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N.J. Dems outline proposal allowing towns to turn foreclosed homes into affordable housing

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By Matt Friedman/Statehouse Bureau



AP File Photo

Senate and Assembly Democrats today outlined a proposal to let towns purchase foreclosed homes and turn them into affordable housing.

TRENTON — Two senior Democrats today outlined a measure to let municipalities and a state corporation buy foreclosed homes and offer them to low- and moderate-income residents in an effort to increase the supply of affordable housing and reduce the number of vacant houses.

The bill (**S1566**), which was introduced last week by Lesniak and state Sen. Barbara Buono (D-Middlesex), would form the New Jersey Foreclosure Relief Corporation — with a five-year life span — to buy foreclosed homes.

Under the proposal, municipalities where the houses are situated would have 45 days to decide whether to buy the houses through the state's \$268 million affordable housing trust fund. If they did, they would get a two-for-one credit against their affordable housing obligations.

Part of the financing would also be provided by \$75.5 million the state is expected to get from a federal and state settlement over an investigation into allegedly abusive foreclosure practices by the nation's largest mortgage providers.

"It's so much more than housing and boarded up homes," state Sen. Raymond Lesniak (D-Union), chairman of the Economic Growth Committee, said at a news conference. "It's a drag on our economy. It's a drag on property values in neighborhoods. It's a drag on peoples' wealth, which is then a drag on their consumer confidence, which is a drag on our economy."

If municipalities decided not to buy the vacant homes, the corporation would be able to purchase them through federal and state financing sources and deed restrict them as affordable housing for three decades.

The corporation would also be able to issue bonds to buy and sell vacant foreclosed houses with the aim of selling them at market rates.

Assemblyman Jerry Green (D-Union), chairman of the Housing and Local Government Committee, said he also planned to introduce a version of the measure. "I want to make sure government and the nonprofit organizations have a big say in this process," he said.

Lesniak said the measure, which will be taken up by his committee Thursday, would create more than 10,000 new affordable homes, though he conceded it would not solve the state's tangled affordable housing policy.

"It does not address the ongoing complex, incomprehensible and so far insolvable (Council on Affordable Housing) obligations of municipalities, but it will make those obligations more readily attainable," he said.

The best way to provide affordable housing has long divided interest groups in New Jersey, but Lesniak's proposal drew a favorable response from various factions. The state League of Municipalities, the New Jersey Bankers Association, the New Jersey Realtors Association, and the New Jersey Builders Association all indicated support for the measure.

Affordable housing advocates — often at odds with some of those groups — also embraced it despite reservations.

Staci Berger, director of policy and advocacy for the Housing and Community Development Network of New Jersey, said the bill was a "great idea," although she was troubled by the two-for-one match for affordable housing obligations.

"We don't want to give away the store," Berger said.

Kevin Walsh, associate director of the Fair Share Housing Center, also called the bill "overall positive," but he, too, said the two-for-one provision was problematic.

"It seems like it's intended to get the cooperation of wealthier municipalities," he said.

But Lesniak said the incentive was needed because "just new development does not have the extra bang that improving these neighborhoods does."

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