

2008 NATIONAL COUNCIL OF STATE HOUSING AGENCIES

NCSHA SPECIAL ACHIEVEMENT AWARD

Entry Description

HMFA is hereby nominated for the NCSHA Special Achievement Award for its role in rescuing a failing housing project and thereby saving 115 families from homelessness in the City of Camden, NJ.

BACKGROUND:

The City of Camden, New Jersey was once a thriving hub of industrial age activity. At its peak, Camden was home to the New York Shipbuilding Corporation, RCA, Campbell's Soup Co. and General Electric. But by 1969, the picture of Camden as the economic and transportation center of the Philadelphia area and its position as a thriving metropolis with its thoroughfares overflowing with retail merchants, customers and residents was giving way to a more gloomy landscape. Camden today bears the scars of a quarter century of job loss and out migration due in large part to urban decay, highway construction, and racial tensions that have led to widespread poverty and crime. In recent years, Camden has been better known to America as a frightening statistic – in 2002, Camden was ranked the third-most dangerous city in the United States. In 2004 to 2005, it held the dubious distinction of being ranked the most dangerous city in America.

The residents who have remained in Camden face acute challenges in their daily lives. According to the 2000 Census, 79,904 people reside in Camden. In the 1950s, Camden's population was 125,000. The City's median household income is \$18,007, the lowest of all U.S. communities with populations over 65,000, making Camden America's poorest city. Compare this to the New Jersey statewide average median income of \$55,146 which is ranked highest in the country. Although New Jersey is one of the wealthiest states in the Union with an average per capita income of \$27,006, according to 2000 Census figures, the City of Camden's per capita income is a mere \$9,815. Based on 2006 data from the U.S. Census Bureau, 44% of the city's residents live in poverty, the highest rate in the nation.

Within this context, the New Jersey Housing and Mortgage Finance Agency (Agency or HMFA), along with other state agencies and non-profit organizations, has prioritized the economic redevelopment and urban revitalization of Camden. One HMFA project in particular is worthy of NCSHA's Special Achievement Award. The involvement of the Agency, our huge commitment of time, staff expertise and resources, is a testament to the particular challenges faced by the Agency in providing safe, good quality and affordable housing opportunities for the people of Camden, especially North Camden, where this project is located. North Camden continues to be one of the most, if not the most, economically and socially depressed areas of the City. The Agency's ability to stabilize a homeownership and rental housing project in North Camden, that was on the verge of facing multiple foreclosures, prevented 115 families in Camden from becoming homeless.

New Jersey Housing & Finance Mortgage Agency (NJHMFA)
Special Achievement Award Nomination

THE PROJECT:

In 2006, several residents of a scattered site project consisting of 90 rental and 25 “rent-to-own” homes run by the North Camden Land Trust (NCLT), a non-profit organization in North Camden, approached the state Department of Community Affairs (DCA) seeking its intervention. The NCLT properties were falling into disrepair and it had become clear that the NCLT management no longer had the financial capacity to maintain the properties. From 2004 onwards, NCLT had stopped paying their mortgages in favor of trying to keep up with their taxes and utility payments. NCLT thus fell into arrears on various bank and commercial mortgages eventually prompting foreclosure actions by the banks. Without funding to make repairs to units, to prepare to re-rent or to abate property maintenance violations from the City, NCLT had begun to board up units.

DCA immediately turned the project over to HMFA and by that time in early 2006, the NCLT was deeply behind in its tax payments on the properties and all the commercial lenders had filed foreclosure actions. HMFA staff had to quickly work out a plan of action including: urging the banks not to move ahead with the foreclosures; preventing the displacement of the families and preserving the housing units for the long term. Without HMFA’s intervention, all of the residents stood to lose the homes they were renting but some also stood to lose not only their rental properties but also the equity they had accumulated from the “rent-to-own” program. Participating residents in the rent to own program earned equity each month with the ultimate goal of homeownership which was now in jeopardy.

In July of 2006, HMFA staff began meeting with the management staff of NCLT and its Board to develop a plan to preserve the housing, stabilize the community and institute an outside manager for the properties since it had become clear that NCLT no longer had the capacity to manage its properties and that the properties had suffered from years of neglect. NCLT was created with a unique legal structure that allowed residents to have a voice and a vote in the management of the properties, including any sale of land owned by the NCLT. Unfortunately, by 2006 the Board was defunct and the residents were either apathetic or angry as to the state of NCLT.

HMFA’s first action was to reconstitute the NCLT Board so that it would have the legal capacity to act and, just as importantly, the Agency had to revive the interest of the NCLT residents who had become frustrated and also scared at the prospect of losing their homes. HMFA was able to identify a non-profit, faith based organization, Lutheran Social Ministries of New Jersey, Inc. (LSM) that it believed would be a good candidate to take over management of the properties. Begun as an orphanage in 1904, LSM had since broadened its focus to provide an array of services ranging from affordable housing and retirement living to immigration assistance and adoption services. At the time that HMFA approached LSM about managing the NCLT properties, LSM had already been developing affordable housing and providing social services in North Camden for many years.

Phase I of the project consisted of abating all city and state property violations and stabilizing the project. HMFA and DCA committed considerable financial and technical resources in order to accomplish this. Over \$1 million of loan funding was provided through the DCA's Neighborhood Preservation Balanced Housing Program for repairs to the rental units; over \$200,000 in grant funding was provided by the DCA's Office of Housing Advocacy to LSM for management expenses incurred in stabilizing the project and \$530,000 in loans were provided by the HMFA for the repair and transfer of the rent-to-own units to the residents. HMFA championed the allocation of these funds to this project and once they were secured, HMFA managed the efficient distribution of these public resources. In fact, as a result of HMFA's management, only \$500,000 of the \$1 million loan from the Neighborhood Preservation Balanced Housing Program had to be spent for repairs to the rental units.

A key part of stabilizing the project was consolidating the debt that was encumbering the project. The project had accumulated bank and institutional loans from five different financial entities; it had 3 outstanding government loans and it also had tax liens which needed to be redeemed in order to clear title on the properties. HMFA was successful in obtaining the support of The Reinvestment Fund (TRF), one of the lenders to the NCLT, which agreed to help consolidate and reduce the payoff amounts on the loans and then act as mortgagor on the entire debt load. The state contributed almost \$2 million in loans, again through the Neighborhood Preservation Balanced Housing Program, to consolidate the bank and commercial debt as well as to pay off the tax and municipal liens.

Phase II of the project, which is ongoing at this time, consists of preserving the properties for the long term and transferring the rental units to LSM for rehabilitation. To finance this phase, LSM received an allocation of over \$1.56 million in Federal Low Income Housing Tax Credits to complete a full renovation of the 90 rental units. In addition, the state's Neighborhood Preservation Balanced Housing Program has provided a grant of \$5.5 million towards the rehabilitation effort. Construction on these units has begun and will be completed by December 2009. With regard to the 25 "rent-to-own" units, HMFA funded this initiative in the amount of \$530,000 and by July of 2008, had successfully transferred all the units to the residents enabling them to fulfill their dream of homeownership.

IN CONCLUSION:

While this project can be seen from one perspective to have had a narrow, very specific benefit to 115 families in a small corner of the state, the challenges that the City of Camden faces, reverberate statewide. The Agency, as well as other state departments and the Legislature, have committed significant time and financial resources over the years, to pursuing the redevelopment of the City of Camden which has the potential to once again become our gateway to the West. NCLT is only one project of many in which HMFA has invested in the City of Camden but it has been one of our most challenging and at the same time, it has been one of the most uplifting. Against all odds, and thanks in large part to the efforts of HMFA's dedicated staff, 115 families in the poorest city in America have a chance to reclaim their futures. That is indeed a special achievement.