, and with specific reference to the affordable housing program, the combination of lower income units and trust fund contribution that each developer is willing to make. The RFP must make explicit that proposals not only include responsiveness to the design guidelines, but a percentage increase of affordable units above and beyond the 20% provided for in the inclusionary ordinance. Alternative projections should be encouraged based upon financing options and alternative land purchase or lease arrangements.

It should be stressed that this will be a negotiated process, rather than a simple "highest bidder" competition. The award of these sites must be based on a balance of factors requiring the exercise of judgment, including, of course, the percentage of affordable housing, but also design and planning factors in order to determine which proposal is most beneficial to the entire community.

3. IDENTIFY SUFFICIENT NUMBER OF SITES TO MAKE FEASIBLE THE CREATION OF LOWER INCOME HOUSING OPPORTUNITIES THROUGH AN INFILL HOUSING DEVELOPMENT PROGRAM UNDER THE AUSPICES OF THE HOBOKEN HOUSING DEVELOPMENT CORPORATION

The city of Hoboken owns a small number of vacant parcels which are suitable for housing development. These parcels, and many other similar vacant tracts all over the city, represent a substantial opportunity for the provision of affordable housing through an infill housing program. An infill program is appropriate where small vacant parcels exist on blocks which are largely built-up, and largely residential in character. In such a program, small clusters of housing units, either small apartment buildings or townhouses, at a scale and of a character consistent with the immediate surroundings of the site, are built on such vacant parcels, typically ranging in size from 2,000 to 5,000 square feet. Such development enhances the community in which it is located, by providing new housing consistent in style and character with the rest of the area, and by eliminating vacant lots which are often hazardous and unpleasant.

The infill program will begin through use of city-owned land, since that land is already available, and has no cost attached to it. We have identified five city-owned sites which are at least worth consideration for this program.

Further investigation will determine whether it will be possible to recapture any of the sites that have been sold, subject to various conditions, by the city in recent years, and where the conditions of sale have not been adhered to; it may be possible, in this manner, to add more sites to the program. Finally, a potential use of trust fund money, both from developer contributions and from other sources, will be the acquisition of privately-owned parcels for this program.

This project will be implemented by the Hoboken Housing Development Corporation, to which the city will convey these sites. Depending on the size, location, surroundings, and other site considerations, the types of housing that would be built could include rental housing, condominiums, and owner occupied townhouses, with or without income rental units. The latter approach can be an effective way of combining low and middle income housing, by constructing townhouses which can be made affordable to moderate or middle income households by virtue of the inclusion of the rental unit in the townhouse. The rental unit can then be rented at levels which make it affordable to a low income tenant.

An alternative approach, which takes up the same space as a three-story townhouse unit with an income apartment,

is two duplex units, each one utilizing one and a half floors. This approach can be used in a condominium development, and may make it possible to offer condominium ownership of units suitable for family occupancy at prices affordable to low and moderate income buyers. The same unit can be further adapted to make three separate small apartments, or flats, which would be suitable for single people, young couples, or senior citizens. These approaches recognize that, by virtue of limited land availability and high land cost, much of the future affordable homeownership opportunity that can be created in Hoboken will be in condominiums, rather than in the more expensive, and traditional, row houses.

4. CREATE ADDITIONAL OPPORTUNITIES FOR SENIOR
CITIZEN HOUSING IN THE CITY OF HOBOKEN

It is important to be able to continue to provide additional housing opportunities for senior citizens in the city. In this area, as is noted in section II (D) below, there are still some limited funding opportunities available. In terms of immediate action, the city plans to identify an immediately available site on which 60 to 100 senior citizen housing units can be constructed and prepare plans for an application for funds under the Federal Section 202 senior citizen housing subsidy program, in time to qualify for the next funding cycle of this program, expected early in 1986. It is suggested that city-owned property at 5th and Madison may well be most suitable for this development.

5. INITIATE A PROGRAM TO ESTABLISH CLEAR
GUIDELINES FOR DEVELOPMENT AND EXPEDITE
DEVELOPMENT AND CONSTRUCTION APPROVALS

The city affordable housing program places substantial, although not unreasonable, burdens on private developers working in the city of Hoboken. In order to be able legitimately to impose those burdens, the city has a parallel obligation to facilitate and expedite the activities of those developers where it can do so in keeping with city policy and the concerns of its citizens. One area in which the city can, and should, develop new policies, is in the closely related areas of, first, establishing the conditions for approval of development; and second, ensuring that, where developers meet those conditions, their approval will be expedited and without unreasonable delays.

It is anticipated that, through revision of the zoning ordinance and implementation of the inclusionary ordinance, the conditions of development approval will be substantially clarified; the nature of development that the city seeks to have take place will be set forth clearly in the zoning ordinance. For all developments other than the largest and most complex, the Planning Board will adopt, and adhere to, strict timetables for approval of site plan and other applications, consistent with the Municipal Land Use Law.

Firm timetables will also be established for the following permits and inspections following Planning Board approval:

- Issuance of building permits
- Conduct of code and subcode inspections during construction
- Final inspection, and issuance of certificates of occupancy

The specific standards and timetables will be developed and adopted by the appropriate city agency within the next six months.

C. OPERATION OF THE PROGRAM

1. REORGANIZE THE CITY HOUSING, PLANNING, CONSTRUCTION, AND COMMUNITY DEVELOPMENT RESPONSIBILITIES INTO A NEW DEPARTMENT OR AGENCY

Historically, the various functions of city government which are related to housing, planning and development in Hoboken have been highly fragmented; many housing activities have been carried out through a largely autonomous agency, The Community Development Agency, while planning has been conducted through the Planning Board and its consultant without oversight from any other arm of city government. Coordination between closely related governmental functions has been limited, and sometimes nonexistent, and many important activities have not taken place. This city, to a large extent, has found itself in a reactive position with regard to events; private developers have established the ground rules for the future of the city, and government has become little more than a passive observer.

The position of the city administration is that housing, planning and development are parts of a single whole, which in turn will determine the future of the city of Hoboken. If city government is, therefore, to take an active role in shaping that future, it must reorganize to establish an effective and coordinated approach to all of the functions and responsibilities which make up those areas. The means by which this can take place, in conjunction with the new initiatives described in this plan, is the reorganization of city government.

and the creation of a new department or agency based on a rational division of responsibilities in this area.

While the precise formula for re-structuring CDA awaits the completion of a study conducted by the CDA transition team, the responsibilities of city government described in this Affordable Housing Plan requires such re-structuring to include the following functional arrangements:

1. Planning and Community Development: This area will be responsible for concerns relating to the future development of the city. It will integrate both the regulation of private development (planning, zoning, construction code) and the direct intervention of city government into development (redevelopment, nonprofit development corporation, and the municipal capital program in conjunction with the Public Works Department). It will also be responsible for management of the waterfront development program, which combines both private and public involvement.

2. Economic Development: This area will be responsible for undertaking efforts to preserve the industrial and retail economic base of the city of Hoboken, to create future opportunities for economic development, and to maximize creation of job and training opportunities for Hoboken residents resulting from new development activities.

3. Housing Stabilization: This area will have the responsibility for managing the city's efforts to stabilize and maintain the existing affordable housing stock, including both rental housing and owner-occupied housing. In addition to the new offices of Tenant Assistance and Homeowner Assistance, it will include technical services to the rent control board, housing inspection, and a number of new responsibilities, described in Section III below.

2. ESTABLISHMENT OF THE HOBOKEN HOUSING DEVELOPMENT CORPORATION AS THE VEHICLE FOR DIRECT INVOLVEMENT BY THE CITY OF HOBOKEN IN HOUSING DEVELOPMENT AND REDEVELOPMENT ACTIVITIES

While the housing plan envisages active participation by private developers in achieving the city's housing objectives that participation will not, in itself, make achieving those

objectives possible. If all available resources are to be mobilized to maintain existing affordable housing, and produce additional affordable housing in the future, the city must become directly involved in the development process.

City government, as such, is not best suited to become directly involved in development. Statutory restrictions on the operations of local government limit its ability to act with the flexibility that development activities dictate; similarly, the direct regulatory and management responsibilities of city government, while not directly in conflict with the entrepreneurial role of a development-oriented entity, are in many respects inconsistent with such a role.

The logical conclusion, which has been reached by many other communities faced with similar objectives, is the creation of a nonprofit development corporation which will be an arm of city government; while it will have considerable flexibility in operational matters, its mandate will be to carry out the policies and programs of city government. Those policies and programs that are to be implemented by the corporation will be defined in an annual work program of the corporation which will be submitted to, and approved by, the mayor and city council. The board of the corporation will be appointed by the city, and the key staff of the corporation will be provided by the Planning & Development Staff of CDA's successor organization. Within the scope provided by the Corporation's approved work program, it is anticipated that its principal responsibilities will include:

- a. Program management (not financial management) of the housing trust fund;
- b. Conduct of the infill housing development program;
- c. Operation of city-owned residential buildings;
- d. Implementation of redevelopment projects initiated by the city;
- e. Acquisition and operation of affordable units provided by developers under the inclusionary ordinance;
- f. Acquisition and rehabilitation of buildings acquired by the city to maintain the affordable housing stock.

The specific features of the proposed infill program, and the city redevelopment strategy, are described in the preceding sections of the housing plan. In each case, it will be city government that will establish the policies to be followed, and the corporation, using its flexibility as a private entity, but working within the structure of city government and with the resources of the housing trust fund, that will carry out the policies.

3. ESTABLISH THE MAYOR'S ADVISORY COMMITTEE ON AFFORDABLE HOUSING

In order to provide ongoing public input into and oversight of the affordable housing programs proposed in this plan, a Mayoral Advisory Committee should be established to include a balance of local affordable housing advocates, housing experts, representatives from the Planning and Zoning Boards, and participating developers. The committee's responsibilities would include but not be limited to:

- a) Reviewing and making recommendations on specific ordinances proposed in this plan;
- b) Reviewing and making recommendations on proposed administration re-structuring, re-staffing, and procedural changes;
- c) Monitoring and making recommendations on implementation of the overall plan.

- d) Identifying and proposing solutions to existing or new problem areas not covered by the Plan.

4. THE HOBOKEN CITY COUNCIL SHOULD ESTABLISH A COMMITTEE ON AFFORDABLE HOUSING

As the governing body of the city, the council will have responsibility for major decisions crucial to the successful implementation of this Plan. Adoption of proposed ordinances, administration re-organization and re-staffing, and land use decisions lie at the heart of the plan and require agreement between the executive and legislative branches of local government. Accordingly, we respectfully propose that a working committee of the council be established to provide a formal mechanism for city council participation in the development of proposed ordinances, administrative reforms, and specific re-development actions.

5. CREATE MORE EFFECTIVE COORDINATION OF MUNICIPAL PLANNING, ZONING AND DEVELOPMENT AUTHORITY

The planning activities and development activities of a city are closely interwoven, as the planning decisions directly affect the scope of private and public development activity, and inevitably affects future planning as well. Hoboken is unusual among urban communities in the lack of integration between these activities in city government; while the planning board has had professional consulting assistance of high quality, its effectiveness has been limited by its lack of connection to other functions of city government. At the same time, the zoning board of adjustment, acting without professional planning support, through the granting of variances permitting substantial increases in density or floor area ratio ((d) variances), has often had a disproportionately significant

effect on the course of growth and development in the city.

We propose to integrate planning and development functions into a single division of planning and development. This division will provide technical services to both the planning board and the zoning board of adjustment; division staff or consultants will provide detailed recommendations to both bodies on matters coming before them.

The entire practice of awarding (d) variances must be carefully reviewed. Under the New Jersey Municipal Land Use Law, which governs the actions of zoning and planning boards, and the related case law on the subject, applications for such variances are to be given strict scrutiny, and are not to be granted unless they can be granted "without substantial detriment to the public good, and (they) will not substantially impair the intent and the purpose of the zone plan and zoning ordinance" (N.J.S.A. 40:55D-70(d)).

D. FINANCING AND SUBSIDY OPTIONS

1. LAND AND BUILDINGS: Owing to the escalating cost of acquisitions, judicious use of city-owned land and/or buildings at no purchase cost to the eventual tenant or owner of an affordable housing unit provides an important subsidy option.

2. COMMUNITY DEVELOPMENT BLOCK GRANTS: CDBG funds have been and continue to be used in a large variety of ways, such as, grants, loans, private loan subsidies or guarantees. Individuals and cities use these funds to repair and rehabilitate housing, economic development activities, code enforcement related activities and to assist tenant referral and informational functions. Additionally, CDBG funds may be used by municipalities

as matching shares toward other programs, to provide seed money for eligible non-profit activities, to provide capital improvements, etc.

The CDBG program has been and continues to be the prime source of funding for local housing and development activity. In operation for approximately a decade, the city of Hoboken has used the program to facilitate many housing and related activities. The program continues to provide the opportunity to use local initiatives to address local problems. Although funding may be reduced slightly, Hoboken should continue to receive funds in fiscal '86. In addition, preliminary research has revealed the existence of unused CDBG funds from prior funding years which also should be made available to the Housing Trust Fund.

3. HOUSING FOR THE ELDERLY AND THE HANDICAPPED
(Section 202):

Provides direct financing below interest loans to qualified non-profit sponsors for new construction or moderate or substantial rehabilitation of housing for the elderly and handicapped. A Section 8 allocation is also allotted to provide rent subsidies for 100% of the units in a 202 project. This program has been successfully used to develop Columbian Towers. The program, although extremely competitive due to limitation of available units, provides an opportunity for Hoboken to provide additional senior citizen housing.

4. URBAN DEVELOPMENT ACTION GRANTS (UDAG):

UDAG was established by the Housing and Community Development Act of 1977, to provide specific project related assistance to eligible communities in order to stimulate housing and economic development activities. Grants, which are very competitive,

are designed to encourage private investment that would not be made without some federal assistance. UDAG projects must meet the "But For" criterion acknowledging that without UDAG assistance the project would not be implemented. Eligible activities are tied to those identified in the CDBG program. UDAG money can be used by the cities in a variety of ways and purposes, such as; infrastructure improvements; low interest loans; site acquisitions, preparation and improvement; rehabilitation, etc.

Grants are competitive and project specific. Applications are reviewed quarterly and submitted by the city on behalf of the specific project.

Hoboken has had success in its use of UDAG funds in the past and should continue the use of the program in fiscal '86.

5. TAX EXEMPT FINANCING

Section 103 of the Internal Revenue Code provides for the issuance of Tax-Exempt bonds to finance multi-family rental housing. The regulations call for the inclusion of 20% of the units in a project to be affordable for lower income residents as defined by the regulations.

Tax exempt bonds must be issued by a qualified issuer, such as, the State Housing Finance Agency, Redevelopment Agency, County Improvement Authority, etc. Bonds are issued to finance the acquisition, construction and long-term debt of such housing.

Tax exempt financing can produce rates up to 6 points lower than conventional loans, therefore, making housing more affordable by lowering the debt service payment. This is a

valuable tool and can provide opportunity to develop vacant sites within the city of Hoboken

6. RENTAL REHABILITATION PROGRAM

The Rental Rehabilitation Program (RRP) provides grant funds through a formula allocation to states and local governments. Funds are to be used to rehabilitate residential rental units. The program further provides a special allocation of Section 8 existing certificates and vouchers. These additional rent subsidies are to be used by eligible low income tenants currently occupying or moving into rehabilitated units.

RRP Funds are generally used to provide subsidies for rehabilitation through up-front grants, deferred payment loans or below market rate loans as an inducement to owners to participate.

Units are to be rented at Market Rate rents. Projects must be located in low income areas where rents are currently affordable, and likely to remain so, to low income tenants.

The program has not received wide use in this area. Hudson County returned their funding allocation of both Fiscal Year '84 and '85. However, Hoboken should look closely at the program for adoption to local needs.

7. HOUSING DEVELOPMENT GRANT PROGRAMS (HODAG)

Provides grants to eligible cities, counties and states to support the construction or substantial rehabilitation of residential rental housing. Funds may be used to provide capital grants, loans, interest reduction payments, rental subsidies, etc., to project owners. Project owners are required to make at least 20% of the project's units available to lower

income tenants for rentals @ 30% of income. Owners cannot convert units to condominiums for twenty years. Fiscal '86 appropriations bill includes continued funding for this program. Although competitive, this may present an opportunity for Hoboken.

8. STATE RESOURCES

The State of New Jersey has been active in addressing state and local needs for many years. The N. J. Department of Community Affairs (DCA) and the New Jersey Housing and Mortgage Finance Agency (HMFA) has operated both loan and grant programs aimed at assisting local governments efforts to alleviate problems.

DCA has provided and continues to provide funds to local cities to operate locally designed efforts to preserve neighborhoods. The Neighborhood Preservation Program, one of their mainstays, continues to provide necessary assistance to the Urban Aid Cities to conduct these efforts. Funds are used locally to operate programs encompassing, grants, loans, administrative expenses, etc.

Recently, in addition to the above, DCA announced their Balanced Housing Program. This first year effort to create affordable housing has been funded at \$10 million dollars under the Fair Housing Act of 1985. Hoboken is eligible and should immediately apply for these competitive funds. Additionally, the HMFA has made available \$15 million in grants and loans and \$111 million in lower interest rate mortgages for home purchases, and unlimited funding for financing rental housing.

E. IMMEDIATE DEVELOPMENT ACTIONS/NEXT STEPS

The following immediate actions will be taken to implement the affordable housing development strategy. All of these actions can and should be completed within six months or less from the date this plan is announced.

While in some respects it might seem desirable to postpone many actions until after the housing, planning, and development functions of the city have been reorganized and re-staffed as proposed, in many other respects this would be unwise. Many activities can begin immediately, utilizing qualified consulting services, and then absorbed into the new re-organized administrative structure. Other activities must begin immediately if we are to be able to compete effectively for limited state and federal funds. Finally, we are in a crisis. The housing and development situation in Hoboken is highly volatile; units are being lost daily, and speculation is widespread. Where we are uncertain about our course, we must plan further; where we are certain, we must move ahead.

1. Convene the Mayor's Advisory Committee on Affordable Housing.
2. Draft, and enact the proposed inclusionary ordinance.
3. Establish the Housing Trust Fund.
4. Reorganize the city housing, planning, and development functions as discussed above.
5. Transfer to city government authority to undertake redevelopment projects.
6. Prepare for development -- those larger sites currently owned by municipal government.
7. Retain a consultant and design assistance as needed to prepare Requests for Proposals for the Marineview and Observer Highway sites, and initiate (in conjunction with the appropriate committees) the developer selection process for these sites.

8. Retain consultants to initiate preparation of grant applications:

a. To the New Jersey Department of Community Affairs for financing of an acquisition and rehabilitation project under the Neighborhood Preservation Program; and

b. To the Department of Housing & Urban Development for funding under the next cycle of the Section 202 senior citizen housing program.

III. A STRATEGY FOR PROTECTING THE EXISTING AFFORDABLE HOUSING STOCK

INTRODUCTION

Erosion of the existing affordable housing stock, both rental and owner-occupied, is one of the most serious housing problems facing the City of Hoboken. As demand for luxury housing in the city increases, the economic rewards to owners and developers from vacating rental buildings in order to rehabilitate them as luxury rentals or condominiums have skyrocketed. The result has been the steady loss of affordable rental housing units, and the displacement of thousands of low, moderate, and middle income tenants. Existing tenants are being subjected to worse and worse conditions as landlords warehouse vacant apartments and defer essential maintenance in the expectation of future conversion. At the same time skyrocketing costs and prices are threatening existing homeowners, and making homeownership less and less readily available to the children of long-time Hoboken families.

The central policy goal of the city of Hoboken in this area is to stabilize, to the extent possible, the existing affordable rental and owner occupied housing stock. With regard to rental housing in particular, the city's program is grounded in the following principles:

- 1) Every tenant in the city of Hoboken should be able to live in healthy and sanitary conditions;
- 2) Every existing rental housing unit in the city should be utilized to house a family or individual; and
- 3) In those situations where these two objectives are not being achieved, the city should be able to intervene quickly and effectively.

Although it may not be possible to achieve these objectives with regard to every unit and every household in the city, we believe that they are largely achievable. The policy proposals below have been framed in order to enable the city to move toward achievement of these objectives. At the same time, the city will initiate a series of efforts to assist existing homeowners through financial and technical assistance, and to create new opportunities for young moderate and middle income families to become homeowners in the future.

We do not seek to prevent legitimate re-use and re-development of property within the city of Hoboken. Private re-use and re-development, however, must be regulated to ensure that they take place in a manner consistent with the public health and safety, and do not result in the abuses that have characterized the recent past. The proposals in this plan are designed as well to permit reasonable redevelopment activities without the abuses that so severely affect the lives of the less affluent residents of the city.

It must be noted that an ominous threat to existing affordable housing looms on the immediate horizon. The most decent and stable housing for low and moderate income families provided in Hoboken during the past two decades has been privately owned and publicly subsidized development. The owners and investors in Applied Housing, the 8th and Willow Project Uplift, Clock Towers and Church Towers are all potentially vulnerable to housing market pressures, particularly because of the quality of the original rehabilitation. Additionally, the tax recapture provisions of the depreciation option chosen by the developer will end within 18 months in some of the originally subsidized buildings. The elimination of this tax advantage will create further economic incentives for owners and investors in these buildings to consider altering rent structures or converting to condominiums.

Finally, proposed new federal regulations would restrict occupancy of Section 8 subsidized units only to very low income families. Such a restriction would not only increase the existing demand for moderate and middle-income housing, but would lead to destabilizing conditions and more costly building maintenance and residential services.

For all of these reasons the administration is committed to begin immediately a process of exploring with the owners of these projects the options available to protect this critical source of affordable housing.

A. LEGISLATIVE AND LEGAL INITIATIVES

1. STRENGTHEN EXISTING RENT CONTROL LEGISLATION

For the past several years, the language and enforcement of rent control has come under heavy public criticism from both sides of this issue. The heated political climate within which the matter was debated, produced a series of compromises which attempted to cool public controversy but which did not necessarily produce a complete ordinance faithful to the continuing problems which create the need for controls on rent increases in the first instance. The appointment of a new Rent Levelling Board, provides the opportunity for that Board to take the leadership in carefully reviewing the ordinance and proposing those changes which it believes to be in the broad public interest. In undertaking such a review, we propose that the Board be guided by the following concerns:

- a) Keeping allowable rent increases and surcharges within affordable limits;
- b) Ensuring that speculation and imprudent investment not be rewarded;
- c) Ensuring that all incentives for tenant displacement are removed;
- d) Providing explicit landlord notification requirements to tenants and the Rent Levelling office in all matters covered by the ordinance.
- e) Providing explicit standards where applicable to guide the actions of the Rent Levelling Administrator and Board;
- f) Ensuring that legitimate landlord hardship is fully documented and expeditiously resolved;
- g) Providing relief for small homeowners who have suppressed rents in units previously occupied by direct family members.

2. UPGRADE THE HOUSING CODE ENFORCEMENT PROGRAM TO PROVIDE IMMEDIATE AND EFFECTIVE ENFORCEMENT OF CODE VIOLATIONS IN RENTAL BUILDINGS.

This program, which must be seen in conjunction with other programs described below, is central to the stabilization of the rental housing stock. In recent years, code enforcement has been sporadic and inconsistent; while substantial inspection activity has taken place, follow-up and monitoring have both been inadequate. Indeed, the code itself which is being enforced by city officials is clearly antiquated, and fails to recognize either technical or organizational changes of recent decades. Code enforcement, however, takes on particular importance in an environment such as that of Hoboken. Because of the economic rewards associated with vacating buildings, not only is there evidence of deferred maintenance, but also of landlords perpetrating or creating serious code violations as a form of tenant harassment. According to what we have learned, this is particularly common on weekends and holiday periods, during which tenants have little recourse.

The following elements must be included in the upgraded code enforcement program:

1. The codes administered by the housing inspection staff must be reviewed, and where necessary, revised to reflect current technical and organizational realities.
2. The housing inspection function must be integrated with related city responsibilities, and held accountable to the Housing Stabilization unit of CDA's successor organization
3. The code enforcement program must be expanded in order to conduct inspections in response to complaints, issue citations, and enforce housing codes on a 7 days per week, 24 hours per day, basis. This will, in all probability, require the expansion of the staff of the office.

4. An organized and consistent system, using computer resources for follow-up of violation notices, and monitoring of landlord compliance, must be established.

5. A systematic program of prosecution of landlords failing to comply with housing codes must be established and fines increased to provide disincentives.

6. A program which requires security deposits of landlords, as described below, must be established by ordinance and aggressively utilized.

7. The statutory provisions for rent receivership, which are described below, must be utilized on a pilot basis by the city.

The establishment of an effective 24 hour code enforcement office is central to the entire program. Within that office, changes must be made from current conditions: (1) Overall administration of the office must fall within the agency generally responsible for housing and planning matters in the city; (2) All personnel must be thoroughly trained to perform their work effectively; and (3) the city legal staff must be closely coordinated with the code enforcement program.

Finally, all personnel in the office must be committed to the city's objectives and to the interests of the tenants of rental housing. This is not unfair to the city's landlords. Any landlord who maintains his or her building or buildings in sound condition is an asset to the city; landlords who do not, however, are jeopardizing the health and safety of the city's residents. Such actions must be treated with the utmost severity.

3. ENACT AN ORDINANCE REQUIRING THAT CERTAIN LANDLORDS POST A "SECURITY DEPOSIT" TO BE USED BY THE CITY TO CORRECT VIOLATIONS NOT EXPEDITIOUSLY CORRECTED BY THE LANDLORD.

Even the most effective code enforcement program, in

itself, cannot always ensure that violations are expeditiously corrected, particularly those affecting the health and safety of the tenants. If a landlord under most circumstances fails to correct a violation prosecution, while important, does not get the violation corrected. Similarly, a city cannot afford to use municipal funds every time a need arises.

The approach proposed is to enact an ordinance under which all landlords meeting certain criteria, discussed below, will have to make a "security deposit" payment, based on the number of units owned by the landlord, to the city. These funds are held in escrow by the city, and are available for one purpose only: If the city issues a violation notice to a landlord, and the violation is not corrected expeditiously, the city may draw funds from the landlord's escrow account in order to have the necessary work done under the auspices of the city. Once this takes place, the landlord is required to replenish the fund for the amount drawn out within a fixed period.

The program has two attractions: first, it provides a source of funds with which the city can ensure that emergency or other necessary repairs are made. Second, and perhaps more importantly, since most landlords can get repair work done at less cost than can the city, the threat that these funds will be used can be a strong incentive for the landlord to make the repairs without delay.

With regard to which landlords would be covered by this program, we propose, at least initially, that (1) owner-occupants of 2 to 4 family buildings be exempt; and (2) of

those not thereby exempt, only those who have demonstrated a pattern and practice of code violations during the past three years be required to make a deposit.

4. ESTABLISH PILOT PROGRAM TO UTILIZE THE STATUTORY RENT RECEIVERSHIP PROVISIONS TO TAKE OVER BUILDINGS IN ORDER TO CORRECT VIOLATIONS AND PROVIDE SOUND LIVING CONDITIONS FOR TENANTS.

New Jersey law provides that where conditions in a rental building are such that they represent a threat to the tenants, and where the landlord has been recalcitrant and unwilling to make necessary repairs and improvements, the city may go to court and have the court appoint a receiver for the property. The receiver then has complete control over the finances of the building, may apply the entire rent roll to improving the property/*; may borrow money, impose liens on the building in order to make necessary capital improvements, and may rent vacant apartments. The receivership continues until the landlord can convince the court that it should be terminated. The above is a considerable over-simplification, but provides a general idea of the program. With that person or firm in place, and working closely with city legal staff, the city can then test this program for wider applicability.

*/This is potentially significant, since, if the entire rent roll is devoted to the building itself, the landlord must therefore make tax payments, as well as payments on any mortgages that there may be on the property, from other resources, or risk foreclosure. Since Hoboken buildings have substantial value, the landlord is unlikely to want to risk foreclosure, thereby increasing the pressure to maintain the building and avoid the receivership situation.

5. ENACT A CITY ORDINANCE, FOR A FIXED PERIOD NOT TO EXCEED FIVE YEARS, PROHIBITING "WAREHOUSING" OF APARTMENTS: I.E., THE PRACTICE OF ALLOWING APARTMENTS TO REMAIN VACANT IN ANTICIPATION OF FUTURE REHABILITATION OR CONVERSION OF THE BUILDING, AND PROVIDING EXPLICIT STANDARDS UNDER WHICH OWNERS CAN OBTAIN WAIVER OF THE PROHIBITION.

"Warehousing" of apartments is a practice, widespread among Hoboken landlords, which has a particularly severe effect on housing conditions in the city. First, it removes scarce units from the housing stock available to Hoboken residents. Second, the presence of long-term vacant units in a building increases the risk of infestation, other code violations, break-ins, arson, and vandalism. Third, it enables the landlord to make long-term changes in the housing stock without providing appropriate relocation benefits and other mitigation measures. For all of these reasons, the practice of warehousing apartments is clearly violative of public health and safety. The city should enact an ordinance prohibiting the warehousing of apartments in rental buildings covered by the rent control ordinance.

At the same time, the city recognizes that in order to undertake reasonable and desirable private rehabilitation efforts, it will be necessary in many cases to vacate buildings and relocate sitting tenants. This is similarly the case where an owner seeks to rehabilitate a building for conversion to condominiums, a practice which is not, in any event, within the purview of the city of Hoboken to ban outright. The city has an obligation, however, to regulate the process by which buildings containing affordable units are vacated in two essential respects: first, to ensure that the needs and concerns of the sitting tenants are respected during the process;

and, second, to ensure that the loss of affordable housing units from the city's stock is, in some reasonable manner, mitigated.

The proposed ordinance is designed to balance these two concerns; it provides one set of standards which apply as long as the landlord has not formally declared his intention to vacate the building. If the landlord formally declares his intention to vacate the building by applying for a waiver of those standards, a second set of standards come into effect, which must be complied with before the waiver is granted.

The city of Hoboken is in a crisis. Units are being lost, and tenants are being displaced daily, and no replacement affordable housing is being provided. It is anticipated, however, that over the coming years, the city's development strategy will begin to take effect, and produce substantial numbers of affordable units. For that reason, we propose this as a time-limited ordinance, that will "sunset" in the future when the affordable housing development program has begin to have a significant effect on the city's housing stock.

a. Provisions governing landlords: the anti-warehousing standards:

All landlords, except for owner-occupants of 2-4 family structures, will be subject to the anti-warehousing standards of the ordinance. The mechanics of these standards are straight-forward

(1) All landlords must make a good faith effort to rent all of the units under their control/* If two of the units in the building, or 5% of the total number, are vacant, whichever is greater, that will be considered a prima facie case that a good faith effort is not being made.

*/The dimensions of the "good faith effort" would be defined in the ordinance. They would include not only offering the unit for rent, but offering it at a reasonable/legal price, under reasonable and realistic lease terms, and in habitable condition.

(2) A complaint of warehousing may be brought by any party, including tenants or the city housing inspection staff to municipal court. If the court finds that the landlord has not made a good faith effort to rent, it will enter a finding that the landlord is warehousing units in violation of the ordinance and will have the power to impose a fine. The fine could be abated if the unit is rented within a reasonable period of time in accordance with all applicable ordinances.

These provisions, as noted, would govern landlords as long as they have not applied for a waiver for the purpose of vacating the building. Any owner of rental property subject to the ordinance is presumed to have the intent of renting his units, unless he or she has formally applied for a waiver of the ordinance.

b. Provisions for waiver of anti-warehousing standards:

The intent of the waiver requirement is to ensure that, when units are vacated, the impact on the tenants specifically, and on the affordable housing stock of the city generally, is mitigated to the extent feasible. For this reason, in order for the anti-warehousing standards to be waived, the applicant must submit to the Rent Levelling Board and receive approval of the following elements:

(1) A temporary mitigation program, showing how the building will be maintained free of vandalism and health and safety deficiencies, and essential services will be provided to remaining tenants during the period while units are in violation of policy outlined in a.1. above.

(2) A relocation program. In the event the application for a waiver is based on the intention of the landlord to complete a major rehabilitation program involving displacement of tenants, the landlord must demonstrate that all tenants will be relocated to sound and affordable housing.

(3) A permanent mitigation program, showing how the long-term effect of vacating the units and thereby removing affordable units from the housing stock will be mitigated. In the case of rental property the appropriate provisions of the Rent Control ordinance will be invoked. In the case of a proposed conversion:

a. The owner can agree to sell a minimum of 25% of the units in the converted building to present tenants qualifying for the affordable housing program at "insider" prices; i.e., at prices affordable to them based on income.

b. The owner can provide a minimum of 25% of the units in the rehabilitated building as affordable units meeting the standards of the inclusionary ordinance.

c. The owner can provide the same number of affordable units in another building, or

d. The owner may make a housing trust fund contribution.

B. PROGRAM ACTIONS

1. ACQUIRE AND REHABILITATE EXISTING PRIVATELY OWNED SUBSTANDARD RENTAL BUILDINGS

In the final analysis, the city's goal of maintaining on a long-term basis a stock of affordable rental buildings may require the creation of alternatives to ownership by private landlords. While this has been done in the past through federal programs, such as Public Housing or Section 8, it can be done in the future through the direct initiative of the city working through the Housing Development Corporation (HDC) which will be established, and using resources from the Hoboken Housing Trust Fund, as well as outside resources, most notably from the newly-expanded Neighborhood Preservation Program in the New Jersey Department of Community Affairs.

Preliminary analyses suggest that in many cases this may be a more cost-effective approach to creating lower income housing than new construction since it does not create new units. However, it can only be part, although a significant part, of the city's overall program. The relative costs of rehabilitation versus new construction may also be affected

by the implementation of the rental housing stabilization program generally, which may potentially act to moderate some of the speculative excess that today characterizes the Hoboken real estate market.

We propose to initiate such a program and select a group of buildings to act as a pilot program in this area. Depending on the amount of funds available, from the Trust Fund and elsewhere, the number of units to be acquired will be determined. The buildings will be in sound structural condition, and where it can be determined that the buildings can be acquired, rehabilitated to the extent necessary, and maintained at rents affordable to lower income tenants within the resources of the program. While buildings can be maintained as rental buildings under the management of the HDC or that of the Hoboken Housing Authority, other arrangements are also possible.

In view of the extent of land speculation in the city, and the expectations of building owners, it is possible that here too the city will have to use its eminent domain powers in order to acquire the buildings it seeks. In view of the effect of half-vacant, substandard, buildings on the health and safety of the entire community, we consider this not only a reasonable use of those powers, but even a mandate for their use.

This program could make possible many opportunities to provide meaningful roles for tenants in the management and ownership of their buildings. This could include establishment of tenant-owned companies or organizations for

building management, either their own or other buildings; it could also include the creation of limited-equity cooperatives made up of the present tenants themselves, in which use of sweat equity, both as a means of reducing housing costs and as a means of providing skill training to lower income households, could be included.

2. TENANT EDUCATION AND ORGANIZATION

Because displacement has been a recurring fact of life for Hoboken's tenant population, many remaining low, moderate and middle income tenants have come to believe that eventually they will be forced out of Hoboken as well. The rapid turnover of property, the resources available to landlords, and insufficient municipal assistance has contributed to a general feeling of hopelessness. Tenants have been and continue to be subjected to subtle harassment and/or "buy-outs". To encourage rent payers to take advantage of existing and new protections proposed in this Plan, a systematic program of tenant education, advocacy, and organization should be launched by the city. Such a program would print and widely distribute a brochure of rights and procedures, would seek the cooperation of tenant, civic and religious organizations and would use every public relations mechanism available to increase public awareness of tenant protections.

In addition, a program of training volunteer tenant advocates should be established through the proposed office of tenant assistance to identify and prepare tenant leaders for on-going tenant advocacy, education and assistance in the organization of new tenants groups.

Finally, a city-wide tenants conference should be held in conjunction with established organizations to discuss this Plan and its implications for affordable housing.

3. EVALUATION OF PREVAILING RENTS

A pilot program of rent history review should be undertaken for (5) buildings suspected of rent gauging and (5) randomly selected buildings. Depending upon the results of this review, a more comprehensive review may be indicated.

4. ESTABLISH A COMPUTERIZED PROPERTY INFORMATION BANK

A major constraint affecting the ability of the city at present to enforce existing ordinances, as well as those proposed here, is the state of records and information within city government. Not only is much information simply not available, but information that does exist is maintained in a manner which makes efficient retrieval difficult, if not impossible, often by different agencies working without coordination.

We propose to establish a central computerized property information bank within the reorganized CDA, which will include information now maintained by the Rent Control Board, housing inspection and code violation information, property tax assessment information, etc. As the new programs proposed in this Plan are implemented, they too will be added to the information bank. The information bank will make it possible for city officials to have accurate and up to date information about rental properties in the city; it will make possible establishment of an efficient system for monitoring and

follow-up of code violation notices, as well as for efficient administration of the landlord "security deposit" and anti-warehousing ordinances.

C. HOMEOWNER ASSISTANCE

1. AN OVERVIEW

Owner-occupied (1 to 4 family) housing has always been one of Hoboken's chief assets and, more recently, one of its prime attractions. When disinvestment in housing was at its peak in the 1960's, homeowners were the one group of property owners who maintained a steadfast, even chauvinistic, loyalty to the city. Owner-occupied housing constitutes 2,314 or 69% of all housing structures and 5,766 or 34% of all dwelling units in the city.

In 1971, the Hoboken Model Cities created a Municipal Home Improvement Program to assist owner-occupants by offering effective low interest loan financing to maintain and upgrade their homes. By 1980, 1,500 homeowners had obtained home improvement financing totalling \$13,500.00. Of this amount, \$10,000.00 was private or bank financed. In 1980, CDA restructured HIP into a direct loan program offering 3% loans. As of July, 1985, a total of 1,600 homeowners obtained financing from these combined programs.

In the past ten years, Hoboken has witnessed a large influx of new homeowners and a rapid rise in the value of owner-occupied housing. While no accurate figures exist, pre-1975 homeowners still seem to be a much higher percentage over those who bought homes after 1975.

Today, Hoboken's homeowners are feeling a potential threat to their future homeownership status. Critical questions facing homeowners include:

- * Can aging homeowners afford to reside in their homes and familiar surroundings during their golden years?
- * How high will property taxes rise upon revaluation, and how will homeowners be able to carry these costs?
- * Will large numbers of homeowners be forced to sell? And, if so, will property values decline as a result?
- * Has it become impossible now for young couples to own a home in the city of their origin?
- * For homeowners who have to sell for some reason, what happens to their tenants, especially those who have resided for many years and still at affordable rents?
- * Will municipal services improve sufficiently to justify high taxes and restore government credibility?
- * Will public school education improve sufficiently to avoid the 'double taxation' created by private school tuitions?
- * What are the causes of increasing water and sewage bills and will necessary infrastructure rehabilitation drive quarterly payments through the roof?

There are no easy answers to these questions. We do believe, however, that the contemporary status of homeownership in Hoboken requires a major commitment by this administration to seeking answers and providing direct assistance to homeowners. Accordingly, we propose the following:

2. ESTABLISH THE MAYOR'S ADVISORY COMMITTEE ON HOME-OWNERSHIP comprised of homeowners and professionals familiar with the problems peculiar to homeownership. The committee's mandate should include, but not be limited to:

- a) Identification of special problems facing homeowners.
- b) Developing proposed solutions to identified problems.
- c) Developing a proposed 'pro-homeowners' strategy for easing the threat posed by revaluation.
- d) Reviewing and recommending improvements in existing services.
- e) Monitoring and recommending changes as needed in the implementation of the Comprehensive Plan as it affects homeownership.

3. ESTABLISH THE OFFICE OF HOMEOWNERS ASSISTANCE to concentrate on direct technical assistance to homeowners. This would include, but not be limited to:

- a) Applying for improvement loans
- b) Preparing tax appeals
- c) Identifying building problems
- d) Establishing a recommended list of contractors
- e) Renting for the first time
- f) Applying for mortgages
- g) Advocacy before other government offices
- h) Eliminating red tape in problem solving
- i) Assisting in the establishment of block associations, block watch programs, conducting block parties, etc.

4. CONTINUE AND UPGRADE THE HOME IMPROVEMENT PROGRAM

a) Restructure the Home Improvement Program, developing new policies, procedures and financing methods to cope with the present situation in Hoboken.

b) Develop innovative and demonstration-type projects to test the feasibility of meeting the needs of homeowners and their tenants.

c) Organize a new management team around the present HIP staff as the basis for setting out in these new directions.

d) Create a "business-like" method for operating a new HIP, including staff retraining, marketing, and management information systems.

e) Negotiate new and flexible financing commitments from local banking institutions as a method for leveraging private capital in excess of public funds.

f) Seek federal and state grant funds aggressively and with tenacity so as to increase the basic core of public funds necessary to carry out these objectives.

g) Establish a new "face" for HIP, with greater visibility and accessibility with a wide range of information and services to all homeowners and their tenants.

5. TAX RELIEF

The simple most explosive issue for homeowners everywhere is the local property tax. Confronted by an alarming growth in successful tax appeals and state and county mandates for property revaluation, within the next year or two, Hoboken officials will be forced to implement an acceptable revaluation. To offset the potential crippling impact revaluation could have on long-term homeowners, city officials must embark upon a simultaneous program of budget reductions and prudent expansion of the tax base. The City Council should establish a short-term target of coming in under \$3 per \$100 of assessed value when the

reevaluation is implemented. To ready this objective, the council must establish budgetary limits on school appropriations and municipal appropriations. Spending within these prescribed limits could be facilitated by a serious program of zero-base budgeting, productivity increases, elimination of unnecessary jobs, and improved public planning and management. In the long run, public participation in finalizing financial arrangements for waterfront and other development should ensure dramatic increases in revenue available to city government within the next 10 years. With an anticipated doubling of the ratable base by the mid-1990's, long-term prospects for coupling the provision of essential services and capital improvement funding with deeper tax reductions, are bright.

D. PROGRAM OPERATION

1. ESTABLISH A STRUCTURE FOR COORDINATION AND ACCOUNTABILITY OF ALL EXISTING AND PROPOSED OFFICES & SERVICES DESIGNED TO MAINTAIN THE STOCK OF EXISTING AFFORDABLE HOUSING

A central part of reorganization of CDA will be the creation of a unit which will have the responsibility to administer the programs and ordinances described in this section - the anti-warehousing program, the landlord "security deposit" program, and the rent receivership program. It will be responsible for directing activities already part of city government, such as, the rent control office and the housing inspection function.

Finally, it will contain two new offices - one for tenant assistance, and one for homeowner assistance. These offices will not be limited in their scope to the administration of specific programs or ordinances: they will be expected to work aggressively and creatively to apply

city resources to the needs of tenants and homeowners respectively to develop new programs, seek out new sources of funding, and become visible to the particular populations they are designated to serve.

The essence of the unit is that it will have a broad mandate. In the past, there have been various city agencies with responsibility for specific aspects associated with maintaining the affordable housing stock; there has never, however, been an agency with that overall mandate. The unit will be expected to be a creative agency; if the specific ordinances that it enforces are not adequate to accomplish its task, it will be expected to recommend others.

2. ESTABLISH AN OFFICE OF TENANT ASSISTANCE TO PROVIDE TECHNICAL ASSISTANCE, ADVOCACY AND REFERRALS.

Specifically, the office would:

- a) Monitor the anti-warehousing ordinance
- b) Participate in rent levelling board hearings, court proceedings, etc., to ensure full and effective representation of tenant interests and concerns.
- c) Provide aggressive relocation assistance.
- d) Refer tenant complaints and inquiries to appropriate offices and monitor response and follow-up.
- e) Conduct training for volunteer tenant advocates as discussed above.
- f) Conduct tenant education as discussed above.
- g) Advocate tenant interests before other government offices and bodies

3. ESTABLISH THE OFFICE OF HOMEOWNERS ASSISTANCE (see above)
4. ESTABLISH THE MAYOR'S COMMITTEE ON AFFORDABLE HOUSING (see above)
5. ESTABLISH THE MAYOR'S COMMITTEE ON HOME OWNERSHIP (see above)
6. ESTABLISH A CITY COUNCIL COMMITTEE ON AFFORDABLE HOUSING (see above)

E. IMMEDIATE ACTIONS/NEXT STEPS

1. IDENTIFY AND INITIATE PILOT PROGRAM IN ACQUISITION AND REHABILITATION OF THREATENED BUILDINGS

There are many rental buildings, and, in some cases, clusters of contiguous rental buildings, which have provided affordable housing, and are now in the process of warehousing, clearly under threat of removal from the affordable housing stock. The city will seek to implement initially its program of acquisition and rehabilitation of rental housing with such a property or properties.

In order to develop such a project, during the next few months the city will evaluate alternative properties for potential acquisition, and identify the resources, both state and local, that may be available for this purpose. It is anticipated that a program designed to acquire and rehabilitate 40 to 100 units can be initiated within the next six months.

2. CONVENE THE MAYOR'S ADVISORY COMMITTEE ON HOME OWNERSHIP
3. INTRODUCE AND ENACT THE ANTI-WAREHOUSING ORDINANCE
4. INSTRUCT THE RENT LEVELLING BOARD TO PREPARE PROPOSALS FOR A NEW OR AMENDED RENT CONTROL ORDINANCE

IV. PROPOSALS FOR STATE LEGISLATIVE ACTION

A. FURTHERING THE MOUNT LAUREL OBJECTIVES

A central element in the proposed inclusionary program of the city of Hoboken is the objective of offering developers, both residential and non-residential, the option of providing

affordable housing units directly or making a contribution in lieu of units, to go to a dedicated fund for use in providing affordable housing under city auspices. While the Mount Laurel decision makes clear that one can, within reasonable bounds, obligate a residential developer to include affordable housing in a development, the other aspects are less clear. While there is a serious body of legal opinion that contributions can be required of developers, both residential and non-residential particularly where it is framed as an alternative to providing the units directly, the issue is not fully resolved. It is clear, however, to the extent that there are difficulties with the approach, those difficulties are statutory and not constitutional.

We propose that State enabling legislation be enacted clearly establishing the authority of local government to enact ordinances, in furtherance of their Mount Laurel obligations requiring affordable housing fees of developers in any of the following combinations:

1. For residential development, as an alternative to direct production of affordable units;
2. For residential development, without the alternative of direct production of affordable units;
3. For non-residential development.

The statute should require that any ordinance must be based on reasonable standards; this would mean (a) with regard to residential development, that the fee be equal or less than the cost of meeting a reasonable Mount Laurel setaside obligation; and, (b) with regard to nonresidential development, that the fee have a direct relationship to the employment generated by the facility, and the lower income households projected to be supported by those jobs.

B. CONDOMINIUM CONVERSION

The strongest protection against the continuing removal of affordable rental units for the purpose of conversion to condominiums is to enact explicit State legislation. This Administration will propose to the Governor and the legislature the following two options:

1. Requiring that conversions of rental property not be granted unless 51% of the tenants residing in the structure have registered their agreement with the conversion Plan.

Such legislation would have the effect of discouraging conversion, or in the alternative, encouraging reasonable 'insider prices' for present tenants. A companion piece of legislation would expand the protective tenancy status already provided in existing statutes. Specifically, it would

- 1a. Establish the right of non-purchasing tenants to remain in their apartments.

-and-

2. Amending the State condominium statute to state that municipalities were not pre-empted from enacting local legislation designed to reasonably control the removal of affordable rental units for conversion purposes.

C. PROPERTY TAX DEFERRAL

The administration will propose to the Governor and the legislature a tax deferral program designed to mitigate the effects of property revaluation on low and moderate income 1 to 4 family homeowners. Specifically, such enabling legislation would provide:

1. An income standard to determine eligibility
2. The option for eligible homeowners to elect a deferral of tax increases caused by revaluation until such time as the increased value of the property has been realized through a sale.

3. Permission for municipal government to attach a lien on the property for each year the owner elects to exercise the deferred option.

4. A threshold requirement that such a deferral program can only be locally implemented if an expansion of the tax base can be documented equivalent or greater than the total deferrals in order to prohibit a proportionate tax increase on ineligible property owners.

D. FAMILY RECAPTURE IN OWNER-OCCUPIED 4-FAMILY HOMES

Current State statutes permit owner occupants of 2 and 3-family homes to recapture an apartment for use by a direct family member. Hoboken's residential pattern includes a large percentage of owner occupied 4-family homes. Because housing costs have skyrocketed, many 4-family owners are seeking to provide affordable housing for parents, siblings, or grown children. Under current law, there is no provision for an owner of such a home to make a unit available unless an existing tenant voluntarily vacates. We propose to the Governor and the State legislature amendments to the Just Cause for Eviction Statute providing:

1) Owner occupants may petition the appropriate government agency to recapture a unit for the purpose of providing affordable housing to direct family members.

2) Strict standards for certification of the family relationship.

3) 6-months notification of the existing tenant.

4) Maintaining the protected status of the remaining tenants.

5) Owner-supplied proof that all provisions of the rent control law have been and will be honored.

E. INCREASED STATE FUNDING

For the first time this year, the State of New Jersey appropriated funds in the general fund for housing subsidy purposes - \$10 million for neighborhood preservation administered by the Department of Community Affairs, and \$15 million for new construction administered by the Housing & Mortgage Finance Agency. While these funds are welcome, they represent a pittance. New Jersey is a wealthy state with a booming economy, and with massive housing needs. It is capable of supporting housing programs at a substantially greater level.

At this point it would be premature for us to make a major effort to seek legislation increasing available funding. Our own programs are not yet in place, and the state has yet to see the level of demand for their new program, which will not begin to solicit applications until October. Over the coming months, however, we will be in a better position to determine our own funding needs, as well as (by monitoring the state programs closely) the level of funding that can readily be utilized elsewhere.

Based on this analysis, we propose that in 1986, a strong effort be made for increased statewide funding of housing and neighborhood preservation efforts, including appearances of city officials at budget hearings, and efforts to mobilize support from other communities in New Jersey with similar needs.