

# **COMMUNITY & ECONOMIC DEVELOPMENT**

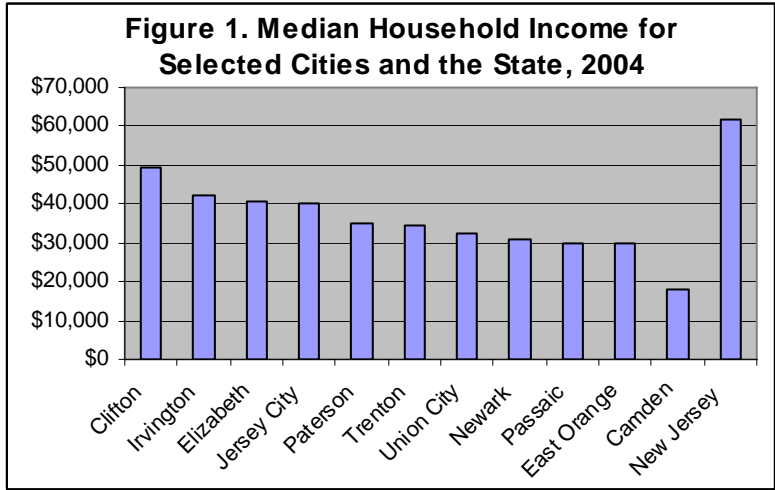
## **Scope of the Problem and Indicators of Need**

Over the last 50 years, New Jersey's urban areas and, more recently, many inner ring suburbs have experienced economic decline, infrastructure deterioration and an increase in blighted conditions. Extensive population loss has accompanied this economic decline, particularly in places such as Newark, Camden, Paterson, Trenton, East Orange, Plainfield, Irvington, and Gloucester City. Attempts to revitalize and regenerate these places through local efforts frequently involve what is known as community development and community economic development. Community development focuses on rebuilding communities by improving housing options, introducing social service programs, and building social networks. Community economic development traditionally focuses on rebuilding neighborhoods through economic efforts such as building credit unions, bringing in community development venture capital, and other community-based financial institutions. In order to better understand whether state budget allocations are sufficient it is crucial to understand the degree of need within the state. Below we outline the major activities of community development and community economic development organizations; the current state of some of New Jersey's poorest cities; and the current predicament of community development and community economic development within the state.

Community development and community economic development programs are vital to the redevelopment and strengthening of New Jersey's most distressed communities. These neighborhood- and community-based programs are primarily intended to improve the prospects of low-income residents struggling to attain economic self-sufficiency. They include job creation and training projects; increased access to necessary work supports such as child care, health care, and transportation; the provision of decent, affordable housing as a means to revitalize and stabilize low-income communities; and related undertakings. Community development and community economic development funds are provided both through federal and state governments as well as through private foundations. Federal funding is often channeled through state government entities, but can also be provided directly to community groups or in some cases even individuals. Prominent among community development organizations are what are called Community Development Corporations (CDC's). CDC's exist in many parts of the state and are primarily active in building affordable housing and helping neighborhood residents find affordable housing either for rent or ownership. Central to community economic development organizations are community development credit unions, which not only provide loans for local development and mortgages but also provide banking options for low-income residents who might not have checking or savings accounts.

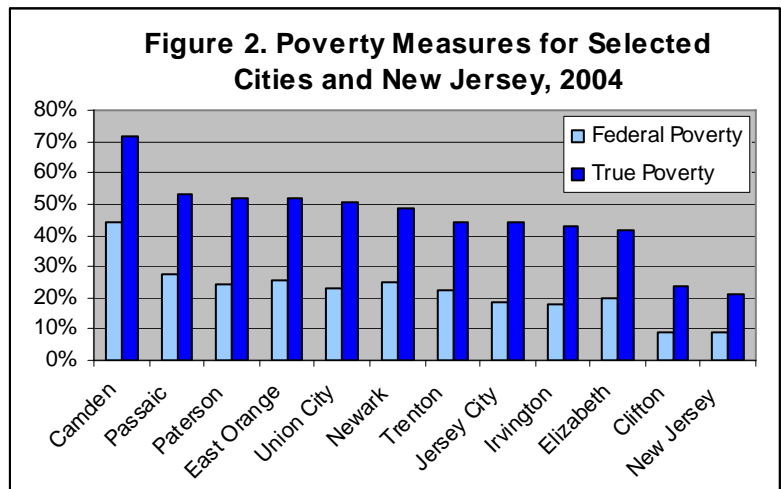
The need for community development and community economic development efforts is a direct result of decades-long disinvestment in urban centers and the continued impoverishment in both cities and inner-ring suburbs. Recent Census data shows that many of these urban areas continue to be plagued with poverty and low income levels.

Figure 1 below shows the median household income for all communities with populations of 65,000 people. As it makes clear, many of these urban centers lag behind the state median. For example, the statewide median household income for 2005 was \$61,672 but in the city of Camden it was only \$18,007, almost three and half times less. In Newark, Passaic, and East Orange it was approximately half the state median.



Source: U.S. Census Bureau, 2005 American Community Survey

Extensive poverty also exists within a number of these distressed cities, as is illustrated in Figure 2. The situation is especially acute in Camden, where poverty rates are almost five times the statewide average. True poverty—or 200% of the federal poverty rate – is almost three and a half times the statewide average in Camden. In four other cities, Passaic, Paterson, East Orange, and Union City, at least half the population lives in conditions of true poverty, while in Newark, Trenton, Jersey City, Irvington, and Elizabeth at least 40 percent of the population lives in true poverty.



Source: U.S. Census Bureau, 2005 American Community Survey

Many of these cities and inner ring suburbs are beginning to witness dramatic changes. For some, immigration is changing the face of the towns and for others renewed interest in city-living has brought about market rate redevelopment and even gentrification. In many instances, immigration has contributed to recent population growth and allowed cities to recover from earlier decades of lost residents. Despite these positive trends, many of these cities continue to face challenges.<sup>1</sup> A recent publication by the Housing and Community Development of New Jersey succinctly captured the predicament facing New Jersey's cities and inner ring suburbs, particularly in light of a growing trend of urban redevelopment, when it said, "In many respects, New Jersey's cities are in better shape than they were, but many of their residents are doing worse".<sup>2</sup>

Many of the needs of residents in these poor cities are addressed through vital state programs such as Work First New Jersey and those detailed in other sections of this report. And, indeed, these programs can have a positive impact on a distressed community. Community development and community economic development, however, have the explicit goal of rebuilding and regenerating neighborhoods at the local level. Low income levels and high poverty rates threaten the stability of these places while changing demographics and gentrification threaten to displace long time residents. Community development and community economic development work to preserve and improve neighborhoods such that local residents can grow and build alongside them. The programs outlined in this chapter represent the primary state initiatives supporting community and economic development in the low-income communities of New Jersey.

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<sup>1</sup> Cities in Transition: New Jersey's Urban Paradox. Housing and Community Development Network. September 2006.

<sup>2</sup> Cities in Transition: New Jersey's Urban Paradox. Housing and Community Development Network. September 2006.

# Community & Economic Development Programs

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*Note: Urban Enterprise Zones, which involve both jobs creation and CED, are described under the Employment chapter of this report. Other services related to CED are covered in the Housing and Shelter, Education, and Employment chapters of this report.*

## Detailed Program Information

### **Neighborhood Preservation**

#### ***Program Purpose and Description:***

Through the Neighborhood Preservation Program, DCA provides municipalities with direct state aid through grants and/or loans and technical assistance for neighborhood revitalization efforts. Assistance is used to support activities associated with the preservation of designated neighborhoods or individual properties, based on the strategic revitalization plans of municipalities.<sup>3</sup> Grant funding is limited and is awarded through a competitive process. To be eligible for aid, a municipality must identify a neighborhood within its borders that has distinctive boundaries, is manageable in size, and is “viable yet threatened.”<sup>4</sup> Grants of up to \$100,000 per year are awarded for a 3 to 5 year period and can be used for a variety of activities related to neighborhood preservation, including community planning, housing rehabilitation and related commercial revitalization, educational, self-help and neighborhood organization activities, property acquisition and demolition, and limited public facility and infrastructure improvements. DCA also requires that applicants build a partnership of neighborhood residents, local business owners and employees, and municipal government in the development and implementation of the improvement projects, and that the municipality dedicate a minimum level of its own resources to the staffing and work of the project. Municipalities are allowed to use up to 22% of the grant funding awarded for administrative expenses.<sup>5</sup>

As part of the Child Welfare Reform Plan (CWRP) implementation following the court settlement in 2004,<sup>6</sup> a new initiative within the Neighborhood Preservation Program was developed in FY06 to serve areas with a high concentration of child welfare involved households. The pilot project is charged with identifying and serving at least three neighborhoods that house large concentrations of underserved families and foster homes. The neighborhoods are to be provided housing rehabilitation, façade improvements and consumer education.

#### ***Budget and Performance Trends:***

The state budget materials provide evaluation data and budget data regarding the total value of NPP grant awards paid to municipalities, which has remained stable over the past several fiscal years. The child welfare NPP initiative was new in FY06 and is funded by additional DCA funding drawn from other sources.<sup>7</sup> Total five-year funding

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<sup>3</sup> <http://www.nj.gov/dca/programsbook/programsbook.pdf>.

<sup>4</sup> The application package provided by DCA suggests as a guide that “typically a non-distressed community will select one of its worst neighborhoods, while a very distressed municipality will choose one of its best neighborhoods.” *Neighborhood Preservation Program Grant Application*, New Jersey Department of Community Affairs, p. 3. Available on-line at <http://www.state.nj.us/dca/dhcr/forms.shtml>.

<sup>5</sup> *Neighborhood Preservation Program Grant Application*, New Jersey Department of Community Affairs.

<sup>6</sup> See the Child Welfare chapter of this report for a discussion of this plan.

<sup>7</sup> Note – This funding is not new to DCA, but will be shifted from other DCA programs.

for the neighborhoods served through the pilot will be \$1.5 million, equaling \$100,000 a year for each neighborhood.

<b>Neighborhood Preservation Evaluation Data</b>				
	<b>Actual FY04</b>	<b>Actual FY05</b>	<b>Revised FY06</b>	<b>Estimated FY07</b>
Neighborhood improvement projects	28	40	37	37
<b>Source: State FY07 Budget Book (p. D- 47)</b>				

<b>Neighborhood Preservation State Aid - Appropriations Data</b>					
<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommen d FY07</b>	<b>Actual Approp. FY07</b>
\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000	\$2,400,000	\$2,750,000
<b>Source: State FY07 Budget Book (p. D-50) &amp; FY07 Appropriations Bill No. 2007 (p. 37)</b>					

Note: This appropriation indicates the funding awarded to municipalities, including the administrative budget of these awards, but does not reflect the administrative costs to DCA.

## New Jersey Redevelopment Authority

### *Program Purpose and Description:*

The New Jersey Redevelopment Authority (NJRA), a DCA affiliate, acts as an urban resource center providing financial and technical assistance resources to redevelopment projects in eligible urban communities. The broad function of NJRA is to coordinate efforts, leverage resources and provide assistance to viable economic development initiatives. Municipalities eligible to receive assistance through these NJRA programs must fit within the statutory definition of qualified municipalities provided in the New Jersey Urban Redevelopment Act. Municipalities must either be eligible to receive aid under the Special Municipal Aid Act<sup>8</sup> or be coextensive with a school district qualified for designation as a special needs district under the Quality Education Act of 1990.<sup>9</sup>

The authority has several programs and initiatives that provide a variety of resources for redevelopment. The NJRA *Bond Program* issues both taxable and tax-exempt bonds to stimulate revitalization in urban areas. The *Urban Site Acquisition Program* is a cooperative program of NJRA, the Economic Development Authority (EDA), and the Housing and Mortgage Finance Agency (HMFA). This program provides bridge financing through an NJRA \$20 million revolving loan fund and an additional \$400 million in existing resources from EDA and HMFA. This financing assists municipalities in acquiring vacant, abandoned properties that are part of larger comprehensive urban redevelopment efforts.<sup>10</sup> Since 2001, NJRA has also committed over \$300,000 for *planning assistance* provided to nonprofit and other redevelopment agencies preparing neighborhood redevelopment strategies. Acquisition and clean-up of abandoned, vacant or underutilize commercial or industrial sites with suspected contaminants can receive funding through NJRA's *Brownfield Redevelopment Initiative*. The *Environmental Equity Program (E<sup>2</sup>P)* provides revolving loans for the early development stages of brownfield redevelopment projects.<sup>11</sup> NJRA also manages a *Pre-Development Loan Program*, which provides a total of \$5 million in working capital for pre-development costs such as feasibility studies, environmental studies, architectural or local fees, and other expenses related to pre-development for commercial redevelopment projects. The *New Jersey Redevelopment Investment Fund* is a flexible financing tool that offers term and permanent loans, real estate equity, loan guarantees and other forms of credit enhancements to support redevelopment. Technical assistance involving help with identifying state and other funding sources for site preparation, construction and all other aspects of redevelopment is also available.<sup>12</sup> A subsidiary of NJRA also administers a \$10 million revolving loan redevelopment program in Newark, funded by the Port Authority.<sup>13</sup>

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<sup>8</sup> P.L. 1987, c. 75 (C.52:27D-118.24 et. seq.).

<sup>9</sup> P.L. 1990, c.52 (C.18A:7D-1 et. seq.).

<sup>10</sup> Information posted on NJRA website; <http://www.state.nj.us/njra/njrafaq.html>.

<sup>11</sup> Information provided by e-mail communication with NJRA staff.

<sup>12</sup> Information posted on NJRA website.

<sup>13</sup> Information provided by e-mail communication with NJRA staff.

***Budget and Performance Trends:***

Since NJRA operates outside of the state budget appropriation process through the issuing of bonds, information about NJRA is not available through the state budget materials. The information in the following tables was provided by NJRA and includes reports of actual grant awards to date but not projected estimates of awards for FY07.

<b>New Jersey Redevelopment Authority Redevelopment Investments Evaluation Data (as of August, 2006)</b>			
<b>Actual CY03</b>	<b>Actual CY04</b>	<b>Actual CY05</b>	<b>To-Date CY06</b>
12	17	15	15
<b>Source: Chart of NJRA Grant Awards for CY03 – CY06<sup>14</sup></b>			

<b>New Jersey Redevelopment Authority Redevelopment Investments Appropriation Data (as of August, 2006)</b>				
	<b>Actual CY03</b>	<b>Actual CY04</b>	<b>Actual CY05</b>	<b>To-date CY05</b>
Direct Assistance	\$175,000	\$733,250	\$1,650,000	\$850,000
Urban Site Acquisition (USA)	\$5,000,000	\$5,341,000	\$7,140,000	\$5,968,000
USA Planning	\$124,000	---	---	---
E <sup>2</sup> P	---	---	\$5,825,000	\$865,000
Bond Program <sup>15</sup>	\$7,913,000	\$8,323,550	---	\$171,650,000
Predevelopment Fund	\$300,000	\$102,500	\$200,000	\$500,000
Predev. Fund Guarantee	\$375,000	---	---	---
<b>Total</b>	<b>\$13,887,000</b>	<b>\$16,615,300</b>	<b>\$16,065,000</b>	<b>\$179,833,000</b>
<b>Total Development Cost<sup>16</sup></b>	<b>\$66,856,041</b>	<b>\$678,914,265</b>	<b>na</b>	<b>na</b>
<b>Source: Chart of NJRA Grant Awards for CY03– CY06<sup>17</sup></b>				

<sup>14</sup> Information provided by e-mail communication with NJRA staff.

<sup>15</sup> \$170 million of the \$171.65 million funding for the Bond Program in CY06 is for permanent financing of a 762,000 square foot mixed use Town Center in Irvington.

<sup>16</sup> Total Development Cost (TDC) represents the sum of NJRA investments and other investments that provide the total funding for the development projects in which NJRA invests. Note – the anomaly in TCD for CY04 is due to the New Camden Development LLC, which generated \$600 million in investment in addition to the \$1.64 million in NJRA Urban Site Acquisition funding.

<sup>17</sup> Information provided by e-mail communication with NJRA staff.

***Additional Analysis:***

Budget information for NJRA is not available through the state budget materials because NJRA is an independent corporation that is funded through income from interest bearing loans and fees from investments. Although the authority received an initial appropriation of \$9 million from the state at its inception in 1997, it does not receive an annual appropriation.<sup>18</sup> The NJRA, like the EDA and HMFA, was created by state legislation, can be governed by legislative changes, and in many ways functions as an arm of the state. As an independent entity, however, it is not subject to the same restraints as state agencies regarding bonding for on-going expenses. This capacity is a point of contention, as some see it as a loophole to the constitutional requirement that the state operate with a balanced budget.

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<sup>18</sup> Information provided by e-mail communication with NJRA staff.

## **Small Cities Community Development Block Grant (SCCDBG)**

### ***Program Purpose and Description:***

DCA receives block grant funding from the federal government through the SCCDBG to fund projects providing opportunities for economic development, housing rehabilitation, community revitalization and public facility projects designed to benefit low- and moderate-income people.<sup>19</sup> The federal guidelines for the block grant establish three program objectives: community development principally benefiting persons of low- and moderate-income, prevention/elimination of slums and blight, and meeting urgent community development needs not otherwise met by available resources. New Jersey's block grant plan promises that not less than 70% of funding will support projects benefiting low- and moderate-income persons and indicates nine state program objectives:

- Support housing rehabilitation programs.
- Support community development, redevelopment, and capital funding that address documented health and safety concerns and further the policies of the State Plan.
- Encourage innovative proposals combining job creation, housing improvement and other activities in designated revitalization areas.
- Encourage development of needed welfare to work program facilities (e.g., child care).
- Support and encourage locally developed neighborhood revitalization efforts.
- Improve the availability and adequacy of essential public facilities and areas principally serving low- and moderate-income people.
- Expand business enterprises and increase low- and moderate-income job opportunities.
- Ensure municipal capacity to implement and maintain community development programs.
- Support urgent projects where existing conditions pose a serious and immediate threat to the health and welfare of the community, or where other resources are unavailable.<sup>20</sup>

To receive SCCDBG funding, municipalities (or counties) must not receive CDBG funding, meaning that they must not participate in an "urban county" CDBG program or receive CDBG "entitlement" funding.<sup>21</sup> Additionally, receiving municipalities and counties are required to commit local funding to match a percentage of the grant request based on a Municipal Distress Index (MDI) score calculated by DCA. Scores in 2005

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<sup>19</sup> The definitions of low- and moderate-income persons used in SCCDBG projects are the federal definitions. Moderate-income applies to households between 100% and 80% of median income and low-income applies to households below 80% of the median.

<sup>20</sup> *Final Plan for New Jersey's Administration of the 2005 Small Cities Community Development Block Grant Program*, New Jersey Department of Community Affairs, p. 2.

<sup>21</sup> *Small Cities Community Development Block Grant Program*, program brochure produced by DCA.

ranged from 6 (Penns Grove Borough, Salem County) to 557 (Tavistock Borough, Camden County) for all eligible municipalities in the state.

Municipal matching share is determined according to the following standards:

MDI Rank	Matching Share
0 to 100	10%
101-200	20%
201-300	30%
301-400	40%
401 and above	50%
<b>Source: SCCDBG Final Plan (pp. 16-17)</b>	

When a proposed project involves more than one municipality, the MDIs of all participating municipalities are averaged to determine the matching requirement.<sup>22</sup>

For purposes of distributing the funding, the block grant appropriation is divided into five distinct funds with their own criteria and budgeted expenditures. The *Emergency Housing Repair Fund* provides grant assistance up to \$5,000 directly to low- and moderate-income homeowners in need of assistance not otherwise available to correct emergency conditions in their homes.<sup>23</sup> The *Employment Development Fund* assists projects generating new low- and moderate-income employment opportunities through grants of up to \$400,000. Counties, municipalities and groups of municipalities can apply for funding to improve the condition of existing affordable housing through the *Housing Rehabilitation Fund*, at maximum levels of \$500,000, \$200,000, and \$350,000 respectively. The *Public Facilities Fund* assists local governments in constructing or improving public facilities that primarily benefit low- and moderate-income people. Finally, additional innovative activities that meet the broader SCCDBG objectives but do not fit in one of the other categories may be funded through the *Innovative Developments Fund*, with a maximum grant of \$400,000. For all funds, maximum funding levels may be exceeded if the applicant presents compelling reasons.

In addition to SCCDBG funded projects, the New Jersey Economic Development Authority (EDA)<sup>24</sup> administers the *108 Loan Program*, which is combined with SCCDBG in reporting. This program provides financing of up to 90% of the total fixed-asset financing for commercial projects, real estate, and industrial businesses in SCCDBG areas that have a demonstrated capacity to expand. The purpose of the loans, which have maximum terms from 6 to 20 years depending on what they are being used

<sup>22</sup> *Final Plan for New Jersey's Administration of the 2005 Small Cities Community Development Block Grant Program*, New Jersey Department of Community Affairs, p. 4.

<sup>23</sup> MDI-based matching requirements are not imposed on individual homeowners applying under this fund.

<sup>24</sup> See the program description later in this chapter.

for, is to stimulate private sector investment that will retain or create permanent job opportunities for low- and moderate-income residents.<sup>25</sup>

***Budget and Performance Trends:***

Varying levels of budget information for SCCDBG are available from different sources. As with all federal block grants, the state budget materials include an estimate of federal funds for FY06 in the revenue section. The state budget materials contain no other information regarding the grant and the total value is projected based on the previous year’s grant award. Two resources prepared by DCA contain more updated and specific information. The DCA 2005-2009 Consolidated Plan includes an FY06 funding projection of \$8,953,909. The Consolidated Plan also projects that this funding, in combination with three other smaller funds<sup>26</sup> and the Section 108 funding, will contribute to assisting 120 municipalities and creating 200 businesses.<sup>27</sup> The Final Plan for New Jersey’s Administration of the 2005 Small Cities Community Development Block Grant Program provides fund-level detail of the allocation of the SCCDBG award, as indicated in the following table, as well as the portion of the total allocation reserved for administrative and technical assistance expenses and the 108 Loan Authorization amount. These fiscal year funding levels may be adjusted as DCA has the discretion to transfer funds between funding categories depending on need and applications.

<b>Small Cities Community Development Block Grant Schedule 2 (denotes federal revenue)</b>			
<b>Actual FY05</b>	<b>Estimated FY06</b>	<b>Estimated FY07</b>	<b>Appropriations FY07</b>
\$8,269,000	\$9,000,000	\$8,206,000	\$8,360,000
<b>Source: State FY07 Budget Book (p. C-25) &amp; FY07 Appropriations Bill No. 2007 (p. 10)</b>			

<sup>25</sup> *Final Plan*, p. 4.

<sup>26</sup> These DCA administered funds are the Special Improvement Districts (\$897,344), Main Street (\$400,000) and Smart Growth Planning Grants (\$3 million).

<sup>27</sup> *DCA Draft 2005-2009 Consolidated Plan*, p. 95.

<b>Small Cities Community Development Block Grant Summary Allocation<sup>28</sup></b>			
<b>Program Element</b>	<b>FFY05 Funding Level</b>	<b>FFY06 Funding Level</b>	<b>FFY07 Funding Level</b>
<b>Fiscal Year Funds</b>			
Emergency Housing Repair	\$75,000	\$75,000	\$50,000
Employment Development	\$1,000,000	\$1,000,000	\$1,000,000
Innovative Development	\$1,000,000	\$1,000,000	\$1,000,000
Housing Rehabilitation	\$4,000,000	\$3,000,000	\$3,000,000
Public Facilities	\$2,947,876	\$3,510,292	\$2,959,164
Subtotal	\$9,022,876	\$8,585,292	\$8,009,164
State Administration	\$288,100	\$279,078	\$267,199
Technical Assistance	\$94,050	\$89,539	\$83,600
<b>Fiscal Year Total Allocation</b>	<b>\$9,405,026</b>	<b>\$8,953,909</b>	<b>\$8,359,963</b>
<b>108 Loan Authorization*</b>	<b>\$8,945,000</b>	<b>\$36,654,545</b>	<b>\$35,612,925</b>
<b>Source: Final Plans for New Jersey's Administration of the Small Cities Community Development Block Grant Program</b>			

\*Note – Loan authorization amounts fluctuate significantly from year to year.

<sup>28</sup> The SCCDBG 2004, 2005 and 2006 Final Plans label funding information as 2004, 2005 and 2006 funding levels, respectively; however, application deadlines in the plan indicate that the funding cycles fall within the FY05, FY06 and FY07 funding years. For purposes of consistency within this report, the table indicates funding totals as pertaining to FFY05, FFY06 and FFY07 rather than following the notation used in the plans.

## **Faith Based Initiatives**

### ***Program Purpose and Description:***

The New Jersey Office of Faith Based Initiatives (OFBI) is a division of the New Jersey Department of State. Its mission is to develop relationships and strengthen partnerships between federal and state agencies, corporations, foundations, and institutions of higher learning. The office provides grants for social services activities in an effort to create greater access to funding and other resource opportunities for faith-based and community-based organizations.

Eligible community organizations may request funding under three different funding categories, which have distinct eligibility criteria and designated uses for funding, although all organizations must be incorporated as nonprofits in the State of New Jersey and be tax-exempt 501(c)3 organizations.<sup>29</sup> OFBI does not fund houses of worship. Faith based and community organizations can apply through the *Organizational Infrastructure Development Project* for funds to improve the organization's sustainability, efficiency and capacity. Eligible organizations must have budgets between \$0 and \$150,000, and priority is given to programs providing the services indicated under the Direct Services Program funding category below. Approved organizations are required to attend a series of 15 mandatory training and technical assistance sessions and undergo formal organizational assessment. Funding may not be used for direct services, but can be used to improve basic organizational functions, employ key staff, move to a larger or better facility, or upgrade technological capacity. Funding is also available through the *Office of Faith Based Initiatives Training and Technical Assistance Institute* for the expansion of existing organizational capacity-building training programs. Collaborations of a minimum of three nonprofits, community-based organizations, colleges or universities must have an established organizational development training and technical assistance component to be eligible.<sup>30</sup> Funded organizations must work with OFBI to enhance the organizational training capacity. The majority of OFBI funding is provided to eligible faith based nonprofits and community based organizations through the *Direct Services Program*. Funds are provided to collaborations of four or more organizations providing services designed to improve the quality of life for New Jersey residents through one of the designated sub-categories:

- Services to single parents;
- Services to senior citizens;
- Services to at-risk youth (ages 8-18);
- Employment support services (including case management, transportation stipend, employment retention, and outreach);
- Substance abuse recovery support services;
- Services to the homeless population; and

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<sup>29</sup> The 501(c)3 requirement is lifted for collaborations of organizations seeking funding in order to attain 501(c)3 status.

<sup>30</sup> Training and technical assistance component must have been operating for a minimum of 3 years.

- Offender re-entry programs.

Each funding category also has maximum grant levels and matching requirements, as indicated in the table of funding guidelines presented under the following Budget and Performance Trends.

***Budget and Performance Trends:***

The state budget materials contain minimal information regarding OFBI. No evaluation data is provided and the only line-item appropriation is for the total grants-in-aid budget, which does not differentiate between the various types of grants provided. Additional program service and funding information is available from the OFBI website, but is not updated for the current fiscal year. According to the website, OFBI provides the majority of its grants (\$2,837,000) to fund direct services provided by 26 faith based organizations for health, transportation and job training/retention services and services to youth, elderly, and ex-offenders.<sup>31</sup> The remainder of its grants fund technical assistance and training for faith based organizations and partnering with the Department of Human Services to administer the Post-TANF outreach program. A breakdown of \$2.837 million of the total \$3 million funding pool is provided below for FY05.<sup>32</sup>

The OFBI also partners with the Division of Family Development for the Post-TANF Outreach and Referral program, which funds 13 community grantees to provide information and referral services to the Post-TANF population.<sup>33</sup>

<b>Faith Based Initiatives Grants-In-Aid Appropriations Data</b>					
<b>Orig. &amp; --Supple. FY05</b>	<b>Total FY05 Available</b>	<b>Expended FY05</b>	<b>FY06 Adjusted Approp.</b>	<b>Request/ Recommend FY07</b>	<b>Actual Approp. FY07</b>
\$3,000,000	\$3,000,000	\$2,909,000	\$3,000,000	\$1,500,000	\$1,500,000
<b>Source: State FY07 Budget Book (p. D-383) &amp; Senate Appropriations Bill No. 2007 (p. 177)</b>					

<sup>31</sup> OFBI website, “State and Federal Funding Opportunities”; <http://www.state.nj.us/state/faith/acc1.html>.

<sup>32</sup> Updated funding information was not available from the Office of Faith Based Initiatives.

<sup>33</sup> This initiative is noted on the website, but not indicated in the funding guidelines provided by OFBI. The DFD Working Poor budget indicates that this program receives \$1,055,000 in TANF funding.

<b>Office of Faith Based Initiatives FY05 Funding Guidelines</b>			
<b>Funding Category</b>	<b>Total Budget for Funding Category</b>	<b>Maximum Grant</b>	<b>Matching Requirement</b>
Organizational Infrastructure Development	\$500,000	\$20,000	25% (cash/in-kind)
OFBI Training and Technical Assistance Institute	\$640,000	\$80,000	25% (cash)
Direct Service Programming	\$1,540,000	\$80,000	25% (cash)
<b>Source: E-mail communication from Office of Faith Based Initiatives staff 10/29/04</b>			

Note: Funding categories reflect only the funding available to be distributed to community organizations and not the administrative expenses of the Office, which are included in the line item for Direct State Services – Office of the Secretary of State.

## **Economic Development Authority (EDA)**

### ***Program Purpose and Description:***

The New Jersey Economic Development Authority (EDA) is an independent, self-supporting state entity that was established to facilitate business expansion and attraction, promote job creation and retention, and assist efforts to revitalize underutilized properties. EDA seeks to achieve these goals by providing gap financing to businesses and nonprofits; offering real estate development and technical services; and supporting entrepreneurial development through mentoring and training programs.<sup>34</sup> Of particular interest to the low-income community is the availability of assistance to nonprofit corporations. While some nonprofits have benefited from EDA programs, the primary beneficiaries of EDA efforts have been private businesses and municipalities. The extent to which the latter indirectly help low-income people through the creation of sustainable jobs cannot be readily determined.

The New Jersey Schools Construction Corporation (NJSCC), a subsidiary of the EDA, is responsible for facilitating the Abbott school construction program as well as other school construction projects. The Employment chapter of this report includes a description of the employment creation feature of the Abbott school construction.<sup>35</sup> This multi-billion dollar effort – instituted to repair, improve and expand school facilities in the Abbott districts – has the additional goal of increasing the number of business opportunities and sustainable jobs available to residents of Abbott communities.<sup>36</sup>

### ***Budget and Performance Trends:***

Funding for EDA projects is off-budget because it is derived from the sale of bonds. Thus, budget and evaluation data are not consistently available for the EDA in the state budget materials. No EDA information is available for FY06; however, EDA annual reports do provide the history of funding in prior years. EDA reports follow the calendar year, rather than the state fiscal year, and indicate actual expenditures for the prior year. No projections of 2005 or 2006 calendar year spending are available.

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<sup>34</sup> <http://www.njeda.com/>.

<sup>35</sup> See the program description for Abbott Job Creation.

<sup>36</sup> For additional discussion of this mechanism for funding development projects, see the Additional Analysis section under the New Jersey Redevelopment Authority description earlier in this chapter of the report.

**EDA Record  
Reported Evaluation and Funding Data**

	<b>CY02</b>	<b>CY03</b>	<b>CY04</b>
Projects assisted	344	391	242
Financing assistance	\$345,200,000	\$382,100,000	\$310,100,000
Public/private investments	\$719,200,000	\$560,200,000	\$655,100,000
New permanent jobs	1,300	2,400	4,100
Construction jobs	3,000	5,250	7,600

**Source: New Jersey Economic Development Authority Annual Reports 2002 (p.3), 2003 (p. 4) and 2004 (p. 3)**

## **Neighborhood Revitalization Tax Credit Act (NRCT)**

### ***Program Purpose and Description:***

The Neighborhood Revitalization Tax Credit program (NRTC) is a new state initiative within DCA that was enacted in FY04.<sup>37</sup> Its purpose is to assist New Jersey neighborhoods in revitalizing their communities and creating economic opportunities. Under the NRTC, corporations with New Jersey tax liabilities can obtain a 50% tax credit for funds provided to nonprofit entities carrying out comprehensive neighborhood revitalization plans. The total amount of tax credits awarded each year cannot exceed \$10 million – creating a potential funding pool of \$20 million annually to revive New Jersey’s distressed neighborhoods.

The NRTC program is intended to provide flexible funding that can be tailored to meet the needs of specific neighborhoods. For example, a contribution of \$250,000 could help renovate 10 rundown homes, launch construction of a neighborhood grocery store or provide the equity needed to develop a community center with staff to work with neighborhood youth. Tax credits can be approved for a variety of types of projects, depending on the needs of the community.

To qualify for NRTC funding, a community development corporation (CDC) must develop a neighborhood plan reflecting participation by a wide range of residents, and submit a specific, detailed project proposal or identify a business taxpayer interested in using the tax credit to support the CDC’s effort. Each neighborhood initiative must designate one community development organization to take the lead. Each initiative is eligible to receive up to \$1 million per year. If a CDC cannot identify a specific business to fund the project, the DCA may pool applications and match them with NRTC funding. Business entities may apply for the tax credit without identifying a specific neighborhood or CDC. The DCA is expected to assist in matching qualified projects with necessary funding.<sup>38</sup>

### ***Budget and Performance Trends:***

No information on the Neighborhood Revitalization Tax Credit is available in the state budget materials. The maximum amount of total tax credits allowable in one year is \$10 million, but this is only available if matching corporate funds are committed. To date, only a small portion of this allowable credit has been awarded to contributing businesses, with total receipts for the program since its inception in 2004 of \$750,000. These contributions have generated \$375,000 in tax credits for participating businesses and have been partially distributed to two nonprofit organizations, as indicated in the following table. In addition, two more project applications are expected in late 2006 or early 2007, and additional investors have been identified.<sup>39</sup>

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<sup>37</sup> N.J.S.A.52:27D-490 et seq., C.415, P.L.2001.

<sup>38</sup> <http://www.hcdnj.org/policy/NRTC/NRTC.htm>.

<sup>39</sup> Information provided by DCA staff via e-mail on November 1, 2006.

<b>Neighborhood Revitalization Tax Credit Grant Awards Program Awards (as of November 1, 2006)</b>				
	<b>CY04</b>	<b>CY05</b>	<b>Remaining investor funding available<sup>40</sup></b>	<b>Unclaimed Tax Credits<sup>41</sup></b>
Awards to nonprofits	\$250,000	\$156,000	\$344,000	\$19,250,000
Tax credits awarded to contributing businesses (50% of contribution)	\$125,000	\$78,000	\$172,000	\$9,625,000
<b>Source: Program information provided by DCA staff<sup>42</sup></b>				

***Additional Analysis:***

As a relatively new program, the NRTC is as yet realizing only a small portion of its potential for generating investment in low-income neighborhoods. DCA is exploring various means to increase participation in the program and it is anticipated that the utilization may increase as the program becomes more well-known. If the vast majority of the tax credits remain unclaimed, DCA may have to consider some program modifications to ensure that the maximum benefit is realized from the state’s \$10 million approved investment.

Community groups should also use this opportunity to explore new options for funding neighborhood preservation, improvement, and revitalization programs. Specifically, community groups resisting displacement in neighborhoods targeted for redevelopment might apply for funding through the program to pay for the development and implementation of alternative development plans that would avoid displacement of residents. Such efforts clearly serve the interests of neighborhood revitalization and could mobilize the broad-based community participation that is intended by this program. Community groups could identify local businesses interested in revitalization that does not displace residents, or could request that DCA match their funding request with business applicants for the tax credit.

<sup>40</sup> Since the NRTC grant process requires both business investment and non-profit participation, there is currently investor funding available for which non-profit applications have not yet been fully processed. Two new grant applications are anticipated in late 2006 or early 2007.

<sup>41</sup> This column represents the additional nonprofit grant funding that could be generated if the maximum allowable tax credits were awarded.

<sup>42</sup> Information provided via e-mail on November 1, 2006.

## **Recommendations**

### **State Redevelopment Statute**

- Significantly revise the state redevelopment statute to prioritize preservation, protection and development of affordable housing as a way to maximize leveraging of private capital investment.

In the wake of the public outcry following the U.S. Supreme Court's ruling regarding the use of eminent domain for redevelopment, New Jersey must revise the state redevelopment statute, as well as reconsider its own part in the redevelopment process. Overly broad statutory language in the current law allows the use of eminent domain for redevelopment projects even in cases where the area in question is not truly blighted. This law is increasingly being used to apply eminent domain in redevelopment projects that are eliminating existing neighborhood resources, particularly affordable housing, and replacing them with gentrified housing options. Redevelopment projects should only be permitted providing they both protect existing public resources and serve a true public purpose (such as production of affordable housing and production of living wage jobs for community residents) as their primary impact.

### **Enterprise Zone Assistance Fund**<sup>43</sup>

- Fifty percent of all enterprise zone assistance fund grants should be allocated to projects and programs that accomplish one or all of the following purposes: training for low-income residents in sustainable jobs, housing and transportation for low-wage workers, and/or First Source programs specifically benefiting low-income residents.

Those areas designated as Urban Enterprise Zones (UEZ) are by definition places with a very high number of low-income, unemployed and underemployed people. The Enterprise Assistance Fund is the repository of the reduced sales taxes collected by businesses located in the UEZs. The state should require that 50% of these funds be expended on projects that: (a) provide training for low-income residents of the municipalities in which UEZs are located in order to enable them to qualify for sustainable jobs produced in the zones; (b) provide housing and transportation for low-wage workers who live or work in the zone in order to enable them to obtain and retain employment; or (c) establish First Source programs that both provide low-income residents of the zone municipality with appropriate training in advance of anticipated job openings and mandate that all zone business make a good faith effort to fill job openings from the pool of qualified low-income residents.

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<sup>43</sup> See also the employment-related recommendations regarding Urban Enterprise Zones in the Employment and Job Creation chapter of this report.

### **Neighborhood Revitalization Tax Credit Program**

- The recently-enacted Neighborhood Revitalization Tax Credit Program should be expeditiously and aggressively implemented.

Given that less than 4% of the total allowable tax credit for 2004 and 2005 has been granted to date, there is clearly a need to work on increasing utilization of this valuable means of generating investment capital for low-income areas. To the extent that modifications in the program would increase participation in order to maximize investment (such as increasing the percentage of contributions eligible for tax credits above 50%), they should be thoroughly explored.

### **Public Transportation**

- At least 30% of the projects funded by the DOT Division of Local Aid and Economic Development should have, as their primary focus, the expansion and improvement of public transportation between areas with a high concentration of low-income people and those suburban communities with a large and growing number of jobs paying a sustainable wage.<sup>44</sup>

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<sup>44</sup> See the program description of Transportation Trust Fund for Counties and Municipalities in the Transportation chapter of this report.