

NEWARK/ESSEX COUNTY NSP II CONSORTIUM



LEAD APPLICANT: City of Newark

CONSORTIUM MEMBERS:

The County of Essex
The City of East Orange
The City of Irvington
The City of Montclair
The Township of Orange
Brand New Day, Inc. (BND)
Don Pedro Development Corporation, Inc. (DPDC)
Episcopal Community Development (ECD)
Housing and Neighborhood Development Services, Inc. (HANDS)
HOME Corp, Inc.
Ironbound Community Corporation, Inc. (ICC)
Make it Right Foundation
Unified Vailsburg Service Organization, Inc. (UVSO)
The Community Loan Fund of New Jersey

CONSORTIUM PARTNERS

Fairmount Heights Development Corporation/HPDC, Inc.
Michaels Development Corporation
RPM Development Corporation

Application Overview

Newark/Essex County NSP2 Consortium

Narrative Description Summary

In November of 2007, the City of Newark and the County of Essex created a unique regional public-private collaborative to address the escalating challenges associated with the dramatic increase in home foreclosures. The Newark/Essex Foreclosure Task Force was established to work on the full spectrum of foreclosure issues, from homebuyer counseling and education to foreclosure prevention to mitigating the impact of foreclosures on individuals and neighborhood quality of life. The Task Force has included ongoing participation of community development staff from the Newark metropolitan area, NeighborWorks America, Enterprise Community Partners, the Local Initiative Support Corporation, the U.S. Department of Housing and Urban Development, the Federal Reserve Bank of New York, the New Jersey Housing Mortgage Finance Agency and Department of Banking and Insurance, researchers at Rutgers Bloustein School of Planning and Public Policy, attorneys at Legal Services of New Jersey and the Seton Hall Law School, and more than a dozen local nonprofit counseling and community development agencies. The Task Force has convened hundreds of volunteers to canvas low income neighborhoods with outreach and referral material, convened “Work Out” Fairs serving over 1000 homeowners from across the region, including two events sponsored by the national Hope Now Alliance, and increased access to trained foreclosure counselors for hundreds of our residents.

This NSP2 application is an extension of the sustained, effective metropolitan collaboration that was started with the Newark/Essex County Task Force. The City of Newark will serve as the Lead Applicant under NSP2 with the following Consortium members and for-profit partners:

- The County of Essex
- The City of East Orange
- The City of Irvington
- The City of Montclair
- The Township of Orange
- Brand New Day, Inc. (BND)
- Don Pedro Development Corporation, Inc. (DPDC)
- Episcopal Community Development Corporation (ECD)
- Housing and Neighborhood Development Services, Inc. (HANDS)
- HOME Corp, Inc.
- Ironbound Community Corporation, Inc. (ICC)
- Make It Right Foundation
- Unified Vailsburg Service Organization, Inc. (UVSO)
- The Community Loan Fund of New Jersey
- Fairmount Heights Development Corporation/HPDC, Inc.*
- Michaels Development Corporation*

- RPM Development Corporation*
**For-profit "partners"*

The Consortium members and partners have collectively been responsible for providing financing for approximately 2,700 units of affordable housing, acquiring and rehabilitating over 900 units, and redeveloping approximately 2,600 units of affordable housing over the last two-year period. (See attached Table II.) In total, Consortium members and partners have produced over 35,000 units of high quality, affordable housing. The Consortium includes several members and partners that are national leaders in the design and development of housing that is energy efficient and ecologically sustainable, members that have extensive experience in providing homebuyer counseling and education, extensive experience developing and implementing comprehensive neighborhood-based revitalization plans, marketing and management of affordable homes and apartments and integrating employment and training opportunities in all their work.

The Consortium has entered into an agreement with the National Community Stabilization Trust to provide assistance in the acquisition and financing of REO properties. In addition to allowing the Consortium to participate in the NCST "first look" program with member banks, the NCST has provided a commitment of \$15 million for Newark/Essex County NSP2 Consortium stabilization activities. The Consortium has also established a relationship with National Development Council, a national leader in technical assistance to state and municipal governments, to provide critical support to strengthen local grant administration, oversight and management systems to ensure the Consortium's NSP2 program complies with all federal grant requirements and industry best practices.

The Consortium is applying for \$45,060,000 in NSP2 funds to acquire, rehabilitate or redevelop 203 foreclosed, abandoned or vacant properties in 11 targeted neighborhoods in five cities, creating 654 units of affordable or workforce housing, in addition to over 238 units to be produced through NSP1 funds already made available in these neighborhoods. NSP2 funds will directly leverage over \$74 million of other public and private investment, and will be coordinated with at least \$530 million of additional infrastructure and community development investment in the targeted neighborhoods.

Neighborhood Stabilization Strategy Summary

Essex County has historically been an economic engine in Northern New Jersey, with strong employment and housing markets. However, a number of neighborhoods in urban Essex County have struggled for many years with divestment and neglect, leaving them particularly vulnerable to the wave of aggressive, irresponsible mortgage lending that flooded the housing market between 2004 and 2007. The resulting concentrations of foreclosure and abandonment in these neighborhoods threaten to deepen the poverty of neighborhood residents, and to disconnect them even more from the economic opportunities available in the relatively strong Essex County and New York City metropolitan area. Without intervention, pockets of deteriorated, vacant housing will

continue to spread, displacing former homeowners and tenants, weakening the tax base, and undoing years of progress toward neighborhood redevelopment. With strategic reinvestment, however, these neighborhoods can be reconnected to the stronger regional employment and housing markets present in Essex County.

The five municipalities that make up the heart of urban Essex County – Newark, Orange, East Orange, Irvington and Montclair – have identified the following neighborhood stabilization principles to guide efforts to reconnect targeted low-income neighborhoods to the broader housing and employment markets:

- Strategic targeting of limited financial resources to maximize impact;
- A comprehensive neighborhood development approach that supports housing development with public infrastructure investment, promotion of healthy communities, connection to employment and training initiatives, and opportunities for civic engagement;
- Ongoing collaboration among local planning, community development and elected officials in the metropolitan area, as well as with community development groups and neighborhood organizations, to address the shared threats and challenges to sustainable homeownership and neighborhood quality of life.

The Consortium’s NSP2 activities will apply these stabilization principles in neighborhoods of urban Essex that have been severely affected by the rise and collapse of the sub-prime lending market to reconnect the housing and employment markets to the stronger regional economy.

Currently, there are 1,588 REO properties in Essex County, with an estimated 6,000 *lis pendens* claims filed in 2008 alone. Given the large number of foreclosed and abandoned properties in urban Essex, and limited public and private funding, efforts to acquire, demolish, rehabilitate and redevelop properties with NSP2 funds must be targeted and focused carefully. The consortium has identified target neighborhoods based on the nexus of four characteristics:

- 1) Need, as determined by HUD needs scores, high rates of foreclosed and abandoned homes, high housing cost burden and low socio-economic status of residents;
- 2) The presence of active, committed community development organization with capacity for real estate development and physical rehabilitation as well as a history of working in targeted communities to maximize resident engagement, neighborhood planning and organizing;
- 3) Sufficient existing or planned public and private institutions and investments to support ongoing neighborhood development once the rehabilitation projects have been completed; and
- 4) An availability of neighborhood services and amenities, including good

access to public transportation, to maximize market feasibility and ensure that affordable, green and sustainable homes that are produced will be absorbed by the market.

Targeted, Comprehensive Neighborhood Development

Based on the above criteria, the Consortium has targeted 11 neighborhoods, encompassing 24 census tracts, which are best positioned for effective, targeted neighborhood stabilization (see attached Table I.) Within these target areas, the consortium has identified 203 specific properties which, when rehabilitated or redeveloped, are most likely to have a catalytic influence within the neighborhood. Properties have been deemed “strategic” for neighborhood stabilization purposes to the extent that they are:

- In an extremely deteriorated or boarded condition and unlikely to be acquired and repaired within a reasonable time by profit motivated actors;
- In a high-visibility location, such as on neighborhood commercial corridors, near schools, libraries, public transit stops, places of worship, or other high traffic areas; and
- Clustered rather than scattered, and close to other supportive public and private investments including stores, schools, or streetscape improvements.

The Newark/Essex County Consortium has identified the following priorities for its NSP2 program (with NSP2 budgeted amounts indicated):

- Financing Acquisition and Redevelopment (up to \$4,251,000)
- Purchase and Rehabilitate Residential Properties (\$23,855,000)
- Demolition of Blighted Structures (\$390,000)
- Redevelopment of Vacant Property (\$18,265,000)
- Program Marketing and Property Management
- Neighborhood Planning and Organizing

The NSP2 activities to be conducted by the Consortium will be complemented by several programmatic activities – including green job employment training, construction skills training, and financial literacy and credit repair – to ensure that the rehabilitation and redevelopment of properties will have a lasting impact on the quality of life of the targeted neighborhoods and re-connect the neighborhoods to the broader, more vibrant employment and housing markets in Essex County.

**Table I
Target Neighborhoods and Census Tracts**

Neighborhood	City	Census Tracts	HUD Foreclosure Need Score	HUD Vacancy Score	Average Max Score
Greenwood	East Orange	108	20	20	20
Greenwood	East Orange	103	20	20	20
Clinton Hill	Irvington	131	20	20	20
East Ward	Irvington	132	20	20	20
South End	Montclair	171	18	20	20
South End	Montclair	172	18	14	18
West Ward Pilot	Newark	13	20	19	20
West Ward Pilot	Newark	14	20	19	20
West Ward Pilot	Newark	17	20	19	20
Lower Broadway	Newark	89	20	16	20
Lower Broadway	Newark	91	19	17	19
Lower Broadway	Newark	93	19	17	19
Vailsburg	Newark	23	19	16	19
Vailsburg	Newark	24	20	20	20
Vailsburg	Newark	25	20	19	20
Clinton Hill	Newark	41	20	19	20
Clinton Hill	Newark	42	20	18	20
Clinton Hill	Newark	54	20	17	20
S. Ironbound	Newark	68	19	16	19
Springfield-Belmont	Newark	62	19	19	19
Central Valley	Orange	189	20	14	20
Central Orange	Orange	183	20	13	20
Central Orange	Orange	184	20	19	20
Central Orange	Orange	186	20	17	20

**Table II
Threshold Capacity Summary**

NSP2 Eligible Use	Eligible Use A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes	Eligible Use B. Purchase, rehabilitate homes that have been abandoned or foreclosed upon	Eligible Use D. Demolish blighted structures	Eligible Use E. Redevelop demolished or vacant properties as housing
East Orange	114	NA	20	NA
Essex County	85	NA		NA
Irvington	51	NA	20	NA
Montclair		NA	1	NA
Newark	525	NA	40	NA
Orange		NA		NA
Brand New Day			2	9
Don Pedro		17	2	36
ECD		9	0	122
Fairmount/HPDC		120		1,051
HANDS		70	4	12
HomeCorp*		0	0	10
ICC*		0	0	80
Make It Right		0	0	6
Michaels		650		1133
NJCC	1929			
RPM		31	125	128
UVSO		22	0	0
TOTAL	2704	919	214	2587

*Partially complete - Under construction