



April 15, 2021

Dear Senate President Sweeney, Assembly Speaker Coughlin and members of the Legislature:

We, the undersigned members of the housing advocacy and community development sector, oppose diverting funding from the Affordable Housing Trust Fund to other programs, as proposed by the FY2022 budget. The FY2022 budget under consideration in the Legislature has some very important housing investments that help address New Jersey's racial and economic disparities, including increased funding for emergency Code Blue resources, rental assistance for new moms and support for LGBTQ folks experiencing housing insecurity. We enthusiastically endorse these proposals in the budget. **However, we oppose diverting \$57 million from the Affordable Housing Trust Fund, moving funds intended to create affordable homes for lower-income New Jerseyans to programs that benefit middle-income residents.**

NJ had closed the page on nearly a decade of treating the Affordable Housing Trust Fund like a slush fund. We urge you not to write the sequel to that horror story now, especially when the pandemic has shown how deeply connected health is to housing.

Although it appropriates \$30 million from the realty transfer fee leaving a total of \$68 million in the Trust Fund, the budget diverts nearly everything else that should go into the Trust Fund. Of the \$57 million being diverted, \$20 million would go to the NJ Housing Mortgage Finance Agency for its down payment assistance program which is open to families earning as much as \$160,000 per year. Even worse, that program doesn't create a single new affordable home, despite the dire need here.

This diversion requires the Legislature to rewrite the Fair Housing Act's parameters for the Trust Fund, which is limited to creating and repairing affordable homes for residents at or below 80% of AMI. If the Legislature were to adopt the proposed Housing Trust Fund raid, it could serve middle income residents instead of lower income folks and be used for housing programs that do not actually build new homes, as intended by the law.

Separately, HMFA would take millions for its gap financing program to create housing for residents between 80% and 120% of AMI and DCA would receive \$5 million from the AHTF to streamline other application processes. These are uses far outside the scope of the AHTF, and beyond the spirit of the Fair Housing Act.

Of course, we share Gov. Murphy's goal of increasing homeownership and housing stability for all New Jerseyans, and especially to address the racial wealth gap. These goals can be achieved without diverting funding from the AHTF. The demand in NJ's communities is to generate more affordable homes for lower income residents; this far outweighs the need to use funds for middle-income families.

According to The Gap report released last month, only 32 affordable and available rental homes exist for every 100 extremely low-income renter households in New Jersey. The crisis created by COVID-19 has made it clearer than ever that having a stable, affordable home is imperative for public health and individual well-being. When it became vital to maintain social distancing, many families—who are disproportionately people of color—struggled to keep their homes. The Gap found that 21 percent of all

Black households in New Jersey are extremely low-income renters (ELI), 19 percent of Latino households are ELI renters, 6 percent of Asian households are ELI renters, and 5 percent of white households are ELI renters. The proposed diversion of the AHTF funds will not create the homes these Garden State residents need.

New Jersey can create affordable home ownership and critically needed rental homes for lower-income residents. All of the data before and during the pandemic shows that black and brown residents have the most pressing housing needs, and have borne the brunt of COVID-19's impact. The Legislature adopted the Fair Housing Act and created the AHTF as one mechanism to address these needs by increasing the supply of affordable homes. Taking these funds away from the AHTF now, just as it is getting back to business, means that communities trying to meet their Mount Laurel obligations may lose tens of millions of dollars that can support those efforts and may be instead obligated to pay for those homes through local tax dollars. The Down Payment Assistance program will not help meet those obligations.

If the Legislature and the Administration want to expand the areas of investment for the AHTF beyond the growing applicants in the current pipeline, there are other, better options that do not require diverting the fund. The AHTF can be used for crucial housing needs, including ending our state's chronic childhood lead epidemic by making sure homes are inspected and remediated, and investing in the preservation and conservation of NJ's public housing stock. The AHTF can invest in land banks, like Newark's recently launched program, which is creating home ownership using an innovative funding stream including Section 8 vouchers. The AHTF could also be leveraged under the Residential Foreclosure Transformation Act, which the Legislature recently advanced. We are more than willing to discuss these and other solutions to New Jersey's housing affordability crisis.

As the pandemic demonstrated, safe and affordable homes are essential for the health and well-being of our residents and our communities. We believe there are crucial investments that can be made using the AHTF to achieve the goal of housing stability, without diverting any of the funds or changing the Trust Fund's parameters. We look forward to working with you, Governor Murphy, and Lt. Governor Oliver to restore these funds to build a thriving New Jersey that everyone can afford to call home.

Sincerely,

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