A Proposed Affordable Historic Housing Program for the State of New Jersey

Deborah Marquis Kelly
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A PROPOSED AFFORDABLE HISTORIC HOUSING PROGRAM
FOR THE STATE OF NEW JERSEY

DEBORAH MARQUIS KELLY

A THESIS

in

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MASTER OF SCIENCE

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# TABLE OF CONTENTS

ACKNOWLEDGEMENTS..............................................................iii

CHAPTER ONE: INTRODUCTION..................................................1

CHAPTER TWO: AFFORDABLE HOUSING - A NATIONAL PERSPECTIVE........8

CHAPTER THREE: FEDERAL HISTORIC PRESERVATION PROGRAMS.............24

CHAPTER FOUR: AFFORDABLE HOUSING - THE NEW JERSEY PERSPECTIVE....32

CHAPTER FIVE: NEW JERSEY HOUSING AND HISTORIC PRESERVATION PROGRAMS.................................46

CHAPTER SIX: SUCCESSFUL STRATEGIES: NON-PROFITS PLAY A ROLE..................................................58

CHAPTER SEVEN: A STATE RESPONSE: A PROPOSED AFFORDABLE HISTORIC HOUSING PROGRAM FOR THE STATE OF NEW JERSEY.............................79

CONCLUSION...........................................................................100

APPENDICES...........................................................................104

NOTES......................................................................................108

SELECTED BIBLIOGRAPHY.......................................................112
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For EMT, who provided the final impetus to finish.
CHAPTER ONE

INTRODUCTION

The need for affordable housing is a critical issue at the national, state and local levels. During the 1980s, federal government assistance for rehabilitation and new construction of low-cost housing was cut drastically, so much so that between 1981 and 1987, under the Reagan Administration, the U.S. Department of Housing and Urban Development (HUD) budget was reduced by seventy-eight percent. (1) During the same period, the Congressional Budget Office documented that HUD lost thirty percent of its staff. (2) This lack of interest and support for housing at the federal level during the 1980s left a tremendous void in housing policy leadership and funding at a time when some estimates showed the number of homeless persons was increasing at a rate of approximately twenty-five percent every year. (3)

These statistics become even more alarming when considered together with the continuing high after-tax costs of homeownership, the decline in homeownership rates,
the shrinking supply of low-cost rental housing and the
growing number of low-income families. These factors will
be discussed in more detail on the following pages.

Many states attempted to compensate for shrinking
federal housing support by creating their own housing
programs. During the 1980s, at least thirty-nine states
enacted one or more major housing programs, for a total of
230 new state housing programs adopted between
1980-1987.(4) While these programs demonstrate a variety
of approaches to remedy the affordable housing problem, an
approach which has not been sufficiently used by most state
policymakers is the provision of affordable housing through
the rehabilitation of existing older housing and building
stock. Only nineteen percent of new state low-income
housing programs enacted during the 1980s encourage the
rehabilitation of existing units.(5) This is especially
surprising when one considers that nationwide spending on
rehabilitation overtook new construction spending in
1983.(6)

The reluctance of states to encourage rehabilitation of
existing stock has prompted a response from the non-profit
community. Across the country, non-profit development corporations, often in partnership with local and state governments, are becoming the driving force in many communities for providing support of rehabilitation and new construction for low-cost housing. These community-based organizations have also been quick to realize the importance of offering support and services to address additional needs of the low-income community, such as social services, job training, food kitchens and homeless shelters. A number of such organizations and their programs will be examined in later sections. The new National Affordable Housing Act includes a major role for the non-profit community.

With the passage of the Cranston-Gonzales National Affordable Housing Act in 1990, the Congress finally made an attempt to fill the housing leadership void. This legislation reaffirms the goals of the National Housing Act of 1949: "a decent home in a suitable environment for every American family", encourages rehabilitation over new construction to supply affordable housing, and transfers to states and non-profit organizations much of the responsibility for housing programs formerly in the hands
of the federal government. This new law will be discussed in more detail on the pages that follow.

This thesis will take a special look at providing affordable housing through rehabilitation of historic housing stock in New Jersey. This approach is especially feasible in densely developed older urban areas, like Newark and Camden, New Jersey, where large numbers of structurally sound buildings are ripe for rehabilitation. While New Jersey, unlike many other states, incorporated a rehabilitation component into several of its housing state programs created during the 1970s and 1980s, for a variety of reasons to be discussed, rehabilitation in these urban areas is happening very slowly, if at all.

In many of these older urban neighborhoods in New Jersey, the preservation of historic resources and a sense of community are important factors that must also be considered. Many of these buildings are significant for their architecture or association with historic people or events, while others are important for their cultural association with the local community. In the past, the goals of historic preservation and providing low-income
housing have been seen as incompatible - this does not have
to be the case.

The advantages of historic preservation in low- to
moderate-income neighborhoods are many, and include
financial benefits, such as: the opportunity to take
advantage of tax incentives, the creation of more jobs and
a an efficient method of supplying affordable housing that
can be more cost efficient than new construction. Perhaps
more importantly, preservation serves to engender community
pride and respect for the neighborhood's unique
architectural and cultural heritage. A neighborhood's
commitment to revitalization and the preservation of its
historic buildings can serve as a catalyst to ensure a more
stable future for the current residents, and enhance the
neighborhood's status and identity in relation to the
larger community.

Arthur P. Ziegler, Jr. recognized the important social
role of historic preservation in his book, *Historic
Preservation in the Inner Cities*:

The truth is that architectural decay and human
decay go hand in hand. One helps to cause as
well as feed upon the other. Reduce one and you
deter the other. Never work on one without
attending to the other, because without the improvement of both, neither can survive.(8)

Rehabilitation of existing housing stock to provide low-cost housing has periodically been assigned a major role in federal housing assistance policy since the 1930s.(9) Rehabilitating historic housing stock for the low- to moderate-income community is also not a new idea, but it is one that has been attempted, for the most part, only on a small scale by local non-profits. Many of these projects have been very successful, but have not been attempted on a scale large enough to have had a substantial impact on housing policy. The federal government has not provided the framework or incentives to encourage the rehabilitation of affordable historic housing stock. This thesis will take a special look at these issues in the context of the state of New Jersey, where the state government has also neglected to provide incentives for the rehabilitation of affordable historic housing stock.

This thesis will ultimately provide a rationale and a framework for establishing a New Jersey state program to encourage the sensitive rehabilitation of existing historic housing stock as a way to help meet affordable housing
needs. Chapters Two and Three will establish the need for affordable housing on the national level and review federal housing and historic preservation programs. Chapters Four and Five will address New Jersey's affordable housing needs and goals, and outline existing New Jersey state low-income housing and historic preservation programs. Also discussed will be the significance of the Mount Laurel legal decisions on providing affordable housing, in general, and specifically regarding rehabilitation.

After reviewing successful efforts by non-profit and private housing organizations to provide affordable housing through sensitive rehabilitation of existing historic building stock, this thesis will then propose an "Affordable Historic Housing" program for the State of New Jersey.
A. The Problem

The portion of income which homeowners or renters use to meet housing costs plays a major role in determining standard of living. As housing costs increase, the amount of money remaining to spend on other necessities decreases. The average annual after-tax cost of homeownership rose steadily between 1967 and 1982, when it reached a peak of $9,599. Although this cost declined to $7,449 by 1987, by historical standards it continues to remain high.(1)

Homeownership rates have been declining steadily since 1980, from 65.6 percent to 63.8 percent in 1986.(2) The drop in homeownership rates has been the steepest for young families, potential first-time homebuyers. High home prices are part of the reason for this decline; the median prices of the representative first home rose ninety-two percent between 1975 and 1987, from $34,800 to $67,000.(3)
This increase occurred at a time when the median income for the average American family was relatively unchanged. (4)

In addition to high homeowner costs, costs for renters have continued to rise dramatically due, in part, to the decreased supply of low-cost rental stock. Real rents, adjusted for inflation, rose sixteen percent between 1981 and 1987, rising from $269 per month to $312 per month. (5)

Considering the above statistics, it should come as no surprise that there has also been an increase in the number of low-income households. Since 1974, the total number of households has grown by 26.3 percent, while the number of households with real incomes of less than $5000 per year has sharply increased by 55.1 percent from 4.7 million to 7.2 million. (6) According to 1983 census figures, twenty-seven percent of the 84.7 million existing households are classified as "very low income" (7) (defined by HUD as a family with annual earnings not exceeding 50 percent of the local area median). At least 6.5 million low-income families spend more than half of their income for rent. (8).
The numbers of low-income families paying for rental housing has grown as the rates of homeownership have declined. Between 1983 and 1987, poverty-level renters have increased by 300,000 to 7.5 million. By 1987, sixty-three percent of all poverty-level households lived in rental housing. (9) This rise in low-income renters has occurred in a climate of rising rents and a decreasing supply of affordable rental housing.

Housing experts differ on the rate of the loss of low-income rental housing, with estimates ranging from 200,000 units per year to one million units per year. (10) These units are removed from the low-income housing stock for a number of reasons, including: demolition, abandonment, arson, and conversion to other uses. The "affordability gap" between the supply of affordable housing units and the demand for them can be estimated by comparing the number of unsubsidized renter households with income less than $10,000 per year, and the number of unsubsidized units available to them. It is estimated that the number of available units renting for less than $250 per month is expected to drop by 1.4 million units to 5.2 million by 2003. (11) The number of households needing
these units may increase from approximately 7.7 million to 13 million by that time. (12) These figures indicate a potential affordability gap of 7.8 million low-income households by 2003.

This problem could be exacerbated during the next several years by the loss of over one million units of privately-owned federally-subsidized apartments which will no longer be restricted to low- and moderate-income tenants. During the late 1960s and early 1970s, the federal government sponsored a subsidized housing production program through which private developers and investors received substantial tax benefits for agreeing to restrict for twenty years the leasing of their apartment buildings exclusively to low- and moderate-income tenants. At the end of the twenty years, these property owners can convert these units to market-rate rentals or condominiums. The conversion of these units from low- to moderate-income use has already begun, and will continue for several years. (13) The new Affordable Housing Act passed by Congress in 1990 addresses this issue by offering owners of these units incentives for maintaining the units as affordable housing, but the opportunity still exists for
conversion to market rate. (14)

This litany of statistics illustrates the present and continuing dramatic shortage of low-cost housing in the United States. If the need were to be met by new construction alone, at $40,000 per unit, it would cost approximately $20.8 billion to build the 7.8 million units to close the projected affordability gap. (15) As the following section will illustrate, the federal government is no longer willing to supply either the leadership or the funding needed for such a massive undertaking.

B. Federal Housing Policies and Programs

The history of federal involvement in housing assistance programs began with the Housing Act of 1937, which provided for new construction of federally subsidized housing. While reliance on new construction programs as the primary means by which federal housing policy was implemented continued well into the 1970s, rehabilitation was periodically used as a complementary strategy beginning in the 1950s. (See Appendix #1) The following brief
history of federal housing policy illustrates the cyclical emphasis on rehabilitation.

The 1930s: A New Commitment to Housing

The aftermath of the Great Depression gave rise to the first federal involvement in housing policy. The Housing Act of 1937 created the basic framework for the nation's public housing program, and for a federally regulated housing finance system. The public housing program was carried out by local housing authorities, which would construct and administer federally subsidized rental housing. The Federal Housing Administration (FHA) was created in the 1930s and established the practice of helping to purchase homes with small down payments, using long-term, federally-guaranteed, amortized mortgages.

The 1940s: Post-War Building Boom

The 1940s saw a post-war building boom and the need to provide housing for the returning veterans. The veterans
were welcomed back with special home loan programs providing low-interest, long-term mortgages through the Veterans Administration. The National Housing Act of 1949 set the long-term goal of "a decent home and suitable living environment for every American family." This law continued the federal reliance on new construction in housing policy and created an urban development program, rural housing programs, and increased federal funding for public housing, with a goal of constructing 810,000 public housing units by 1955.

The 1950s and 1960s: Rehabilitation Comes of Age

During the 1950s and 1960s, a tremendous surge in population growth in the United States increased the demand for housing. The expansion of the national highway system into previously undeveloped areas outside of cities, along with new laws offering low-interest financing and regulating interest rates and mortgages, encouraged new home building. During this period, however, public housing production did not progress at the rate optimistically envisioned by the National Housing Act of 1949; during the
1950s, public housing was built at a rate of between 15,000 to 35,000 units per year, and during the 1960s, less than three percent of the 14.42 million new housing units constructed were for public housing.(16)

It was during the early 1950s that rehabilitation was first implemented as an important element of federal housing policy. The Housing Act of 1954 changed the title of the housing program begun in the previous decade from "Urban Development" to "Urban Renewal", and for the first time federal assistance was available not only for clearance and redevelopment, but also for rehabilitation and conservation of deteriorated neighborhoods. Ironically, however, "Urban Renewal" often resulted in the demolition of urban historic neighborhoods, not their revitalization.

The new 1954 law also added two FHA mortgage insurance programs: Section 220, which made assistance available for families to purchase new or rehabilitated housing within urban renewal areas; and Section 221, which provided housing assistance to families displaced by government action.
It was during the second half of the 1960s that rehabilitation became a major component of federal housing policy, making up ten to twenty percent of all directly subsidized housing production. (See Appendix #1) Serving as an impetus to this increase in rehabilitation were several new financing programs: Section 312 low-interest rehabilitation loans; Section 115 grants for low-income homeowners to make improvements; and Section 221(d)(3) long-term low-cost mortgages for new or rehabilitated multifamily projects. The Housing Act of 1968 provided additional federal assistance in Section 235 and Section 236 programs. Section 235 subsidized the interest rate for moderate-income families to buy and rehabilitate single-family houses, and Section 236, taking the place of Section 221(d)(3), granted generous multifamily rental subsidies. These rehabilitation-oriented programs were adding between 30,000 to 40,000 units annually by the early 1970s. (17)

The 1970s: Rehabilitation Roller-Coaster
During the decade of the 1970s, an increase in housing activity in both construction and federal assistance programs occurred. Housing starts set new records with a total of 17.8 million houses being built. A tremendous expansion in federal housing assistance provided many new programs for low- to moderate-income families. On the rehabilitation front, however, the early 1970s witnessed the phasing out of many of the rehabilitation programs instituted in the previous decade, causing a decline in federally subsidized rehabilitation activity. (See Appendix #1)

The roller coaster funding of rehabilitation quickly experienced an upturn, however, when the Housing and Community Development Act of 1974 shifted much of the emphasis in federal housing policy from new construction to block grants and rental assistance programs, which served to encourage the use of existing housing stock. These rental assistance programs, created under Section 8 of the new Act, consisted of three subprograms whose strategies relied primarily on housing allowances tied either to the unit itself or to the eligible household. (18)
Section 8 New Construction and Section 8 Substantial Rehabilitation programs tied subsidies to particular housing units. Section 8 New Construction guaranteed private owners the Fair Market Rate (FMR) for newly constructed rental units, with low-income tenants receiving rent supplements for the difference between what they could afford and the FMR. Section 8 Substantial Rehabilitation provided subsidies to private owners for improvements to bring their deficient low-income units up to HUD standards. Section 8 Existing program tied housing vouchers to eligible low-income households, which could use the subsidy to find their own housing. By the end of the 1970s, approximately three million low-to moderate-income households were living in HUD-assisted units, more than triple the number of units provided before 1970.(19)

Several additional new housing programs instituted during the second half of the 1970s also increased rehabilitation activities. These programs included: the Urban Homesteading Program, which sold vacant homes for a nominal fee to families willing to rehabilitate them; Urban Development Action Grants (UDAG) which offered assistance to cities to reclaim deteriorated neighborhoods;
Neighborhood Housing Services, which promoted partnerships between neighborhoods, cities and banks to revitalize areas; and the Community Reinvestment Act, which affirmed the obligation of banks to meet the credit needs of local communities.

Because of this increased federal commitment to rehabilitation, federally supported rehabilitation activity remained high through the second half of the 1970s, and reached a peak in 1980 of nearly 60,000 units annually. (See Appendix #1) In addition to HUD programs, the 1976 Tax Reform Act provided significant tax incentives to encourage owners of historic buildings to undertake rehabilitation.

The 1980s: Federal Retrenchment

The decade of the 1980s witnessed a dramatic cutback in the involvement of the federal government in all housing assistance programs. Consistent with the Reagan Administration philosophy of decreasing federal involvement, and relying more on state governments and
private market forces to meet social needs, federal assistance for rehabilitation and new construction of low-cost housing declined by seventy-eight percent between 1981 and 1987. In 1983, housing legislation eliminated the ability to use Section 8 for new construction and substantial rehabilitation except for subsidies associated with housing for the elderly and the handicapped. During the 1980s, federal assistance for rehabilitation fell to the early 1960s levels, when the thrust of federal housing programs was still focused on new construction.

In spite of the federal government's lack of interest in affordable housing during this period, the Tax Reform Act of 1986 gave a surprise boost to low-income housing production by creating a new incentive for private sector involvement in housing -- a low-income housing tax-credit. The program, initially authorized for three years and subsequently extended, provides tax credits for owners and investors in low-income rental housing. Tax credits are claimed annually for ten years, and are available for new construction, substantial rehabilitation, moderate rehabilitation, simple acquisition of existing properties, and repairs by existing owners. In 1988, this credit
was responsible for the new construction and rehabilitation of an estimated 97,000 low-income housing units.(23)

The federal housing policies of the late 1980s came to rely almost exclusively on vouchers and certificates as the preferred form of rental assistance. While these policies encourage the use of existing housing for low-income families, rehabilitation cannot meet all the affordable housing needs in every area of the country. In addition, the Congressional Budget Office estimates that the drastic reductions in all federal housing assistance programs during the 1980s have denied assistance to between nine million and ten million low-income families who qualify for some form of housing assistance.'(24) These figures, along with the increasing homeless population and the shortage of adequate affordable housing, dramatically illustrate the consequences of the lack of federal leadership or direction in housing policy during the 1980s.

With the enactment of the National Affordable Housing Act of 1990 (25), Congress has moved to fill the housing leadership void and to shape a new national housing policy, with rehabilitation again playing a major role.' The Act,
through block grants, greatly increases the flexibility of state and local governments in creating affordable housing programs with federal dollars, and expands the capacity of non-profit community development organizations. While this law authorizes the use of federal funding for "acquisition, construction, reconstruction, and moderate or substantial rehabilitation of affordable rental and ownership housing, and for tenant-based rental assistance", it also establishes a preference for rehabilitation of existing stock over new construction. Funds can be used for new construction only if the participating jurisdiction can demonstrate that its housing needs cannot be met through rehabilitation of existing stock. Additional provisions for matching funds further encourage rehabilitation by requiring a jurisdiction to match at least twenty-five percent of funds used for rental assistance and rehabilitation, thirty-three percent of funds for substantial rehabilitation, and fifty percent of funds used for new construction.

The Act's Community Housing Partnership program requires that at least fifteen percent of the block grant funds received by participating jurisdictions be set aside
for housing to be developed, sponsored, or owned by non-profit community housing development organizations. Up to ten percent of these funds can be used for project-specific technical assistance, site control loans and seed money loans. This targeted role and federal funding for community non-profits supports the recent trends of this type of organization working to supply affordable housing in its own community. Another important component of the National Affordable Housing Act authorizes HUD to provide assistance to promote the ability of community housing development organizations to carry out their responsibilities under the Act.

In addition, the new law provides for the following: expanded homeownership opportunities through assistance with downpayments for first time homebuyers; low-cost mortgage financing for low-income households; opportunities for tenants to buy public housing projects; combined housing assistance with social services through a Shelter Plus Care program; and incentives for private owners to retain housing projects for which use restrictions are expiring as low-income.
CHAPTER THREE

FEDERAL HISTORIC PRESERVATION PROGRAMS

A. The National Historic Preservation Act

While rehabilitation activity was increasing in federal housing policy during the second half of the 1960s, the enactment of the National Historic Preservation Act (NHPA) in 1966 signalled, for the first time, the federal government's support for historic preservation on a nationwide basis. (1)

This law authorized the Secretary of the Interior to create a National Register of Historic Places, to list all sites, buildings, structures, districts and objects significant in American history, architecture, archaeology, engineering or culture. The NHPA also provided the framework for state preservation programs by permitting states to submit state plans for historic preservation to the Secretary of the Interior for approval. State Historic Preservation Officers (SHPOs) are required to identify and inventory historic properties in the state; nominate
eligible properties to the National Register; prepare and implement a statewide historic preservation plan; serve as liaison with federal agencies on preservation matters; and provide public information, education, and technical assistance.

The Historic Preservation Fund grants program was established to provide funds to states for two types of projects: surveying and planning; and acquisition of historic properties and their rehabilitation or restoration. The statute also established the Advisory Council on Historic Preservation as an independent federal agency to advise the President, Congress, and other federal agencies on historic preservation matters. Finally, Section 106 of the Act directs federal agencies to assume responsibility for considering historic resources in their activities through what is known as the "Section 106 Process." Section 106 requires federal agencies to follow two steps when funding a project that may affect an historic resource: first, the agency must assess the effect of the undertaking on the historic resource; and second, the agency must give the Advisory Council a reasonable opportunity to comment upon the agency's proposed
undertaking.

Although the basic framework for state participation in historic preservation was outlined in NHPA, the role and influence of the SHPO differs from state to state. Most state preservation offices are undertaking comprehensive survey and planning activities, and have established processes for certifying local governments to undertake their own preservation activities. Information is not available on a nationwide basis about the involvement of state offices in supporting historic preservation as a tool to provide affordable housing.

B. Historic Rehabilitation Tax Credit

Even though the NHPA demonstrated strong federal support for historic preservation activities, the Act did not contain any significant incentives to rehabilitate historic buildings or to revitalize historic areas. Such incentives were introduced in the Tax Reform Act of 1976, which provided tax incentives to stimulate capital investment in income-producing historic buildings. These
tax incentives were revised in the Economic Recovery Tax Act of 1981 as the "Historic Rehabilitation Tax Credit", which provided investors in the rehabilitation of commercial, retail, or residential income-producing historic buildings with a tax credit equal to twenty-five percent of their investment. To qualify for the tax credit, it was necessary to follow historic rehabilitation guidelines published by the National Park Service.

Following the establishment of this tax credit, historic rehabilitation activity greatly increased, reaching a peak in 1985 with 16,618 applicants seeking certification for "Tax Act" rehabilitations for which expenditures totalled nearly $2.5 billion.(2) However, this rehabilitation frenzy was not long-lived as the Tax Reform Act of 1986 made important changes reducing the financial incentives of the HRTC. The credit itself was cut from twenty-five percent to twenty percent of rehabilitation costs. More significantly, passive activity real estate rules were applied to the credit, investors income was capped at $250,000, and limitations were placed on the amount of the credit which could be claimed each year during the depreciation period.
These tax changes greatly reduced the number of HRTC projects from the peak of 16,618 in 1985 to only 7,577 in 1989, with expenditures totalling slightly less than $1 billion. Between 1985 and 1989, New Jersey experienced a thirty-four percent decline in historic rehabilitations, from sixty-four to forty-two tax credit projects.(3)

HRTC projects have often served as catalysts for revitalization in older urban areas; according to the National Park Service, between 1982 and 1989, 35,880 housing units were created using the HRTC, with low- and moderate-income housing units comprising 9,600 units.(4) In 1989 and 1990, 6,056 housing units were created using the HRTC, of which sixty-six percent were low- or moderate-income.(5) While the use of HRTCs to provide affordable housing is encouraging, this is only a small percentage of the housing need for the low- to moderate-income community. The opportunity for increased use of historic rehabilitation to provide affordable housing units lies in the older neighborhoods of this country's urban areas. Some developers and non-profit community development organizations have undertaken
projects using both the HRTC and the low-income housing tax credit, although there are some differences in how the credits can be claimed from each program. Low-income credits can be claimed over a ten-year period, while historic tax credits can only be claimed for one year.

Several changes to the HRTC are being proposed in federal legislation during 1991 which would again increase the incentives for investment in historic rehabilitation projects. The suggested revisions include increasing annual credit available from $7,000 to $20,000, and lifting the limit on investor income.(6)

While HRTC projects will continue to supply only a small percentage of the nation's affordable housing need, the contribution will continue be an important one. Revitalizing older neighborhoods and helping to instill a sense of pride and community, while "recycling" historic resources are important goals. The following chapters will demonstrate the unique opportunity, and propose the vehicle through which the State of New Jersey may take the initiative to use historic preservation as a tool to help to meet the state's urgent affordable housing need, while
reusing the valuable historic resources of its older urban centers.

C. National Trust for Historic Preservation Programs

The National Trust for Historic Preservation, a national private, non-profit organization chartered by Congress under the National Historic Preservation Act of 1966, has administered five grant and loan historic preservation programs: the National Preservation Loan Fund, the Inner-City Ventures Fund, the Critical Issues Fund, the Preservation Services Fund and the Historic Properties Preservation Fund. Of these programs, the Inner-City Ventures Fund and the National Preservation Loan Fund have provided assistance in accomplishing historic preservation and affordable housing goals.

The Inner-City Ventures Fund (ICVF) was established to provide grants and low-interest loans to non-profit organizations for housing and commercial rehabilitation projects benefitting low-income residents. ICVF grants and loans generally range between $40,000 and $100,000, and can
be used for acquisition, rehabilitation and related capital costs. Between 1981 and 1987, the ICVF provided $2.9 million in grants and loans to 45 community development projects in several states. As the only national level fund for low-income housing historic rehabilitation, this program has played an important role in creating a role for historic preservation in affordable housing. Unfortunately, according to the National Trust, this program has been "on hold" due to scarce financial resources since 1988.

The National Preservation Loan Fund (NPLF) provides below-market rate loans for real estate development projects to preserve historic buildings or for state or local preservation revolving funds. The loans typically range from $20,000 to $150,000, and must be matched locally at least one-to-one. While these loans can also be used for low-income housing projects, they are not focused on this issue and their matching requirements would make it more difficult for a affordable housing non-profit to use.
AFFORDABLE HOUSING -- THE NEW JERSEY PERSPECTIVE

A. Judicial Initiative in Housing Policy

New Jersey, like most other states, relied on the federal government to fund housing programs through the post-war building boom and veterans' housing financing programs of the 1940s, the move from the crowded inner cities like Newark and Camden to the suburbs during the 1950s, the wholesale clearance and rebuilding of entire neighborhoods using the urban renewal funds in the 1960s, and the explosion of new construction and rehabilitation assistance programs in the 1970s. During the latter part of the 1970s and the 1980s, the state began to take on more and more responsibility for dealing with its own housing problems, a policy which coincided with the dramatic decline of federal housing assistance and leadership during the 1980s.

Again, as with other states, inconsistent federal housing policies and funding levels over the past several
decades burdened New Jersey with a tremendous need for low- to moderate-income housing. Unlike many other states, however, New Jersey was directed by its Supreme Court in the 1970s and 1980s to formulate a state housing program to deal with the needs of its low- to moderate-income population. The basic foundation for the state housing policies and programs that exist today was laid in two cases challenging exclusionary zoning practices. These cases are commonly referred to as Mount Laurel I and Mount Laurel II.

In 1975, in Southern Burlington County NAACP v. the Township of Mount Laurel (1), Mount Laurel I, the NAACP claimed that Mount Laurel's zoning ordinance did not allow the construction of low- and moderate-income housing because of its use of such zoning devices as minimum house size and lot size requirements, prohibition of multifamily housing, and prohibition of mobile homes. The New Jersey Supreme Court agreed, holding that developing municipalities have a constitutional obligation to provide a realistic opportunity for the construction of low- and moderate-income housing, and found the zoning in Mount...
Laurel to be exclusionary to the low- and moderate-income population.

The Court clearly saw the need for more affordable housing in the state to be at a crisis stage:

There is not the slightest doubt that New Jersey has been, and continues to be, faced with a desperate need for housing, especially of decent living accommodations economically suitable for low and moderate income families. The situation was characterized as a "crisis" and fully explored and documented by Governor Cahill in two special messages to the Legislature... (2)

The Mount Laurel I decision clearly stated judicial housing "policy" of providing the opportunity for low- and moderate-income housing in many New Jersey municipalities, the State Legislature was slow to follow the Supreme Court's lead and endorse these principles. Consequently, for several years the New Jersey trial courts struggled to deal with many complicated planning and housing policy issues central to implementing this doctrine. Among the issues raised but not resolved by the Supreme Court in Mount Laurel I were: how to define a "developing municipality"; how the state should be divided into housing
"regions" to determine a municipality's fair share of the housing need of an area; and the formula to be used to calculate "prospective regional housing needs". (3)

In its 1983 Southern Burlington County NAACP v. the Township of Mount Laurel, Mount Laurel II, the Supreme Court reaffirmed the Mount Laurel low-income housing doctrine. (4) In this decision, the Court made clear its impatience with the inactivity on the part of the Legislature in endorsing the Court's concept of fair housing policy:

...a brief reminder of the judicial role in this sensitive area is appropriate, since powerful reasons suggest, and we agree, that the matter is better left to the Legislature. We act first and foremost because the Constitution of our State requires protection of the interests involved and because the Legislature has not protected them. We recognize the social and economic controversy (and its political consequences) that has resulted in relatively little legislative action in this field. We understand the great difficulty of achieving a political consensus that might lead to significant legislation enforcing the constitutional mandate better than we can, legislation that might completely remove this Court from those controversies. But enforcement of constitutional rights cannot await a supporting political consensus. So while we have always preferred legislative to judicial action in this field, we shall continue -- until the Legislature acts -- to do our best to uphold the constitutional obligation that underlies the
Mount Laurel doctrine. That is our duty. We may not build homes, but we do enforce the Constitution.(5)

By its strong endorsement of "inclusionary" zoning to promote affordable housing, the Court was setting the stage for a state policy response in which the coordinated efforts of local governments, non-profit organizations, and private developers could implement state housing policy at the local level. The state legislature soon responded with the enactment of the Fair Housing Act.

B. The Legislative Response -- The Fair Housing Act of 1985

In 1985, the New Jersey State Legislature heeded the Court's call to action, and enacted the Fair Housing Act.(6) The primary purpose of this law was to transfer the affordable housing issue from the courts to the State Legislature, where as the court recognized such policy decisions are more appropriately implemented. In philosophy, the Fair Housing Act echoed the Mount Laurel court decisions, and provided standards and procedures to guide municipalities in fulfilling their obligations to
allow for affordable housing in their communities.

In the Fair Housing Act, the Legislature determined that state housing policy could be best carried out through a "comprehensive planning and implementation response" at the regional and local levels. The Act defines the ingredients of such a response as: the establishment of reasonable fair share housing guidelines and standards; the initial determination of fair share by officials at the municipal level; and the preparation of a municipal housing element. The Act also found it imperative that continuous State funding for low- and moderate-income housing "replace the federal housing subsidy programs which have been almost completely eliminated." (7)

Recognizing that a portion of the state's housing need could be met most effectively through rehabilitation in urban areas, the Fair Housing Act established the opportunity for a municipality to transfer up to half of its fair share obligation to another municipality in the form of funding for rehabilitation of substandard units, or for new construction. The mechanism by which this transfer can take place is called a Regional Contribution Agreement.
(RCA). The law explicitly states, "Since the urban areas are vitally important to the State, construction, conversion and rehabilitation of housing in our urban centers should be encouraged." (8)

Since the Legislature saw funding for low- and moderate-income housing as crucial to implementing its housing goals, the Act established two new sources of funding: the Neighborhood Preservation Nonlapsing Revolving Fund and the Fair Housing Trust Fund.

The Neighborhood Preservation Nonlapsing Revolving Fund, through the Department of Community Affairs' (DCA) Neighborhood Preservation Balanced Housing Program (NPBHP), provides grants and loans to municipalities where an established need exists. The funding can be used by the municipality for a variety of purposes to benefit low- and moderate-income occupants, including: rehabilitation of substandard units; creation of accessory apartments; conversion of nonresidential space for residential purposes; construction of new housing; and soft costs associated with providing affordable housing, such as surveys, permits, architectural services, and site
preparation. The municipality may also use these funds to provide assistance to a local housing authority, non-profit or for-profit housing corporation for rehabilitation or new construction programs. The present funding situation for this program will be further discussed in the next chapter on existing state programs.

The Fair Housing Trust Fund, administered through the New Jersey Housing Mortgage Finance Agency (HMFA), consisted of a one-time appropriation of $15 million to provide grants and loans to municipalities, community organizations, and low- and moderate-income households. Household assistance consisted of funding to write down interest rates, and to help pay downpayment and closing costs. The fund also provided funding to municipalities and community non-profit organizations for rental program loans and grants for moderate rehabilitation, congregate care, retirement facilities and other low- to moderate-income rentals. Although this trust fund was quickly depleted, HMFA has reserved twenty-five percent of its bond proceeds for the permanent financing of low- and moderate-income units.(9)
The Act also created the Council on Affordable Housing (COAH) to oversee and enforce implementation of the law's requirements, ensuring that the planning and housing policy decisions previously being made by the courts were to be made by professionals with the appropriate expertise. The duties assigned to COAH include determining housing regions within the state, estimating the present and prospective need for low- and moderate-income housing at the state and regional levels, and adopting criteria and guidelines for a municipality to determine its fair share of the housing need in its particular region.

Through the Fair Housing Act, New Jersey created an innovative program which allowed local governments to determine the best way to provide affordable housing, and provided funding for this purpose. This act also established an important role for housing and community development non-profit organizations as an equal partner with municipalities and private developers in supplying affordable housing.
C. Affordable Housing Need in New Jersey

After its establishment under the Fair Housing Act, the Council on Affordable Housing (COAH) moved quickly to fulfill its mandate of determining the need for affordable housing in New Jersey. The first step taken by COAH was to define housing regions in the state based on the analysis of socioeconomic data comparing criteria such as: population; age; income; commuting patterns; amount of vacant land; and the number of urban aid municipalities within a certain area, in order to facilitate Regional Contribution Agreements. The six New Jersey housing regions are shown on the map in Appendix #2. (10)

COAH next determined the affordable housing need for each housing region, and for the entire state, through mid-1993. The estimate of affordable housing need was comprised of four components: the present need; the prospective need; the anticipated loss of existing low- and moderate-income units through fire, abandonment, demolition, etc.; and the anticipated number of units to be supplied through the private housing market. Taking all of
these figures together, COAH estimated the overall state need for affordable housing to be 145,700 units through mid-1993. According to Douglas Opalski, COAH's Executive Director, the cost for providing 145,700 units is estimated to be $3 billion. (11)

Of the 145,700 units of overall need, COAH estimates that 80,600 are occupied units requiring substantive rehabilitation, and that 65,100 will be met through new construction. Approximately 31,181 units, or 21 percent, of the need is in the 37 poorer urban aid municipalities. (12)

The next step taken by COAH was to implement criteria and guidelines for New Jersey municipalities to determine their fair share of the affordable housing need in their regions. The Fair Housing Act required the municipal master plan to include a housing element, addressing the need for low- and moderate-income housing in a municipality. Although computing a municipality's fair share obligation is required by law, filing the plan for COAH approval and implementation is optional. However, a municipality may choose to adopt its fair share plan as an
alternative to going to court if it is sued by a developer for exclusionary zoning.

In its fair share plan, a municipality may address its affordable housing need through rehabilitation of existing units, new construction, or a combination of the two. As previously mentioned, as part of its fair share plan, a "sending" municipality may also transfer up to half of its fair share obligation to a willing "receiving" municipality in the same housing region using a COAH approved Regional Contribution Agreement (RCA). The sending municipality must pay the receiving municipality a minimum of $10,000 per unit for new construction or rehabilitation of low-income housing. RCAs are an important mechanism by which already developed areas with no fair share obligation, such as inner cities, can obtain funding to rehabilitate substandard housing, or construct new units.

COAH figures through mid-1990 show that among the fair share plans submitted by ninety municipalities, forty-seven plans include a total of 1,732 units targeted for substantive rehabilitation. (13) In addition to this rehabilitation occurring within municipalities with
certified housing plans, municipalities are transferring $21.2 million for rehabilitation activity to a dozen urban municipalities that are willing to receive an added obligation of 1,061 units in exchange for rehabilitation funding. (14)

According to COAH Director Opalski, even though a large portion of the state's need is for rehabilitation of substandard low- and moderate-income units, the goal of 80,600 rehabilitated units by 1993 will not be met. Opalski estimates that ninety percent of the new housing component, or 61,000 units, may be constructed during this period, but that rehabilitation will likely provide only 15,000 - 20,000 units. His assessment for the cause of this anticipated shortfall in rehabilitation is that a large portion of the need, as much as 30,000 substandard units, are located in urban areas which possess neither the resources nor the management skills to deal with rehabilitation at such a large scale.

According to Opalski:

...what we are talking about is to redo in six years what has taken decades to emerge. It has taken decades for the housing stock and for the ratable base to fall into disrepair. The cities
are not viewed as a prime investment area for a numbers of reasons, not the least of which is that those places are the locus of a lot of the social problems that we face as a society. And, through no fault of their own, they have been relegated some of the worst social ills and some of the worst fiscal resources to deal with them. (15)

Opalski also makes the point that the low- and moderate-housing needs in these urban areas is likely to increase given such factors as: an over-crowded and aging stock; extensive deterioration and vacancies; and a limited tax and resource base to address current or future needs.

The next chapter will outline the existing New Jersey state programs for low- to moderate-income housing assistance and historic preservation.
A. Existing State Housing Programs

New Jersey is one of the few states providing significant funding to local governments for housing assistance; most others states are reliant on federal dollars. In spite of this state-wide commitment to providing affordable housing, these programs will be insufficient to meet the present and prospective need as estimated by COAH. Because of unstable funding sources for these state programs, the lack of federal housing support, and state budget cutbacks due to the recent national recession, many low- and moderate-income families in New Jersey will not receive the housing assistance they need.

Neighborhood Preservation Balanced Housing Program:

The largest of the state housing assistance programs is the Neighborhood Preservation Balanced Housing Program (NPBHP), created by the Fair Housing Act and administered by the New Jersey Department of Community Affairs (DCA). This state
null
trust fund provides grants and loans to municipalities where an established need exists. This funding can be used directly by the municipality, or passed through by the local government to a local housing authority, non-profit or for-profit housing corporation. NPBHP funds can be used for a variety of purposes to benefit low- and moderate-income occupants: rehabilitation of substandard units; creation of accessory apartments; conversion of nonresidential space for residential purposes; construction of new housing; and soft costs associated with providing affordable housing, such as permits, architectural services, and site preparation.

The NPBHP program is funded through a percentage of the state's annual income from a real estate transfer tax -- the fund receives seventy-five cents for every $100 over $150,000 in real estate transactions. (2) While this funding source has provided as much as $28.2 million during fiscal year 1987-88 for affordable housing, New Jersey's depressed real estate market has greatly affected the amount of money available. During the 1990-1991 fiscal year, the program was funded at $12.5 million, and the projected NPBHP budget for 1991-92 is only $10 million. (3)
The number of housing units produced annually as a result of NPBHP funding has also varied: fiscal year 1989-90 -- 2,415 units; fiscal year 1990-91 -- 1550 units; and projected fiscal year 1992 -- 930 units.(4)

While using the real estate transfer tax as a funding source has worked well when the real estate market is strong, the lack of stable funding in a slower market jeopardizes the ability of the state to provide affordable housing when low-income families may be hardest hit by economic problems. The Housing and Jobs Bond Act of 1991, legislation introduced in January 1991 by New Jersey Assemblyman David Schwartz, would provide a one-time $8 million infusion of funds for the NPBHP as part of a $135 million housing bond referendum.(5) While these funds would provide much-needed assistance for NPBHP, a permanent, stable funding source for affordable housing is desirable.

Additional Housing Assistance Programs: The Department of Community Affairs (DCA) also administers the several smaller housing assistance programs discussed below under its Office of Housing Services. State funding for DCA's

48
Housing Services programs totalled $4.8 million in FY91; New Jersey Governor Florio's budget request for the Office of Housing Services in FY92 recommends a decrease to $4.7 million. (6)

The Neighborhood Preservation Program, a neighborhood rehabilitation program established in 1975 under the Viable Neighborhoods Act, administers grants to municipalities for: acquisition, rehabilitation or demolition of deteriorated housing stock; building code enforcement; and public improvements in a blighted area. Since 1975, ninety-two communities have participated, with the state contributing $52 million in funding. (7)

The Prevention of Homelessness program provides emergency accommodations, rental assistance and interest rate subsidies to low- and moderate-income families.

The Shelter Assistance program provides assistance for the construction and operation of
emergency shelters for the homeless.

The **Technical Assistance to Non-Profit Housing Developers** program partially funds administrative costs for non-profit housing organizations, and provides training in such areas as construction management, marketing of rental units, and board of directors development. (8)

The **Revolving Housing Development and Demonstration Grant** program awards grants and loans to municipalities, non-profit and for-profit organizations for projects that "make a meaningful contribution to the development of affordable housing and the prevention and elimination of slums and blight." (9) The Housing Demonstration grants and loans can be used for: predevelopment costs, such as professional services, associated with housing rehabilitation and construction; advisory, consultative, training and educational services to assist an organization or government in the planning, construction, rehabilitation and operation of
affordable housing projects; and demonstration programs and studies to develop, test and report on methods for the efficient production of affordable housing.

The DCA also administers federal housing program funds, including HUD's Community Development Block Grants (CDBG) and Section 8 vouchers and certificates.

Using federal CDBG funds and DCA's Housing Demonstration Program funds, in 1988 DCA undertook a small, successful project in which affordable housing goals and historic preservation goals were both met. Loans and grants were awarded to low- and moderate-income homeowners in Mount Tabor, New Jersey for repairs, facade "restoration", and energy conservation. Mount Tabor was founded in 1869 as a Methodist camp meeting ground, and evolved from a community of tents to a unique, intact collection of Carpenter Gothic, Shingle Style and Stick Victorian architecture. A total of $250,000 in funding for this project allowed the sensitive rehabilitation of approximately fifteen homes, with grants ranging from $1000
to $16,000, and five-year, no-interest loans ranging from $900 to $7500. According to John Solway, staff person for the Housing Demonstration Program in DCA's Office of Housing and Development, while the Office of New Jersey Heritage was not consulted for this project, an architect was hired to advise with the residents, using historical documentation as a basis for facade restoration. Solway stated that this demonstration project used the National Trust's Inner City Ventures Fund as a model. The results show the successful rehabilitation of low- to moderate-income historic housing, keeping the costs of rehabilitation to a minimum and preserving the character and sense of community in Mount Tabor.

New Jersey Housing and Mortgage Finance Agency: In addition to DCA housing programs, the New Jersey Housing and Mortgage Finance Agency (HMFA) also administers affordable housing finance programs. The HMFA was created in 1984, with the merger of the state's single-family Housing Finance Agency and the multi-family Mortgage Finance Agency. The New Jersey Fair Housing Act of 1985 provided a $15 million one-time appropriation to HMFA, which has since reserved twenty-five percent of its bond
proceeds for financing low- and moderate-income housing costs. These funds are used for grants and loans to municipalities, community organizations and low- and moderate-income households. Household assistance consists of funding to write down interest rates, and to help with downpayment and closing costs. HMFA also provides funding for rental program loans and grants for moderate rehabilitation.

A separate HMFA program provides funding for multi-family housing units through a subsidiary corporation, the Housing Assistance Corporation (HASCO), which has acted as technical advisor to municipalities and non-profit housing organizations, as well as the developer and owner of multi-family public housing units. HASCO also has the authority to enter into an agreement with a municipality or non-profit to be a co-developer of public housing units. This program allows the state to link up with local governments and non-profit entities to supply multi-family affordable housing units. (12)

New Jersey Assembly Bill 4379, the Housing and Jobs Bond Act of 1991, introduced by Assemblyman David Schwartz
in January 1991, would provide $135 million in additional funds for state affordable housing programs. Among the programs funded through this bond act, $8 million would be targeted for DCA's NPBHP program, $2 million would be allocated for a tenant ownership program to provide grants and technical assistance to qualified non-profit corporations to help them organize and execute tenant ownership programs, and $60 million would assist first-time homebuyers with low-cost loans.

B. New Jersey Historic Preservation Programs

Office of New Jersey Heritage: The New Jersey State Historic Preservation Office, the Office of New Jersey Heritage (ONJH), was established in 1970 under the authority of the National Historic Preservation Act. ONJH, located within the N.J. Department of Environmental Protection, receives federal funding from the U.S. Department of the Interior's Historic Preservation Fund (HPF), money which ONJH then must match with state dollars. ONJH statewide activities include: reviewing National and State Register nominations, Section 106
projects, and federal tax act projects, administering the Certified Local Government Program, and awarding survey and planning grants, and acquisition and development grants. In 1991, New Jersey received $554,184 from the HPF for its activities, a decrease of over fifty percent during the last decade. (13) In 1991, ONJH used its federal funding in the following way:

Acquisition and Development Grants - $16,631
Survey and Planning Grants - $19,702
Certified Local Government Grants - $53,756
Statewide preservation programs - $464,059 (14)

As shown above, the funding available through ONJH as grants to municipalities, counties and non-profit organizations for restoration, planning and survey work, and CLG activities last year was only slightly higher than $90,000. According to a capital needs survey conducted in 1990 by the New Jersey Historic Trust, New Jersey's need for historic preservation capital projects is at least $400 million. (ONJH) If appropriations for HPF were increased from $30 million to $66 million nationwide, a figure preservation groups are advocating to Congress for the FY92 budget, ONJH has committed itself to obtaining the necessary state match, and to greatly increase funding for
statewide grant programs in the following ways:

Acquisition and Development Grants - $200,000  
Survey and Planning Grants - $159,159  
Certified Local Government Grants - $93,535 (15)

Unfortunately, in this era of federal budget cutbacks, it is unlikely that funding for the HPF will be greatly increased.

According to Nancy Zerbe, the Administrator of ONJH, it is not the responsibility of her office to "provide affordable housing." She sees ONJH's responsibility in the area of housing as working with local governments and other state agencies to encourage them to incorporate historic preservation into their programs. She feels that scarce resources have restricted ONJH from "tackling" the issue of affordable housing in historic areas. Zerbe stated that incentives are needed to integrate historic preservation and housing policy, such as tax incentives for municipalities that reuse historic structures to meet a portion of their fair share obligation. Both Zerbe and C. Terry Pfoutz, Supervisor of ONJH's Office of Program Review and Compliance, agree that flexible design standards are a necessary part of any program in which historic buildings
and neighborhoods are revitalized to provide affordable housing. (16)

The New Jersey Historic Trust: The New Jersey Historic Trust was created by the State Legislature in 1967 to fund historic preservation projects in New Jersey. The Trust is now an arm of the Office of New Jersey Heritage, and its main purpose is to administer a state grants and loan program under which local governments and non-profit organizations can receive funding for "bricks and mortar" historic preservation activities. The current funding for this grants and loan program comes from a $25 million statewide bond passed by the electorate in 1987. (17)

Neither the Office of New Jersey Heritage, nor the New Jersey Historic Trust, has funded projects specifically intended to provide affordable housing in historic areas.
CHAPTER SIX

SUCCESSFUL STRATEGIES: NON-PROFITS PLAY A ROLE

Small, citizen-organized, non-profit groups have provided much of the impetus for the historic preservation movement in the United States. One need only read Charles Hosmer's *Presence of the Past*, in which he gives an account of the Mount Vernon Ladies' Association's successful campaign during the mid-19th century to save and restore Mount Vernon, to begin to understand the potential influence of a group of committed, energetic citizens.(1)

However, it was not until the mid-1960s, when Arthur Ziegler founded the Pittsburgh History and Landmarks Foundation, and Lee Adler set up the Savannah Landmark Rehabilitation Project, that a few forward-looking non-profit historic preservation organizations turned their attention from rescuing individual landmark buildings to rescuing entire low-income historic neighborhoods without displacing the current residents. While both Ziegler and Adler found funding and public support meager in the
beginning, the fact that both organizations are now thriving and cited as national models demonstrates the potential role for preservation/affordable housing non-profits.

Decreasing federal housing assistance funds during the 1980s forced many non-profits to take an increasingly prominent role in attempting to address the overwhelming need for affordable housing in their communities. The new Affordable Housing Act of 1990, in addition to encouraging rehabilitation, mandates a prominent role for non-profits by requiring states to set aside fifteen percent of their block grant funds for non-profit community development organizations. For many states, including New Jersey, this will be an opportunity to forge new partnerships with community development non-profit organizations and to facilitate the success of such efforts.

Studying examples of successful historic preservation/affordable housing non-profit organizations will assist in developing a framework for a New Jersey housing program in which affordable historic rehabilitation can play a major role. The following three case studies
discuss the goals, philosophies and activities of three successful historic preservation/affordable housing non-profit organizations, and the elements that have contributed to their effectiveness. While these three case studies describe well-established organizations whose founders have devoted much of their careers to providing affordable housing in historic areas, the examples are not intended to suggest that more modest attempts at affordable historic rehabilitation cannot attain the same goals. These organizations were selected to analyze the reasons for their successes, and to incorporate these ingredients into an effective New Jersey Affordable Historic Housing program with similar goals.

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(1) Parkside Historic Preservation Corporation (PHPC)
Philadelphia, Pennsylvania
Based on an interview with James L. Brown IV, founder and president of PHPC, April 27, 1989.

The Parkside Historic Preservation Corporation (PHPC) is an example of an organization that has used a
combination of historic preservation tools, federal housing assistance and private funding to rehabilitate historic buildings for low-income renters. PHPC was founded in the early 1980s by James L. Brown, a Parkside resident, former administrator with the City of Philadelphia's Redevelopment Authority, and since 1967, developer and manager of affordable rental housing.

Parkside is an historic residential neighborhood adjacent to Fairmount Park in West Philadelphia. The neighborhood was developed during the mid- to late-nineteenth century, and has an impressive collection of Victorian/Colonial Revival three-story, red brick twins and rows, and four-story eclectic revival mansions.

Brown is strongly committed to Parkside and feels that his decision to make the neighborhood his home for twenty-five years has been an important factor in the success of his projects. He views his continued presence as a demonstration of his long-term commitment to revitalizing the neighborhood and to fostering a more positive sense of identity among its residents. Community involvement and support are important elements in
Parkside's successful low-income housing projects.

When Brown began producing low-income rental units in Parkside in the late 1960s, and through the 1970s, he used the federal housing assistance programs readily available at the time. These included Section 236 long-term, low-cost mortgages for multi-family projects, as well as Section 8 Substantial Rehabilitation subsidies to bring existing low-income units up to HUD standards. As these sources of federal assistance began to disappear in the 1980s, Brown began to look elsewhere for funding to continue his efforts in Parkside.

Even though Brown was aware of the historical significance of the buildings he was rehabilitating, it was not until the early 1980s that he began to view historic preservation as a positive tool in his efforts. Brown saw historic preservation as a way to attract additional funding into Parkside, and to foster community pride in the unique architectural treasures in the neighborhood. With the belief that the Historic Preservation Tax Credit could generate economically feasible affordable housing -- and not only the "luxury" Tax Act projects being undertaken in
downtown Philadelphia -- the Parkside Historic Preservation Corporation (PHPC) was formed. Due to PHPC's efforts, Parkside was certified as a National Register Historic District in 1983. Brown's first low-income Tax Act project, the eighteen unit Victorian era Landsdowne Apartment building on Parkside Avenue, was completed only two years later. Brown is especially proud that he was able to achieve the historic rehabilitation of the Landsdowne without displacing the residents and that most of those original eighteen households still remain in the Landsdowne today.

According to Brown, during the early 1980s, the Historic Preservation Tax Credit played a critical role in PHPC's successful low- to moderate-income rental rehabilitations in Parkside by making up the difference between the mortgage value of a project and the actual cost of completing rehabilitation. However, the changes in the tax laws in 1986, which restricted the use of the Historic Preservation Tax Credit, made it more difficult to finance these projects.
To successfully complete low- to moderate-income historic rehabilitation projects in the present economic climate, Brown sees it as necessary to use a variety of funding sources and tax incentives. Although limited federal funds remain available for this type of rehabilitation project, it is necessary to rely increasingly on new partnerships between government entities and private funding sources such as banks, foundations and investors. Brown views the Historic Preservation Tax Credit and the Low-Income Housing Tax Credit as important incentives to attract private funding into Parkside. He also feels that the Community Reinvestment Act (CRA), which mandates the participation of lending institutions in low- and moderate-income developments in their "community", offers tremendous potential for banks to fulfill a greater role in the continued revitalization of Parkside.

According to Brown, a critical aspect of successfully providing low- to moderate-income housing units is the management of the completed project. To meet the needs of a project's residents and to keep the units affordable, it
is necessary to educate those involved in management how to best accomplish these goals. Brown sees his affordable housing developments as an important neighborhood resources designed to stimulate its residents. To fulfill this role, the management of these projects must strive to consider the specific needs and desires of the tenants.

A final essential component contributing to the success of Brown's efforts is his organization's work on the "social" issues important to the neighborhood. He feels that historic preservation helps to establish a positive identity and provides an investment in people of the neighborhood as well as the buildings. His involvement in the community goes beyond providing affordable housing; for example, he helps to provide jobs and training to neighborhood residents and has helped to organize community gardens. He feels that these activities create stronger, more self-reliant neighborhoods.
Pittsburgh History and Landmarks Foundation
Pittsburgh, Pennsylvania

Based on interview with Stanley Lowe, Director of the Pittsburgh History and Landmarks Foundation's Preservation Fund, February 3, 1989.

The Pittsburgh History and Landmarks Foundation was founded in the early 1960s by Arthur Ziegler to preserve historic neighborhoods in Pittsburgh without displacing low- and moderate-income residents. During its first decade, the Landmarks Foundation used local foundation support and federal funding for rental assistance made available through the local housing authority. The organization bought or accepted donated abandoned houses in historic neighborhoods, and used federal subsidies to rehabilitate them for low- to moderate-income renters.

As Landmarks Foundation projects began to revitalize these historic neighborhoods, the organization no longer needed to retain ownership to stabilize the neighborhood. The Foundation began to sell homes to the low- and moderate-income residents; because the homes had been
acquired for little or no initial investment, the organization was also able to offer low-interest loans to these buyers. Over the years, the Landmarks Foundation has been able to reinvest the funds from the sale of these properties, and begin the Preservation Fund, a revolving fund now worth approximately $2 million.

The philosophy of the Landmarks Foundation is to use its funding to help educate and train non-profit community groups in low- and moderate-income historic neighborhoods to become their own advocates. Through the Preservation Fund, the Foundation often provides initial funding for purchasing and rehabilitating properties in an historic area, but works in partnership with the local community group to obtain low-interest loans from local banks and foundations for residents to purchase the properties. The community non-profit is then expected to continue the development of low-to moderate-income housing on its own. Empowering community development groups is thus an important strategy of the Landmarks Foundation.

Another goal of the Landmarks Foundation is homeownership by low- and moderate-income residents. To
achieve this end, the organization has used such methods as arranging with local banks and foundations to offer low-interest mortgages to low- and moderate-income residents, with the Foundation acting as the holder of a second mortgage on the properties. The organization also offers counseling to potential homeowners on their credit history, monthly budgeting, maintenance costs, and other financial matters relating to homeownership.

The Landmarks Foundation has also offered assistance to low- and moderate-income homeowners already living in historic areas by providing design assistance and information on the architectural significance of their properties. The Foundation also advises homeowners on existing sources of low-interest loans for rehabilitation.

With respect to the design issues and quality of work in historic areas, Lowe has not experience any problems in meeting rehabilitation standards in low- and moderate-income housing rehabilitation. He feels that the Secretary of Interior's Standards for Rehabilitation, which set design standards for historically certified resources being rehabilitated using the Historic Preservation Tax
Credit, are flexible enough to make historic rehabilitation affordable. The City of Pittsburgh uses the same standards in its review of historic rehabilitation projects.

In Lowe's experience, the cost of rehabilitating low-cost housing in historic areas is more cost efficient than new construction. He feels that dealing with a known commodity makes it easier to estimate the price of rehabilitation. With new construction, he has found costs invariably higher when considering additional demolition costs, acquisition costs, and taxes accumulated on the vacant land. Lowe does not always view the Historic Preservation Tax Credit and the Low Income Housing Tax Credit as benefits, as the time taken working with the "bureaucracy" administering the credit can cost as much as the credit itself.

According to Stanley Lowe, Director of the Landmarks Foundation's Preservation Fund, a critical aspect of the Foundation's presence in low- and moderate-income neighborhoods is its willingness and ability to deal with a wide array of social problems affecting the quality of life for the residents. As an example, Lowe discussed an
on-going project where the Preservation Fund was providing funds to a neighborhood organization to buy two bars on one block where drug activity had become a major problem. With the help of Fund, the neighborhood community group was obtaining funding from local banks to rehabilitate the buildings, providing a much-needed day care center and a laundry. Lowe feels that his organization provides the training to neighborhood groups to identify the social problems that are impediments to saving existing housing and making it affordable to the residents. Once the problems have been identified, the "empowered" community group can then approach funding sources to deal with the problems.
Leopold Adler founded the Savannah Landmark Rehabilitation Project in 1974 with the following philosophy:

It is far better and cheaper to rehabilitate the sound housing stock that is in the inner city than to build public housing projects that are antiseptic, impersonal, and give no sense of neighborhood. (2)

After more than a decade of involvement with the historic preservation movement in Savannah, Adler was disturbed by the intolerable conditions faced by low-income residents living in the city's Victorian District. The Victorian District, an 800 acre neighborhood with 1291 living units, is located virtually next door to Savannah's National Register Historic District. The houses in the Victorian District were built between 1880 and 1920, and consist of two and three-story wooden structures with
yards, arranged in the grid pattern typical of Savannah.

Working class residents inhabited the area until shortly after World War II, when they left the city for the suburbs -- a low-income and elderly population soon moved into the district. In 1974, eighty-five percent of the low-income occupants of this area were renters, with the remaining fifteen percent being homeowners. The Savannah Housing Authority paid little attention to the Victorian District, a neglect which allowed the rapid deterioration of the historic housing stock.

Savannah Landmark was established to directly address the problems of the Victorian District -- to provide decent, affordable historic housing without displacing the low-income residents. From the beginning, Adler recognized the importance of a broad constituency for Landmark and formed a twenty-six person board representing ethnic diversity, political strength, financial expertise, and neighborhood interests. Adler felt that preservation and affordable housing goals could both be achieved if the entire community worked together.
Initial funding for work in the Victorian District came in the form of a $17,000 grant from the National Endowment for the Arts. This grant was used to have the Victorian District certified as a National Register District, and to purchase three buildings in the neighborhood. Subsequent funding from a local minority bank, a Comprehensive Education and Training Act (CETA) grant, Community Block Grant funds, HUD Section 312 loans and Section 8 Substantial Rehabilitation subsidies allowed Landmark to develop a low-income scattersite rental housing program. By the early 1980s, 300 units had been rehabilitated.

During the 1980s, Landmark continued to use available HUD rehabilitation funding, but, as federal dollars became more scarce, Landmark relied heavily on a public/private partnership between the Ford Foundation and the City of Savannah. The Ford Foundation committed a $750,000 loan to Landmark, conditioned upon the provision of $900 million in matching funds by the city. These funds were used to acquire 260 housing units, using federal funds for rehabilitation for low-income rental units.

In the late 1980s, Savannah Landmark further expanded
its partnership with the private sector, and teamed up with the National Corporation for Housing Partnerships (NHP), a private-for-profit corporation chartered by Congress to stimulate private investment in low- and moderate-income housing. NHP has assisted Landmark in putting together the creative financing packages necessary in this era of scarce federal housing funds. Financing for an ongoing 100 unit Landmark rehabilitation project includes: a low-interest loan from the Ford Foundation; Savannah CDBG funds; HUD funding; below market rate financing from the Federal National Mortgage Association. When this project is finished, a total of 430 low-income rental units will have been provided by Savannah Landmark since 1974, at a cost of $25 million.

From the outset, Adler involved the low-income community in his efforts, and felt that Landmark should provide more than just housing to the Victorian District. He saw to it that a tenants' council was formed and had representation on the Landmark Board. Through Landmark's early CETA funding, local youth learned valuable building trades, and whenever possible, minority entrepreneurs from the area were and continue to be used for rehabilitation.
work. The fourteen person staff of Savannah Landmark handles tenant education and screening, and provides around the clock maintenance services for its tenants.

While Savannah Landmark has been very successful in providing low-cost rental housing in the historic Victorian District, the list of 1500 families waiting for affordable housing units had to be closed over six years ago. And the organization has yet to incorporate into its program the goal of homeownership among low- to moderate-income residents. Adler feels that more federal help is badly needed to deal with similar housing problems in every major city.

************************

The examples of three successful historic preservation/affordable housing non-profit organizations contain several common threads important to the accomplishment of this type of project. These critical "success" factors are discussed below. First, however, it is also important to note that two of the three projects described are not even attempting to address an important
aspect of the affordable housing issue: barriers to homeownership for the low- to moderate-income population. While the federal government is offering some homeownership assistance in the new Affordable Housing Act, it is certainly not sufficient to deal with the problem. It is important for state and local governments, and non-profit housing organizations to become more involved in providing more homeownership opportunities to low- and moderate-income families.

In their successes, however, these three organizations can serve as models for other non-profits interested in historic preservation/affordable housing issues. It is clear that a long-term commitment by the organization to the neighborhood is an important theme -- a commitment not only to providing affordable historic housing, but to assisting the community in dealing with other critical social issues as well. By offering credit and financial counseling, job training, maintenance services and by involving the low- to moderate-income community in decision-making on these projects, neighborhood residents become more self-reliant and begin to feel a stronger sense of identity, cohesion and accomplishment.
It is equally important that community non-profit organizations themselves have the training and management skills to address the complex issues facing housing developers today. With scarce federal resources available, affordable housing developers must be able to put together creative financing packages, often using the Historic Preservation Tax Credit and the Low Income Housing Tax Credit. Once the project is operating, it is also critical that the non-profit have the knowledge to keep the units affordable and the skills to select and educate tenants and/or homeowners to make the project a success.

Finally, the involvement of public/private partnerships and multiple funding sources is one that is clearly necessary for a successful project. During the 1960s and 1970s, when the federal government took the lead in housing programs, it was fairly easy for non-profit community development groups to rely on HUD money for their projects. With the federal government's absence from housing assistance during the 1980s and early 1990s, non-profits must expand their "partnerships" with state and local government, as well as with banks, foundations, and
corporate funding sources.

The successes of these three organizations show that affordable housing and historic preservation are by no means mutually exclusive, and indeed, the marriage of the two creates opportunities for the cost-effective creation of affordable housing units and retention of the rich architectural history of American cities. Historic Preservation can be a unifying force for the community, fostering pride in the past, involvement in the present, and confidence for the future.
A STATE RESPONSE:
A PROPOSED AFFORDABLE HISTORIC HOUSING PROGRAM
FOR THE STATE OF NEW JERSEY

As federal housing funds have decreased over the last decade, states have reluctantly assumed an increasing role in providing programs and funding for affordable housing. While there is general agreement that the federal government must again provide leadership and greatly increased funding to even begin to address the nation's affordable housing need, federal budget problems ensure a prominent role for state governments in the future. New Jersey is well-equipped to continue its leadership role in expanding affordable housing opportunities; from the State Supreme Court's demand for inclusionary zoning in the Mount Laurel cases to the Legislature's enactment of the Fair Housing Act, New Jersey has demonstrated a strong commitment to the goal of affordable housing.

The federal government has provided only a framework and minimal funding for state historic preservation
programs, so that interested states have always had the responsibility of creating methods to accomplish historic preservation. On the state level, New Jersey has not shown the commitment to historic preservation that it has to housing policy. Even though the state created a fund for historic restoration projects through the New Jersey Historic Trust as early as 1967, and provided an additional $25 million from a state bond for preservation activities in 1987, the funding level for state preservation activities has been minimal considering the rich diversity of the state's significant architectural and historical resources. In fact, much of the historic preservation activity in New Jersey has been achieved by non-profit organizations and municipalities. Non-profit organizations and municipalities can and will continue to play an important role in historic preservation, but each should be encouraged to expand these activities to simultaneously achieve important affordable housing goals.

The need for affordable housing in many of New Jersey's historic areas is great -- especially in the state's urban centers. The New Jersey Council on Affordable Housing estimates that ninety-six percent of the
state's present need for affordable housing is found in 37 of the state's poorer urban aid municipalities. (1) At the same time, the opportunities for rehabilitation in these areas are also great. In 1989, the number of vacant housing units in Camden totalled 3222, with 418 units owned by the city; in the same year, Newark's number of city-owned vacant buildings totalled 400, containing a potential 1200 housing units. (2) Both cities are rich in architectural treasures, but pressing economic difficulties have prevented much city-funded preservation activities.

The marriage of historic preservation and affordable housing goals in the following proposed New Jersey state program will provide an opportunity to accomplish important ends in each area. This proposed program is intended to supplement existing housing and historic preservation programs, and to encourage affordable rehabilitation in historic areas of the State.
NEW JERSEY AFFORDABLE HISTORIC HOUSING PROGRAM

A. POLICY AND PURPOSES

1. PUBLIC POLICY STATEMENT

THE AFFORDABLE REHABILITATION AND PRESERVATION OF BUILDINGS OF HISTORIC, ARCHITECTURAL OR CULTURAL MERIT IN LOW- TO MODERATE-INCOME NEIGHBORHOODS WITHOUT DISPLACING THE RESIDENTS IS IN THE INTEREST OF THE PHYSICAL AND MENTAL HEALTH, PROSPERITY AND WELFARE OF THE PEOPLE OF NEW JERSEY.

2. PURPOSES OF PROGRAM

a) To implement a comprehensive state-wide program in which local governments and community-based non-profit organizations receive state assistance and funding to provide affordable housing, to maintain New Jersey's rich architectural heritage and to improve the quality of life for residents through the historically-sensitive rehabilitation of structures in certain low- to moderate-income historic neighborhoods.
b) To identify as potential Affordable Historic Housing Districts low- to moderate-income neighborhoods in which there is a critical need for affordable housing; and in which there is a significant concentration of structurally stable, historically significant housing stock in need of rehabilitation.

c) To set state-wide priorities, according to certain criteria, for the historically-sensitive rehabilitation of historic low- to moderate-income housing stock. These criteria include, but are not limited to: the local need for affordable housing as established by COAH guidelines; structural integrity of housing stock; and historical, architectural and/or cultural significance of buildings.

d) To provide education, technical assistance, and funding to municipalities, non-profit organizations and homeowners in priority Affordable Historic Housing Districts.

e) To ensure that the rehabilitation of low- to moderate-income historic neighborhoods is accomplished
without displacing elderly, long-term and other residents living in the community.

f) To assist in providing homeownership opportunities for low- and moderate-income households through assistance with downpayment and closing costs through low-interest loans.

g) To establish a state-wide Affordable Historic Housing Revolving Fund to serve as a continuous source of funding for municipalities, non-profit organizations and homeowners to participate in the rehabilitation activities established under this program.

h) To encourage municipalities to incorporate the sensitive rehabilitation of historic housing stock into their Fair Share Housing Plans as submitted to the Council of Affordable Housing under the Fair Housing Act.
B. ORGANIZATION OF AFFORDABLE HISTORIC HOUSING PROGRAM

1. OFFICE OF AFFORDABLE HISTORIC HOUSING (OAHH)

   a) The Office of Affordable Historic Housing will be located within the New Jersey Department of Community Affairs (DCA).

   OAHH will be located within the New Jersey Department of Community Affairs (DCA) to take advantage of DCA's considerable expertise in administering affordable housing programs. It will also provide an opportunity for OAHH programs and existing DCA housing programs to work together to allow the most effective and cost-efficient means of accomplishing the purposes of this program.

   b) The OAHH Staff will include, but not be limited to:

   - DIRECTOR OF OAHH; position requirements include experience in affordable housing policy and/or historic preservation.
- PRESERVATION PLANNER(S); position requirements include direct historic preservation experience/and or graduate degree in historic preservation.

- FINANCIAL PLANNER(S); position requirements include professional experience in housing and mortgage finance.

- AFFORDABLE HOUSING PLANNER(S); position requirements include experience in municipal planning, or the provision of housing through activities of a non-profit organization.

c) COORDINATION WITH OTHER STATE OFFICES

The DIRECTOR OF OAHH will meet quarterly with the State Historic Preservation Officer, or a designee from the Office of New Jersey Heritage (ONJH), the Executive Director of the Council on Affordable Housing (COAH), and the Director of the New Jersey Housing and Mortgage Finance Agency (HMFA) to discuss coordination of program activities.
The PRESERVATION PLANNER will serve in a liaison capacity with ONJH, maintaining regular contact between the offices, and provide technical design assistance to homeowners and municipalities receiving funding under OAHH programs.

The FINANCIAL PLANNER will serve in a liaison capacity with HMFA, maintaining regular contact between the offices.

The AFFORDABLE HOUSING PLANNER will serve in a liaison capacity with COAH, maintaining regular contact between the offices.

The intent of this program is to achieve historic preservation goals along with affordable housing and low-income homeownership goals, which requires a working relationship between OAHH staff, Office of New Jersey Heritage (ONJH) staff and New Jersey Housing Mortgage and Finance Agency (HMFA) staff.
2. AFFORDABLE HISTORIC HOUSING ADVISORY COUNCIL (AHHAC)

a) MEMBERSHIP

An AFFORDABLE HISTORIC HOUSING ADVISORY COUNCIL will be established within the Department of Community Affairs, and will consist of nine members appointed by the Governor with the advise and consent of the Senate. The Governor shall appoint a chairperson of the AHHAC from among its members. The members shall serve staggered terms of six years, and will include:

- Two members representing the interests of LOCAL GOVERNMENT, one of whom will represent an urban municipality having a population in excess of 40,000 persons;

- Two members representing the interests of HISTORIC PRESERVATION, one having worked as a professional in the field, and one having experience with a non-profit historic preservation organization;
- Two members representing the interests of HOUSEHOLDS IN NEED OF LOW- AND MODERATE-INCOME HOUSING, one having experience with a non-profit housing organization;

- One member representing a LENDING INSTITUTION;

- One member having expertise in LAND USE PLANNING;

- One member being the DIRECTOR OF THE OFFICE OF AFFORDABLE HISTORIC HOUSING, serving ex-officio.

No more than five AHHAC members will be members of the same political party, and the membership shall be balanced to the greatest extent possible among the various housing regions of the State.

b) MEETINGS

The AHHAC will meet quarterly, and the meeting will be called by the Chairperson, in conjunction with the Director of OAHH.
c) RESPONSIBILITIES

The Responsibilities of the AHHAC include:

1. The review and approval of OAHH staff determinations of priority State "AFFORDABLE HISTORIC HOUSING DISTRICTS", based on criteria in Section C.1. of this program; and

2. The review and approval of applications made by municipalities and/or non-profit housing/historic preservation organizations requesting "AFFORDABLE HISTORIC HOUSING DISTRICT" status, based on criteria in Section C.1. of this program; and

3. The review and approval of rehabilitation grant requests from homeowners, municipalities and non-profit housing/historic preservation organizations for funding under OAHH programs described in Sections D.1. and D.2. of this program; and

4. The review and approval of applications from non-profit housing/historic preservation organizations for
technical assistance provided through the Technical Assistance to Housing/Historic Preservation Non-Profits (TAHN) program, described in Section D.3. of this program; and

5. The review and approval of applications from low- to moderate-income persons to receive assistance from the Homeownership Opportunities for Affordable Historic Housing (HOAH) program, described in Section D.4. of this program.

C. AFFORDABLE HISTORIC HOUSING DISTRICTS

1. Designation

Requests for "Affordable Historic Housing District" status for a neighborhood may be approved by the Affordable Historic Housing Advisory Council according to the following criteria:
a) Certification by the Council on Affordable Housing of an existing need for affordable housing in the municipality in which the prospective District is located; AND

b) The existence of, or the potential for the establishment of, a National Register Historic District, a State Historic District, a local Historic District, or certification by the Office of New Jersey Heritage that the neighborhood contains a significant concentration of intact, "historically significant" residential buildings, as defined by ONJH; AND

c) The existence of a significant number of low- to moderate-income residents living within the District, based on most recent U.S. Census figures.

2. Pre-requisite for Participation in OAHH Programs

Designation of a neighborhood as an "Affordable Housing Historic District" must occur before any of the following entities may participate in any of the programs administered by the Office of Affordable Historic Housing:
the municipality in which the District is located, local non-profit housing/preservation organizations and homeowners within the District.

3. Affordable Historic Housing Demonstration Program

a) The Office of Affordable Historic Housing (OAHH) will identify twenty high priority Affordable Historic Housing Districts, using the above criteria. To the extent possible, these twenty Districts should be balanced among the housing regions of the State, and shall include neighborhoods in which there is an imminent threat of deterioration and/or demolition of historic building stock. The designation of these Districts will be approved by the Affordable Historic Housing Advisory Council.

b) OAHH will notify the municipal government in each of the twenty high priority Affordable Historic Housing Districts of their designation and eligibility to participate in the programs administered through the OAHH.

c) The municipal government will be asked to post a Notice of Designation as an Affordable Historic Housing
District, along with a description of the activities administered by the OAHH, in the municipal building and to publish the same notice in two local newspapers.

d) During the first year of the Affordable Historic Housing Program, applicants in the designated high priority Affordable Historic Housing Districts will receive priority consideration by the Affordable Historic Housing Advisory Council when applying for participation in OAHH programs.

e) At the end of the first year of the Program, OAHH will undertake an evaluation of the success of the Program activities based on the participation of the high priority Districts.

D. ACTIVITIES OF THE AFFORDABLE HISTORIC HOUSING PROGRAM

1. Historic Affordable Rental Rehabilitation Program (HARRP)

   a. The purpose of this program is to offer assistance in the form of low-interest loans and grants to municipalities and community-based non-profit housing/historic preservation groups for rehabilitation of
rental units in historic buildings located in Affordable Historic Housing Districts.

b. HARRP funds may be used for acquisition, rehabilitation, and associated costs such as engineering, surveying and architectural fees. HARRP funds must be matched by at least 25% with private funding sources, such local lending institutions, foundations or corporations. This requirement is to encourage the establishment of public/private partnership for such projects.

c. HARRP funds must be used to rehabilitate "affordable" housing as defined by the New Jersey Council on Affordable Housing. Housing must be maintained as affordable for at least ten years after rehabilitation is completed. If affordability is not maintained for required period of time, the municipality or non-profit receiving assistance must immediately pay back rehabilitation loan at fair market rate established by HMFA.

d. Plans for affordable historic rehabilitation using HARRP funds must be approved by the Office of New Jersey Heritage, based on the Secretary of Interior's Standards
for Rehabilitation.

e. Funding for HARRP: 5% of federal affordable rental rehabilitation funds received by the State through the new National Affordable Act shall be reserved for HARRP.

2. Rehabilitation of Affordable Historic Homes (RAHH) Revolving Fund

a. RAHH Revolving Fund provides low-interest loans and grants to low- and moderate-income homeowners living in areas designated as Affordable Historic Housing Districts for costs of rehabilitation.

b. Plans for rehabilitation by low- to moderate-income homeowners using RAHH funds must be approved by OAHH staff. Design guidance for the homeowner will be available from OAHH staff.

c. Funding for RAHH: $500,000 seed money from the $8 million in funding allocated for the Neighborhood Preservation Nonlapsing Revolving Fund in N.J. Assembly Bill No. 4379, the Housing and Jobs Bond Act of 1991, and
5% each subsequent year from NPBHP funds.

d. Municipalities in which Affordable Historic Housing Districts are located are required to provide low- to moderate-income homeowners participating in the RAHH program with a property tax abatement in which property tax assessment would be frozen at pre-rehabilitation value for five years following rehabilitation, and at the end of the five year period, any increase in property taxes due to a new assessment will be phased in during a five year period.

3. Technical Assistance to Housing/Historic Preservation Non-Profits (TAHN)

a. The TAHN program will provide grants to partially fund administrative costs for community-based housing/historic preservation non-profit organizations operating within an Affordable Historic Housing District.

b. OAHH will offer no-cost training programs and technical assistance for non-profit housing/historic preservation organizations in such areas as: board of
directors development; acquisition of historic buildings; creative financing for rehabilitation; construction management; historic building design guidelines; and tenant screening.

c. TAHN grants must be matched by at least 25% in funding from private funding sources, such as lending institutions, foundations, corporations and donations; and/or from public funding sources. This provision is to encourage expanded partnerships between non-profit organizations, municipalities, the State, and private funding sources.

d. Funding for the TAHN program: Existing DCA program providing technical assistance to non-profit housing developers will be expanded to include non-profit housing/historic preservation organizations in Affordable Historic Housing Districts.

4. Homeownership Opportunities for Affordable Historic Housing (HOAH)

a. Low- to moderate-income homebuyers purchasing
Historic homes in Affordable Historic Housing Districts are eligible to receive assistance for the purchase of the home.

b. Grants will be available to low- to moderate-income homebuyers in these Districts to cover downpayment and closing costs, provided that homebuyer pays at least one percent of cost of acquisition.

c. Assistance in the form of low-interest loans will be available through the New Jersey Housing and Mortgage Finance Agency to homebuyers in Affordable Historic Housing Districts.
CONCLUSION

The affordable housing/historic preservation program described in this Chapter provides a feasible method for New Jersey to encourage the rehabilitation of historic housing stock to provide affordable housing in the areas of the state where the need for low-cost housing is the greatest.

In designing this program, the following goals were pursued:

1. To expand upon the role of rehabilitation in New Jersey state housing programs. The state already incorporates rehabilitation into its housing policies; this program would broaden the type of rehabilitation activity encouraged and funded by the state through incentives for low-cost rehabilitation in historic areas.

2. To take advantage of the rehabilitation incentives and the new opportunities for non-profit community development organizations provided in the new National
Affordable Housing Act described in Chapter Two. While the importance placed on rehabilitation in federal housing policy has been cyclical over the years, the new federal housing law passed late in 1990 strongly encourages rehabilitation over new construction whenever possible. The law also elevates the role of the non-profit community development corporation by requiring each state to set-aside a portion of its federal housing funds for such organizations. The Affordable Historic Housing Program proposed in this Chapter attempts to take advantage of these opportunities by creating a special role in New Jersey for historic preservation/affordable housing non-profit organizations.

3. To broaden the activities of and funding for historic preservation non-profit organizations.

Community-based non-profit organizations have been very successful in their attempts to preserve historic resources nationwide and in New Jersey. The proposed Affordable Historic Housing Program expands the traditional activities of New Jersey historic preservation non-profits by creating important opportunities and incentives for these organizations to undertake projects in the older urban
centers of the state.

4. To draw upon examples of the three successful historic preservation/affordable housing organizations described in Chapter Six in creating the Affordable Historic Housing Program. The earlier discussion of three non-profit organizations helped to determine that the following factors were among those most important to the success of that type of organization: a commitment to the improve the housing and social fabric in the communities in which they work; an expertise in management and financial matters necessary for funding housing and historic preservation projects; and the ability and opportunity to establish new public/private partnerships for funding and management purposes.

5. Whenever possible, to use existing state funding mechanisms described in Chapter Five. Several existing or proposed state housing policies and programs presently provide a framework and funding source for rehabilitation. The proposed Affordable Historic Housing Program makes use of these funding sources whenever possible, so that new historic preservation/affordable housing activities will
not overburden the state's budget resources. To implement the proposed program, it would be necessary to establish new priorities in the areas of housing and historic preservation.

6. To take advantage of the commitment of the state to pursuing affordable housing goals. All three branches of New Jersey state government have demonstrated a strong commitment to providing affordable housing. The proposed Affordable Historic Housing Program allows the pursuit of this goal in a new and innovative direction, using the renewable resource of historic housing stock in the state's older urban centers.
Federally Subsidized Total Housing and Rehabilitation Production (Direct Assistance): United States 1954 to 1983

<table>
<thead>
<tr>
<th>Year</th>
<th>Subsidized Housing Production</th>
<th>Rehabilitation Production</th>
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<tr>
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<td>NA</td>
<td>10,000 cumulative</td>
<td>NA</td>
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<tr>
<td>1961</td>
<td>36,200</td>
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<td>429,790</td>
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<td>277,390</td>
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<tr>
<td>1982</td>
<td>240,305</td>
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<tr>
<td>1983</td>
<td>69,612</td>
<td>11,452</td>
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</tr>
</tbody>
</table>

Note: Numbers are approximate and are based on different sources (see below). Does not include CDBG-aided rehabilitation. Data for 1954 to 1960 period shown by calendar years. Data for 1969 to 1983 period shown by fiscal years.

NA = information not available  
e = estimated


THE SIX HOUSING REGIONS OF NEW JERSEY

Appendix #2

## Glossary of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
</table>
| AHHAC   | Affordable Historic Housing Advisory Council  
(proposed New Jersey program) |
| COAH    | New Jersey Council on Affordable Housing, (state agency in the Department of Community Affairs) |
| CDBG    | Community Development Block Grant (administered by the U.S. Department of Housing and Urban Development) |
| CETA    | Comprehensive Education and Training Act |
| CRA     | Community Reinvestment Act |
| DCA     | New Jersey Department of Community Affairs |
| FHA     | Federal Housing Administration |
| FMR     | Fair market rate |
| HARRP   | Historic Affordable Rental Rehabilitation Program  
(proposed New Jersey program) |
| HASCO   | New Jersey Housing Assistance Corporation |
| HMFA    | New Jersey Housing and Mortgage Finance Agency |
| HOAH    | Homeownership Opportunities for Affordable Historic Housing (proposed New Jersey program) |
| HRTC    | Historic Rehabilitation Tax Credit |
| HPF     | Historic Preservation Fund (administered by the U.S. Department of the Interior) |
| HUD     | U.S. Department of Housing and Urban Development |
| ICVF    | Inner-City Ventures Fund (administered by the National Trust for Historic Preservation) |
| NHPA    | National Historic Preservation Act of 1966 |
| NHP     | National Corporation for Housing Partnerships |
| NPBHP   | Neighborhood Preservation Balanced Housing Program  
(New Jersey state program administered by the Department of Community Affairs) |
<p>| NPLF    | National Preservation Loan Fund (administered by the U.S. Department of the Interior) |
| OAHH    | Office of Affordable Housing (proposed New Jersey program) |
| ONJH    | Office of New Jersey Heritage (New Jersey State Historic Preservation Office within the Department of Environmental Protection) |
| PHPPC   | Parkside Historic Preservation Corporation |
| RAHN    | Rehabilitation of Affordable Historic Homes Revolving Fund (proposed New Jersey program) |</p>
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCA</td>
<td>Regional Contribution Agreement (mechanism for municipalities to transfer low-income housing obligation under the New Jersey Fair Housing Act)</td>
</tr>
<tr>
<td>SHPO</td>
<td>State Historic Preservation Office</td>
</tr>
<tr>
<td>TAHN</td>
<td>Technical Assistance to Housing/Preservation Non-Profits (proposed New Jersey program)</td>
</tr>
<tr>
<td>UDAG</td>
<td>Urban Development Action Grant (administered by the Department of Housing and Urban Development)</td>
</tr>
</tbody>
</table>
Chapter 1. INTRODUCTION

5. Ibid, p.74.

Chapter 2. AFFORDABLE HOUSING: A NATIONAL PERSPECTIVE

3. Joint Center for Housing Studies, p. 3.
5. Joint Center for Housing Studies, p. 5.
Chapter 3. FEDERAL HISTORIC PRESERVATION PROGRAMS


3. Ibid, p. 5.


6. Preservation Action briefing sheet, "The Historic
Chapter 4. AFFORDABLE HOUSING: THE NEW JERSEY PERSPECTIVE

2. Ibid.
8. Ibid.
14. Ibid.
15. Opalski interview.

Chapter 5. NEW JERSEY HOUSING AND HISTORIC PRESERVATION PROGRAMS

3. Information supplied by the New Jersey Department
Chapter 6. SUCCESSFUL STRATEGIES: NON-PROFITS PLAY A ROLE


Chapter 7. A STATE RESPONSE: THE NEW JERSEY AFFORDABLE HISTORIC HOUSING PROGRAM


2. Information supplied by the Camden Office of Housing; information supplied by the Newark Office of Housing.
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Unpublished Materials:


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Anne & Jerome Fisher
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