

# LONG-TERM RECOVERY OF RENTAL HOUSING:

A Case Study of Highly Impacted  
Communities in New Jersey after  
Superstorm Sandy

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NATIONAL LOW INCOME  
HOUSING COALITION

*North  
Atlantic  
Ocean*

# LONG-TERM RECOVERY OF RENTAL HOUSING:

A Case Study of Highly Impacted Communities in New Jersey after Superstorm Sandy

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## ABOUT NLIHC:

Established in 1974 by Cushing N. Dolbeare, the National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that ensures people with the lowest incomes in the United States have affordable and decent homes. NLIHC educates, organizes, and advocates to ensure decent, affordable housing for everyone.



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## Contents

- 3** Introduction
- 3** Background
- 5** Previous Research on the Recovery of Rental Housing
- 6** Methods and Data Sources
- 6** Findings
- 12** Considerations for Future Policy Development and Research
- 14** Conclusion
- 14** References
- 16** Appendices

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## Introduction

During a three-year period between August 2016 and August 2019, nine disasters in the U.S. caused damages of at least \$10 billion each, including wildfires in California, flooding in Louisiana, and Hurricanes Harvey, Irma, Maria, Florence, and Michael (NOAA, 2019). Climate-change experts expect the frequency and intensity of such events to increase.

Renters are potentially more vulnerable to harm from these events than homeowners. Renters have lower incomes, fewer financial resources, and fewer neighborhood social networks to plan for and recover from disasters (Lee & Van Zandt, 2019). When their homes are damaged, renters have little, if any, control over their repair because they do not own the properties. Low-income renters are at even greater risk because rental housing affordable to them is often of lower physical quality and located in less desirable and risk-prone areas (Rumbach & Makarewicz, 2016; Lee & Van Zandt, 2019).

The few studies that have examined the recovery of rental housing after disasters underscore these challenges. Evidence indicates that rental housing suffers greater storm damage and recovers more slowly than owner-occupied homes, with multifamily housing and duplexes faring worse (Peacock et. al., 2014). Without public subsidies for recovery, affordable housing for low-income households is likely to be lost because of the costs of repair and rebuilding. Government recovery resources, meanwhile, have tended to skew towards homeowners (GAO, 2010; Spader & Turnham, 2014).

To better understand the barriers to the recovery of affordable rental housing after disasters, the National Low Income Housing Coalition (NLIHC) conducted a case study focused on recovery programs and outcomes in New Jersey after Superstorm Sandy. More than 16,500 rental homes were damaged throughout the state, many of them concentrated in three counties. Our key findings and recommendations include:

“DEEP HOUSING SUBSIDIES SHOULD BE AVAILABLE DURING RECOVERY FOR DEVELOPMENTS THAT INCLUDE AFFORDABLE RENTAL HOMES FOR EXTREMELY LOW-INCOME RENTERS.”

- Deep housing subsidies should be available during recovery for developments that include affordable rental homes for extremely low-income renters.
- Government agencies should provide longer-term rental assistance of more than two years during recovery, given the length of time required for the construction and rehabilitation of affordable multifamily housing.
- States or local municipalities should consider rental registries which include location, number of units, and owners to reliably identify rental properties, including single-family homes and small multi-unit properties, for both pre- and post-disaster planning.
- Private landlords of low-cost rental housing may be unable or unwilling to repair or rehabilitate their properties as affordable low-cost rental housing. Ensuring an adequate supply of subsidized affordable housing before a disaster could minimize the displacement of low-income renters after a disaster.
- Small rental properties were lost from some communities’ housing stock. Future research should aim to better understand the needs, market incentives, and behaviors of small-scale landlords during recovery.

## Background

When Superstorm Sandy made landfall on October 29, 2012, its tropical-force winds stretched along a record-breaking 943 miles of the U.S. east coast, causing more than \$70 billion in damages (Masters, 2018; NOAA, 2019). New Jersey, where the storm made landfall, was particularly hard hit by storm-surge flooding, wind damage, and power outages. The state suffered 35 fatalities and an estimated \$29 billion in damages to personal properties, businesses, and transportation and utilities infrastructure (NJ SLDHTF, 2012).

More than 259,000 New Jersey residents, including 150,000 homeowners and 109,000 renters, registered for financial assistance from FEMA’s Individuals and Households Program (IHP) to obtain help with their housing and other needs (Table 1) (FEMA, 2019). One analysis indicated that 67% of renter registrants had annual incomes of less than \$30,000 (Enterprise Community Partners, 2013).

FEMA property inspections indicated that more than 76,000 homes were damaged, including at least 16,500 rental homes. More homes were likely damaged but not inspected by FEMA. Based on FEMA’s inspections alone, the state initially estimated

**TABLE 1. SUMMARY OF SANDY'S IMPACT ON NEW JERSEY**

	Homeowners	Renters
Applied for FEMA IHP assistance	150,259	109,144
FEMA-inspected homes with damage	59,999	16,533
Approved for FEMA IHP assistance	39,578	21,736

Source: FEMA, 2019

that the cost to repair or replace the damaged housing would be at least \$4.3 billion (NJ DCA, 2013).

To meet the immediate housing needs of those impacted by Sandy, FEMA's Transitional Sheltering Assistance Program temporarily placed more than 5,500 households, including 3,500 renters, in hotels across the state from November 3, 2012 to April 30, 2013 (Kalet, 2013). And more than 21,000 renters were approved for nearly \$104 million of assistance from FEMA's IHP, including \$66 million in rental assistance for temporary housing (FEMA, 2019).

The repair and rebuilding of permanent housing after a large-scale disaster like Sandy is a significant component of long-term recovery. Major sources of recovery funding after Sandy included payouts from the National Flood Insurance Program (NFIP) and disaster loans from the Small Business Administration (SBA). NFIP eventually paid out approximately \$3.8 billion in claims in New Jersey (FEMA, 2017). The SBA, which offers low-interest disaster loans, approved more than \$639 million in loans in New Jersey to homeowners and renters. The vast majority were likely to homeowners since most loans included damage to real estate property, which is not owned by the renter (SBA, 2017). The SBA provided another \$401 million of disaster loans to businesses in the state.

The Disaster Relief Appropriations Act of 2013 appropriated \$16 billion of federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds for the states most impacted by Sandy to cover communities' unmet needs not addressed by FEMA funds, SBA loans, or private insurance (NJ DCA, 2013). HUD announced an initial allocation of \$1.83 billion of CDBG-DR funds to New Jersey on February 6, 2013. Subsequent allocations eventually brought the total to \$4.2 billion. The New Jersey Department of Community Affairs (NJ DCA) circulated an Action Plan on March 12 for using the funds, and HUD approved the plan on April 29. The plan established a variety of homeowner and renter assistance programs. Most of these programs were launched in May of 2013.

The largest housing program in the plan was the Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) program, initially allocated \$600 million. The program provided homeowners with

grants of up to \$150,000 for the reconstruction of their primary homes. With additional allocations over time, RREM allocations totaled more than \$1.3 billion.

The second largest program (and largest rental program) was the Fund for the Restoration of Multifamily Housing (FRM), initially allocated \$179.5 million. The state initially proposed approximately \$100 million for FRM, but pressure from housing advocates led to the higher amount in the Action Plan approved by HUD. FRM provided zero- or low-interest loans for the construction or rehabilitation of affordable multifamily housing for low-income households. The state expected these funds to be leveraged with Low-Income Housing Tax Credits (LIHTCs). Subsequent allocations raised FRM's total allocation to \$661.9 million. A second rental housing program, the Landlord Rental Repair Program (LRRP), was initially allocated \$70 million to provide landlords of small properties of fewer than 25 units with a forgivable zero-interest loan of up to \$50,000 per unit to repair and elevate the housing, as long as the units were kept affordable to renters with incomes less than 80% of the area median income (AMI). This initial allocation was eventually reduced to \$54 million.

Fair Housing advocates contested the state's initial plan. In April of 2013, the Latino Action Network, Fair Share Housing Center, and the New Jersey NAACP filed a complaint with the U.S. Department of Housing and Urban Development (HUD), alleging that New Jersey's initial plan underestimated the impact of Sandy on renters, particularly lower-income African-American and Latino renters, and so did not allocate funding fairly. A subsequent lawsuit in September 2013 forced the state to turn over information about the criteria used to distribute funding. The data revealed that African-American applicants were denied housing assistance at more than twice the rate of white applicants, inaccurate funding information was included in Spanish-language materials, and funds were directed toward projects undamaged by the storm at the expense of renters in the most-impacted counties (Fair Share Housing, et. al., 2015). A settlement was reached in May 2014. Among other things, the state committed to distribute

more funds to the most impacted communities, to a Tenant-Based Rental Assistance (TBRA) program to give short-term vouchers to low- and moderate-income households, and to the construction of more special-needs housing (Fair Share Housing, 2014 & 2015). The state also committed to deeper income targeting in the FRM program for multifamily housing. The settlement required 50% of units be affordable for renters with household incomes below 50% of AMI, including 10% for renters with incomes below 30% of AMI (Fair Share Housing, Email Communication). Over time, the state also allocated more funds to the FRM.

When the TBRA program opened for applications in the first quarter of 2015, more than 3,000 households applied for only 1,400 vouchers. By October 2015, however, only 143 households had been issued vouchers (NJ DCA, 2015). The NJ DCA attributed the slow uptake to challenges applicants faced in providing proof of residence and paying their own security deposits (NJ DCA, 2016). The program was amended in August 2016 to provide a one-time security deposit on behalf of tenants. TBRA program subsidies ended in December 2018.

Appendix A provides a list of major housing recovery programs in New Jersey targeted to the repair or construction of homes after Superstorm Sandy. The state also funded assistance programs like the Sandy Homeowner and Renter Assistance Program (SHRAP), the Rental Assistance Program and TBRA to help renters and homeowners pay their rents or mortgages for a limited time during the recovery.

## Previous Research on the Recovery of Rental Housing

Evidence indicates that damage is typically greater and recovery slower for rental housing than for owner-occupied homes (Zhang & Peacock, 2009; Peacock et al., 2014). In one study, multifamily housing and duplexes fared the worst in both damage and recovery (Peacock et al., 2014). Renters and landlords typically do not maintain the physical quality of housing as well as homeowners and have less incentive to invest in protective features, putting rental housing at greater risk. Rental housing affordable to low-income households is likely at even greater risk because it is more often located in less desirable and more risk-prone areas and characterized by lower physical quality (Lee & Van Zandt, 2019).

When their property is significantly damaged, landlords must decide whether to renovate their property or divest of their investment. In this regard, landlords have potentially different incentives than homeowners whose decisions are about their primary homes. At the same time, FEMA assistance, unlike for homeowners, is not available to landlords for repairs (Been et al., 2015), so they must rely on their own resources, insurance, or loans. Few studies have examined landlord decision-making after disasters, but barriers to rental recovery may include the landlords' limited financial resources to cover repair costs and the limited availability of government assistance (Comerio, 1997; Been et al., 2015; Lee & Van Zandt, 2019).

Private landlords of rental housing may find it difficult to absorb the costs of repairing their housing without raising rents. Rents affordable to low-income households may not be adequate to recoup high repair costs, especially if the renovated housing, such as that in a flood plain, must meet newer regulations or guidelines to mitigate future damage. Affordable rents, therefore, cannot be maintained without public resources to help with recovery costs (Rumbach & Makarewicz, 2016).

Disasters may give landlords and developers an opportunity in some instances to pursue greater profits with redevelopment geared toward more affluent households. Rent gap theory suggests that low-income neighborhoods may experience socio-economic change after disasters because landlords and developers can take advantage of lower values in low-income neighborhoods and redevelop for higher values. The process potentially displaces low-income households from their pre-disaster neighborhoods (Wyczalkowski et al., 2019). Other research, however, finds that properties in low-income neighborhoods recover more slowly than in higher-income neighborhoods because property owners have fewer resources (Peacock et al., 2014). Either way, the outcome is not favorable for rental housing affordable for low-income renters.

Post-disaster housing recovery efforts have largely been skewed toward homeowners, limiting the recovery of rental housing, especially affordable rental housing. FEMA assistance is not available to landlords for repairs, and CDBG-DR funds have historically been disproportionately allocated to programs serving homeowners (Spader & Turnham, 2014; Fair Share Housing et al., 2015). The U.S. Government Accountability Office, for instance, found that in response to Hurricanes Katrina, Rita, and Wilma, 62% of damaged homeowner units and just 18% of damaged rental units were assisted (GAO, 2010).

Political pressures may factor into why fewer resources are dedicated to rental housing during disaster recovery. “Not in my backyard” (NIMBY) sentiments generally generate opposition to rental housing, particularly affordable rental housing. Similar sentiments can influence disaster recovery (Aldrich, 2012; Lowe, 2012). Beyond NIMBYism, the fact that poor renters are more likely to be displaced from their communities immediately after a disaster can mean their voices are not represented in public meetings when recovery decisions are made (Rumbach & Makarewicz, 2016; Hamideh & Rongerude, 2018).

## Methods and Data Sources

This report utilizes a case study examining the region where Superstorm Sandy caused the greatest damage to rental housing in New Jersey. The region includes Atlantic, Ocean, and Monmouth counties, which are adjacent counties located directly along the New Jersey coastline. These three counties combined accounted for more than three-quarters of all damaged homes in the state (NJ DCA, 2013; FEMA, 2019).

Quantitative data from FEMA IHP, the American Community Survey (ACS), and New Jersey’s MOD IV property tax system provided a limited framework to analyze the long-term trends in rental housing after Superstorm Sandy. Data from FEMA IHP were used to measure damage to rental housing, 5-year data from the ACS provided longitudinal data on households and the affordable housing stock, and the MOD IV property tax system provided parcel-level, longitudinal data on property values and tax assessments. Given its limited sample size, ACS estimates for small communities are subject to low reliability. We used tax assessment data and key stakeholder interviews to explore trends suggested by the ACS. Throughout the report we focused on rental homes assumed to be available year-round and did not include seasonal or vacation homes.

We employed qualitative interviews with a convenience sample of 20 stakeholders who had direct knowledge of the rental housing recovery in the three counties to gain a deeper understanding of the rental housing recovery after Sandy. We chose the interviewees based on their knowledge and experiences related to rental housing recovery. Stakeholders included state and local government officials, housing and recovery program administrators, for-profit and non-profit real estate practitioners, and staff from key civil society groups. Many of the interviewees shared their perspectives not only as professionals involved in the recovery, but as survivors of Superstorm Sandy.

The interviews were semi-structured, allowing for open-ended conversations, and focused on three main topics: the state of rental housing prior to Sandy, the immediate and long-term impacts of Sandy on rental housing, and the underlying issues of the rental housing recovery. All interviews were conducted by phone by at least two NLIHC staff and lasted approximately one hour. The authors completed interviews in August 2019 and subsequently analyzed and compared notes to identify themes. Themes from the interviews were also compared to the quantitative findings. The interviews helped corroborate and explain findings from the quantitative analysis, added essential context, and provided further insights into challenges for the long-term rental housing recovery after Sandy.

## Findings

Flooding was the primary source of damage to the housing stock in Atlantic, Monmouth, and Ocean Counties, leading to both immediate structural damage and mold. This damage occurred at a time when all three counties were already experiencing significant affordable housing shortages for the lowest-income renters. In 2012, Atlantic County had a deficit of 5,290 affordable and available rental homes for households earning less than 30% of the area median income; Monmouth County had a shortage of 10,520; and Ocean County had a shortage of 8,580 (NLIHC, 2013).

Thirty-two thousand renters from the three counties applied for assistance from FEMA IHP. More than 11,000 rental homes inspected by FEMA in the three counties had damage, accounting for 69% of the state’s damaged rental homes, and the 14,072 renters approved for IHP assistance accounted for 65% of all approved renters in the state (Table 2).

The state’s supply of rental homes has increased by 6% between 2011 and 2017 from homeownership conversions to rentals and new construction. Despite the significant damage to their rental housing stock, Atlantic, Ocean, and Monmouth Counties saw similar increases (Table 3). Low-cost affordable rental homes with monthly rents less than \$750, however, have been lost. Assuming a 30% rent-to-income ratio for affordability, this rent level would be considered affordable for households with annual incomes of \$30,000, which is approximately the income-threshold for extremely low-income families in Monmouth and Ocean Counties.

A jurisdiction’s low-cost rental housing stock is impacted by numerous factors in addition to weather-related shocks, including population and demographic changes, development costs, consumer preferences,

and public resources. Like many areas across the country, the increase in rental housing in the three counties did not keep pace with growing demand. All three counties saw a decline in rental vacancy rates as the number of renter households grew faster than the number of additional rental homes between 2011 and 2017. At the same time, most new rental development is unaffordable to the lowest-income renters. In 2017, the median gross rent of rental housing built in 2014 or later was \$1,558 and \$2,264 in Monmouth and Ocean

Counties, far greater than what is affordable to a family with poverty-level income.

The state experienced a 12% decline in low-cost rental homes between 2011 and 2017, losing more than 29,000 units. Despite significant Sandy-related damages to rental housing, Atlantic, Monmouth, and Ocean Counties, as a whole, showed no discernibly greater loss than the state overall. Monmouth lost 14% of its low-cost rental homes and Ocean lost 8%, while

**TABLE 2: RENTER REGISTRANTS, INSPECTED DAMAGE, AND APPROVAL FOR FEMA IHP ASSISTANCE**

	Renter Registrants for IHP Assistance			FEMA-Inspected Damage		FEMA-Approved IHP Assistance	
	Renter Households (2011)	Number	As % of Renter Households	Number	As % of Renter Households	Number	As % of Renter Households
Atlantic County	29,748	9,964	33%	3,326	11%	4,330	15%
Monmouth County	56,575	11,221	20%	3,586	6%	3,961	7%
Ocean County	40,315	10,815	27%	4,566	11%	5,781	14%
State of New Jersey	1,062,931	109,144	10%	16,533	2%	21,736	2%

Source: 5-yr American Community Survey, 2007-2011; FEMA Housing assistance data (archived).

**TABLE 3: SELECTED COUNTY CHARACTERISTICS (2011 AND 2017)**

	% Change in All Rentals (Absolute change)	% Change in Renter Households (Absolute Change)	% Change in Low-Cost Rentals (Absolute Change)	Median Gross Rent of Occupied Units built 2014 or later (# of units)	2011 Rental Vacancy rate	2017 Rental Vacancy rate	2017 Median Household Income	% Change in Median Household Income Since 2011
New Jersey	<b>6.0%</b> <b>(69,028)</b>	<b>7.9%</b> <b>(84,107)</b>	<b>-12.2%</b> <b>(-29,562)</b>	<b>\$2,002</b> <b>(7,974)</b>	<b>8.2%</b>	<b>6.5%</b>	<b>\$76,475</b>	<b>7.4%</b>
Atlantic County	6.0% (2,007)	10.3% (3,067)	1.6% (173)	\$746 (126)	10.7%	7.1%	\$57,514	4.2%
Monmouth County	5.3% (3,207)	7.7% (4,347)	-14.2% (-1,516)	\$2,264 (481)	7.1%	5.0%	\$91,807	9.5%
Ocean County	7.3% (3,142)	(10.5% (4,250)	-8.9% (-537)	\$1,558 (303)	6.5%	3.6%	\$65,771	8.3%

Low-cost rental units have monthly contract rents less than \$750 (inflation-adjusted dollars by CPI less shelter costs). Source: 5-yr American Community Survey, 2007-2011 & 2012-2017.

Atlantic experienced a negligible gain. An interviewee commented that Monmouth experienced a loss of low-cost rental homes not just directly from damage, but also likely from gentrification in some communities that were not the hardest hit by Sandy. Atlantic County is generally a weaker market with higher vacancy rates, lower incomes, and lower income growth over the past six years than the other two counties. Median household income, for example, grew by 9.5% and 8.3% in Monmouth and Ocean Counties, respectively, and by only 4.2% in Atlantic County between 2011 and 2017.

Within these counties, communities significantly impacted by Sandy experienced a range of outcomes, including some with major losses to their stock of affordable rental housing. Coastal communities, both big and small, were some of the most heavily impacted. Damage to low-cost rental homes was heavily concentrated in coastal communities where older single-family homes, often described as bungalows or cottages, and small multifamily properties formed the backbone of the long-term rental stock. Among the twenty communities whose rental housing was most heavily impacted (Figure 1), an average of 71% of long-term rentals in 2011 were in single-family or small multifamily properties of fewer than 5 units. Hotels and vacation homes available as short-term, low-cost rentals in the off-season also sustained damage in these communities. One interviewee referred to these rental options damaged by Sandy collectively as the “welfare rental market.”

Figure 1 and Appendix B show the 20 communities where Sandy damaged at least 100 rental homes, according to FEMA inspections, and which had at least 20 low-cost rental homes in 2011 according to ACS estimates. Nearly 2,000 rental homes in Atlantic

City and more than 1,000 in Ocean County’s Seaside Heights were damaged. Smaller communities also took a significant hit. These 20 communities accounted for more than three-quarters (77%) of the damaged rental homes in the three-county area and more than half (53%) of all damaged rental homes in the state.

Jurisdictions with relatively high poverty rates and large proportions of people of color prior to Sandy seemed less likely to lose their low-cost rental housing in the long-run and they experienced a slower rate of recovery. Despite their relatively large number of damaged rental homes, a handful of communities like Atlantic City and Pleasantville in Atlantic County and Seaside Heights in Ocean County did not appear to experience the same loss of low-cost rental housing as other hard-hit communities. These communities had relatively high poverty rates prior to Sandy that have continued to worsen. Property tax data indicate that damaged properties in these communities did not recover their value by 2017 to pre-Sandy levels, indicating a potential lack of recovery. A worsening local economy may be partially to blame in Atlantic City, where median household income declined by 9% between 2011 and 2017.

Toms River in Ocean County also did not see a long-run decline in low-cost rental housing despite significant damage to its rental homes, but for a different reason. Local officials indicated that new large-scale rental developments after Sandy, some of which were approved prior to Sandy, helped increase the rental housing stock during recovery.

Smaller beach communities in Ocean and Monmouth Counties consisted predominantly of owner-occupied and vacation homes rather than long-term rentals, but the low-cost rental housing that did exist prior to Sandy appears to have declined significantly. Ocean County’s Beach Haven and Seaside Park, for example, saw increases in homeownership rates and median household incomes, along with declines in their rental housing and the disappearance of their low-cost rental stock. ACS data suggest similar trends of large rent increases and losses of affordable rental housing in other communities, including Long Beach, Margate, and Point Pleasant Beach. Tax assessment data indicate that damaged properties in some of these coastal communities were redeveloped into more valuable homes post-disaster, potentially eliminating low-cost housing and displacing lower- and moderate-income households. Figure 2 shows the change in average improvement value of properties by level of damage in three jurisdictions that had significant losses of low-cost rental housing and increases in median household income. The graphs for Beach Haven, Belmar, and

“DAMAGED PROPERTIES IN SOME OF THESE COASTAL COMMUNITIES WERE REDEVELOPED INTO MORE VALUABLE HOMES POST-DISASTER, POTENTIALLY ELIMINATING LOW-COST HOUSING AND DISPLACING LOWER- AND MODERATE-INCOME HOUSEHOLDS.”

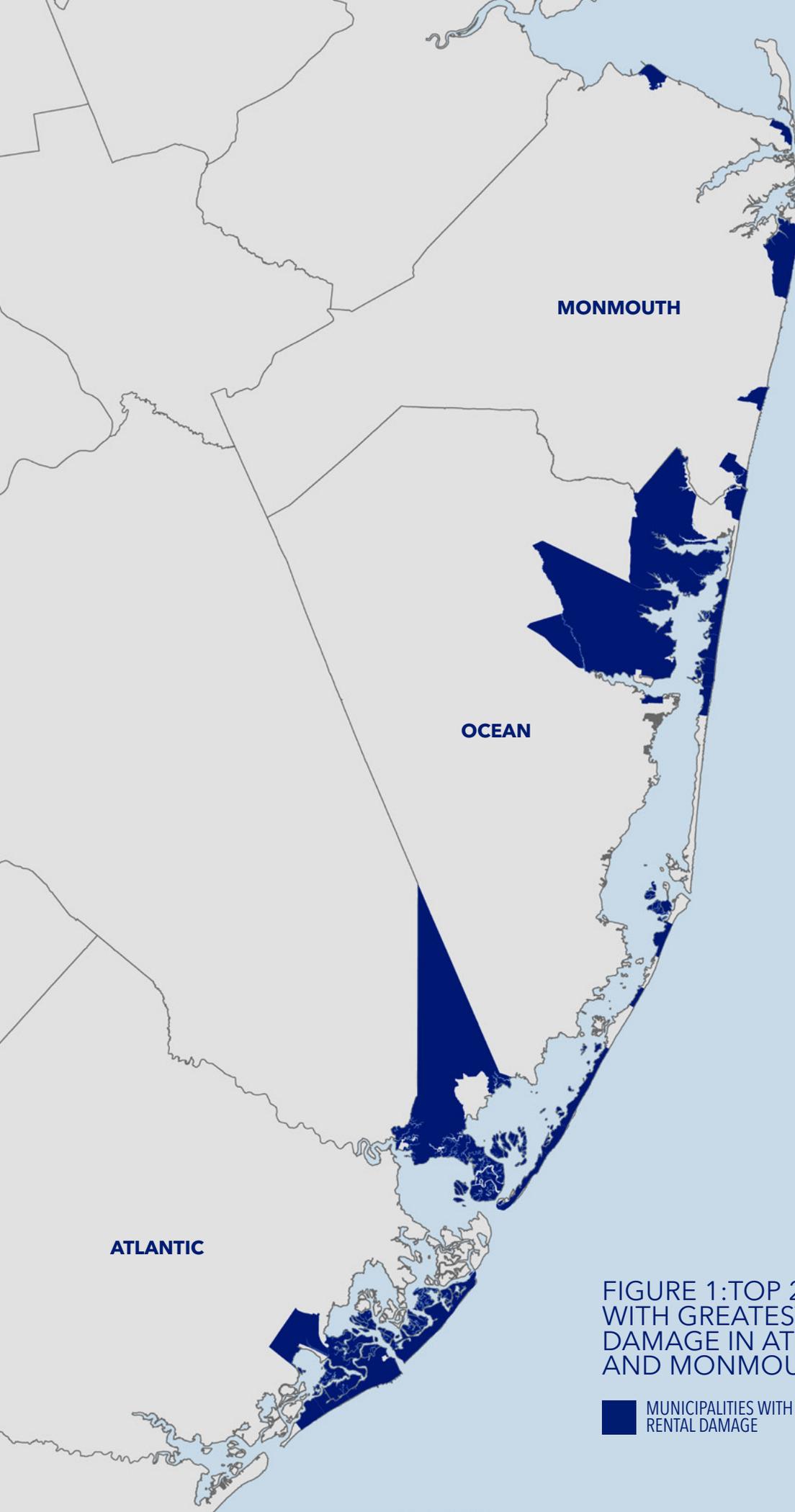


FIGURE 1: TOP 20 MUNICIPALITIES WITH GREATEST RENTAL HOUSING DAMAGE IN ATLANTIC, OCEAN AND MONMOUTH COUNTIES

 MUNICIPALITIES WITH GREATEST RENTAL DAMAGE

Manasquan each indicate the homes that likely incurred significant damage from Sandy saw an increase in their tax-assessment value that exceeded that of homes that had not been damaged (Figure 2). Tax data exhibited similar trends to varying degrees in Ocean Gate, Long Beach, Margate, Toms River, and Highlands. Many pre-Sandy owners in these communities likely found it in their interests or were required by mitigation requirements to significantly improve their properties, or they decided to sell to new owners who made significant improvements.

### Underlying Issues of the Rental Housing Recovery

Why didn't low-cost rental housing recover in some coastal communities in the long-term? While it is not possible to entirely separate changes in the broader housing market from the impact of Sandy, interviewees consistently viewed Sandy as having a long-term impact on rental housing, particularly in coastal communities in Ocean and Monmouth counties. They identified multiple contextual factors and mechanisms through which low-cost rental housing was lost rather than recovered.

Housing markets in these communities were heating up throughout the recovery and real estate investors were actively seeking investment opportunities. Damage to the rental housing stock created significant opportunities for investors to buy properties during the recovery, especially when recovery of a structure no longer made financial sense for the existing owners or when their available resources fell short.

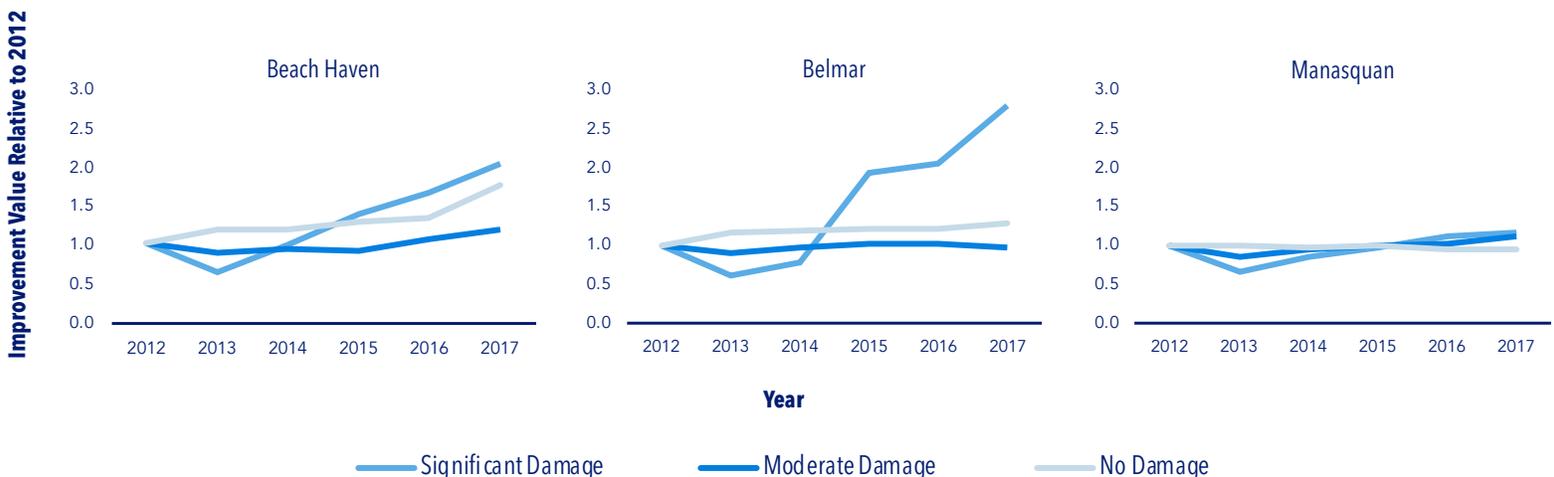
Many property owners struggled to afford the cost of recovery, with some either choosing or being forced

to sell their properties. Some simply did not carry flood insurance, while many who had flood insurance faced systematic underpayments from insurers. Several interviewees viewed Small Business Administration (SBA) loans, an important federal resource for disaster recovery, as providing unattractive or confusing terms for rental property owners. At the same time, the cost of new mitigation requirements, such as newly imposed minimum elevation standards, and escalating labor costs due to a high demand for construction workers also presented financial burdens for owners of damaged properties. The characteristics of the rental stock in many coastal communities also meant that owners were often small-scale landlords of older housing who may not have had adequate reserves or access to capital, depending on the cashflow from their properties.

Key rental housing recovery programs funded by CDBG-DR were intended to fill the gap between existing resources, like insurance and SBA loans, and actual recovery costs. The LRRP program was targeted to damaged rental properties of fewer than 25 units. LRRP provided grants of up to \$50,000 per unit to owners for the restoration of rental units in exchange for keeping rents affordable to low- to moderate-income households after the completion of repairs. LRRP was funded at significantly lower levels than FRM, the rental recovery program targeted to larger-scale developers, and RREM, the rehabilitation and reconstruction program for homeowners. The program suffered from lower-than-expected participation. The initial allocation to LRRP of \$70 million was reduced in June of 2017 to \$54 million.

One interviewee attributed the relatively low funding for

**Figure 2: Tax Assessment of Residential Parcels Over Time**



Note: Damage defined as 2013 improvement value relative to 2012; Significant damage = <.75 and Moderate Damage = .75 to .95.

LRRP to the view that landlords were business owners and, therefore, a relatively lower priority for government assistance compared to homeowners in the community. Another interviewee held that small-scale landlords were systematically disregarded by NJ DCA across all its housing programs. These views are evidenced by the much larger sums allocated to RREM and FRM. Another interviewee maintained that challenges in quantifying the stock of rentals in single-family and small multifamily dwellings made estimating the potential needs of small-scale landlords difficult.

Interviewees provided three explanations for the low LRRP participation rate. The small monetary value of LRRP grants relative to repair and reconstruction costs, coupled with the affordability requirements, was simply unattractive to small-scale landlords, especially in communities where landlords could redevelop or repair and command higher rents. Another view held that racism played a role insofar as small-scale landlords associated affordability requirements with people of color. Others contended that LRRP carried extensive requirements for regulatory compliance associated with the CDBG-DR program, which made it difficult for small-scale landlords to use. Examples of such requirements included extensive cost-tracking, wage standards (i.e. Davis-Bacon wages), and environmental review.

The FRM program represented an approach to rental housing recovery different from LRRP. According to key public officials with direct knowledge, FRM was specifically developed to expand the affordable rental housing supply in a recovery context that included a significant shortage. FRM was paired with Low-Income Housing Tax Credits to provide critical gap financing for larger multifamily rental projects. Nearly all FRM-funded projects were for new construction.

The pairing of FRM funds with LIHTC limited the program mostly to large developers with the capacity to navigate the complex financing associated with tax credits. Some interviewees contended FRM allocations favored a group of developers frequently referred to as the “big five” or “big six” to the exclusion of smaller, local non-profit developers. Virtually all interviewees shared that the initial round of FRM funding went to communities far away from areas most impacted by Sandy. An interviewee with firsthand knowledge noted this was due to intense public pressure to rapidly mobilize recovery funding. Subsequent rounds specifically targeted communities in Atlantic, Ocean, and Monmouth counties due in large part to the settlement the state reached with fair housing advocates in May 2014 to target heavily impacted communities in subsequent funding rounds.

Another criticism of the FRM program offered by several interviewees was that projects did not typically offer units affordable to the lowest-income households who were most vulnerable during the recovery. LIHTC units, under federal law at the time, served households with incomes up to 60% of AMI with maximum rents set at 30% of 60% AMI. Along with FRM’s requirement to serve low- to moderate-income households, this meant FRM units were not initially required to serve the lowest-income households. Later allocations of FRM funding, as a result of the state’s May 2014 settlement reached with advocates, required deeper targeting with a minimum of 50% of units set aside for tenants with incomes below 50% AMI, including 10% for tenants with incomes below 30% AMI. Yet even in cases where maximum rents might have been targeted to lower-income households, the flat rent structure of the LIHTC program means any occupants with incomes below the eligibility threshold would be housing cost-burdened, spending more than 30% of their incomes on rent and utilities, unless they also had rental assistance.

One interviewee also highlighted the difficulty created by rising incomes in some communities, which in turn led to higher LIHTC rents during the recovery. This issue would have been felt most acutely by vulnerable households with fixed incomes, such as those headed by seniors or people with disabilities. The Sandy Special Needs Funding program possibly provided a more similarly priced replacement for the lowest-cost rental units, but the program was funded at just \$59.7 million and limited to people with disabilities and other at-risk populations. All told, FRM units did not necessarily provide a similarly priced replacement for the lowest-cost rental units lost.

The FRM program faced challenges afflicting new construction of rental housing more generally in many coastal communities. Interviewees with significant experience in multifamily development stressed the burdensome, protracted nature of the development process in New Jersey where municipalities have a significant degree of control over the zoning and approvals process. In addition to local regulatory issues, several interviewees cited additional regulatory burdens and limitations imposed by the state’s Coastal Areas Facilities Review Act (CAFRA), which controls coastal development. Some challenges that interviewees associated with CAFRA included increased soft costs associated with compliance and strict limitations on impervious surface coverage. Other interviewees, however, appreciated the need to protect New Jersey’s coastal environments, and some highlighted the role of CAFRA in promoting disaster resilience by pushing development further inland.

NIMBYism from both local government officials and residents also presented challenges. NIMBYism ranged from elected officials expressing concerns about the impact of multifamily rental housing on the tax base and expected blowback from constituents to residents expressing outright racism. One interviewee explicitly accused town officials of using Sandy to remove inexpensive rental housing and displace people of color from her community.

Interviewees described new development, particularly of affordable rental housing, as being prohibitively expensive in coastal communities due to formidable land costs, more stringent building codes to ensure resiliency, and flood insurance. One interviewee in a position of authority indicated that per-unit cost-limits for LIHTC projects likely served as an incentive for developers of FRM projects to build further inland in less expensive locations.

High costs, inadequate or difficult access to recovery resources, and strong market incentives to redevelop existing low-cost rentals as higher-cost housing all contributed to what many interviewees described as the gentrification of some coastal communities after Sandy. Rental housing, particularly units in smaller properties, was lost due to demolition, conversion, or upwards filtering in some communities. At the same time, state recovery policy prioritized the new construction of rental housing through the FRM program, much of which occurred further inland in Atlantic, Ocean, and Monmouth counties due to issues ranging from resistance in coastal communities to cost containment. The unsubsidized rental housing supply also grew further inland during the recovery likely for similar reasons.

The extent to which the new construction of affordable rental housing through the FRM program and gains in the rental stock further inland truly addressed losses of low-cost rental housing in coastal communities rests on whether that new construction housed renters displaced from those communities. As a result of the protracted development process, FRM-funded projects

took years to come online and were not available to immediately meet the housing needs of displaced residents. More than two years after the storm, NJ DCA reported that only one project funded through FRM had been completed, amounting to 51 units. Programs providing short-term rental assistance for temporary housing assumed that families would be able to move home after two years, while the pace of recovery was often much slower (Fair Share Housing et. al., 2015), reportedly leading to long-term displacement when short-term rental assistance expired.

Unfortunately, no centralized tracking occurred of Sandy survivors and their subsequent housing moves, so it is not possible to know the extent to which FRM units served households directly displaced by Sandy in the longer term. Several interviewees who worked on affordable housing issues in these communities were unaware that Sandy survivors were given priority in FRM-funded projects following the 2014 settlement with fair housing advocates.

Our findings suggest that Sandy exacerbated the underlying rental housing crisis faced by lower-income households in many of the coastal communities impacted by Sandy. In many coastal communities, households already dealing with housing instability were further destabilized through displacement, rents grew as landlords took advantage of even greater scarcity, and losses to the low-cost rental housing stock accelerated as investors seized opportunities to renovate or redevelop housing. Some interviewees viewed these outcomes negatively, while others viewed them as a result of disaster mitigation efforts, improved quality of the housing stock, or the recovery of property tax revenues that had sharply declined due to housing damage caused by Sandy. While government intervention brought necessary resources to aid the recovery of the rental housing stock, it proved unable to prevent the loss of low-cost rental housing in some communities.

## Considerations for Future Policy Development and Research

In what follows, we offer considerations for future policy development and research based on what we observed from long-term rental housing trends after Sandy and learned from key stakeholders about the recovery of affordable rental housing.

“MORE THAN TWO YEARS AFTER THE STORM, NJ DCA REPORTED THAT ONLY ONE PROJECT FUNDED THROUGH FRM HAD BEEN COMPLETED, AMOUNTING TO 51 UNITS.”

## Robust Data on the Rental Housing Stock and its Tenants are Essential to Recovery

Public officials and impacted communities faced challenges in planning for and implementing an equitable recovery for renters after Sandy due to significant data limitations. In particular, New Jersey lacks statewide data that allows for the reliable identification of small rental properties. This lack of information directly impacted the ability of recovery stakeholders to fully appreciate the extent to which small rental properties were critical to the provision of rental housing in coastal communities prior to Sandy. Statewide rent registries with data including location, number of units, rents, and ownership could be established. Combined with unit-level data on housing damage after a disaster, recovery officials would have the data necessary to sufficiently plan for and evaluate rental recovery based on the type of rental housing that was damaged.

## The Needs of Owners of Small Rental Properties Should be Better Understood

We have limited knowledge about the behaviors of owners of small rental properties after disasters because of both data limitations and a lack of research. Future research should aim to better understand the needs of small-scale landlords during a recovery, as well as how their decisions are shaped by public resources and private incentives. This information could be used to improve pre- and post-disaster recovery planning, particularly in communities where small rental properties play a large role in the rental housing market. Further research is also needed to better understand how regulatory compliance with the CDBG-DR program might present barriers to participation for landlords of small properties.

## Longer-Term Rental Assistance Would Better Protect Displaced Renters

The initial rental assistance programs during recovery assumed rental assistance would not be needed after two years. The financing and development of multifamily affordable housing, however, is complex and often takes significant time. Two years after Sandy, few new affordable rental homes had been completed (Fair Share Housing Center et al., 2015). At the same time, nearly one-quarter of renters responding to a survey still needed rental assistance because affordable housing was not available (Monmouth University, 2014). The state's TBRA program was established in the first quarter of 2015 to provide two additional years of rental assistance to low-income households with priority given to those with extremely low incomes. The program,

however, took nearly a year and half to enroll a sizeable number of applicants.

States and federal agencies should recognize the time often needed for recovery after a large-scale disaster and consider developing rental assistance programs longer than two years to avoid lapses of assistance and potentially more housing instability among displaced renters. Rental assistance should be available until construction and rehabilitation programs for rental housing recovery are well underway or completed.

## Deep Subsidies are Necessary for Renters with Extremely Low Incomes

The FRM program provided zero- or low-interest loans to leverage LIHTC for affordable housing development. Maximum-allowable rents in the LIHTC program are not necessarily affordable to renters with extremely low incomes, but these renters often face the greatest challenges finding housing. Nearly every community in the U.S. has a shortage of homes for extremely low-income renters even before a disaster, which is exacerbated after a disaster. Because the rents that extremely low-income renters can afford to pay are so low, supplemental funds should be made available for developments that include affordable units set aside for extremely low-income renters.

Housing Choice Vouchers provide a deep subsidy in the form of rental assistance to low-income renters, with the level of subsidy based on their income. A fully-funded Housing Choice Voucher program would provide a portable subsidy that recipients could use for both temporary housing during the recovery process and for permanent rental housing created through recovery funds. Public Housing Agencies administering voucher programs should be able to raise voucher payment standards during recovery in markets where rental prices increase significantly after a disaster.

## Displaced Renters Should Receive Priority in Rental Housing Recovery

Eligible renters displaced by Sandy were to receive priority for housing developed or rehabilitated through the FRM program or LRRP. At least regarding FRM, little information appears to be known about the extent to which displaced renters were served by the 4,900 units completed to-date. Several interviewees were even unaware of the priority. States should consider how to make sure displaced renters benefit from the programs intended to help them.

Displaced renters are not well tracked after disasters, so little is known about their experience, the extent to which they relocate, and how well they are served

by our disaster recovery programs. FEMA and other agencies at the federal, state, and local levels should consider how to better track displaced tenants who may have multiple addresses over a fairly short period of time until they find permanent housing.

## Expediency and Equity are Vital Considerations in Shaping Housing Recovery Programs

Housing recovery programs should, to the greatest extent possible, be equitable and deployed as rapidly as possible to minimize adverse effects experienced by vulnerable populations. Inequitable funding levels and delays in allocations disproportionately impact the lowest-income renters who are most vulnerable to the worst impacts of disasters, including long-term displacement.

Current legislation in Congress, the “Reforming Disaster Recovery Act of 2019,” would permanently authorize the CDBG-DR program and help ensure that recovery resources reach the most vulnerable households in a more timely manner. The bill permanently establishes the requirement that 70% of CDBG-DR funds serve low- and moderate-income households; requires a proportionate distribution of funds between renters, homeowners, and people experiencing homelessness; and mandates that HUD allocate federal disaster assistance money within 60 days after Congress approves CDBG-DR funding.

## We Must Expand the Supply of Affordable Housing for Future Resilience

Disasters can exacerbate existing affordable housing shortages. The lowest-income renters are at significant risk of housing instability and displacement in the best of times, and even more so following a disaster. The costs of repairing or rebuilding low-cost rental housing may be too high for property owners to maintain low-cost rents. The experience with LRRP indicates that, in certain market conditions, the financial incentives for owners to sell, redevelop to higher cost housing, or convert to another land use after a disaster may outweigh the benefits of government recovery assistance, especially if those benefits carry affordability requirements.

One way to avoid or minimize the displacement of the lowest-income renters after future disasters is to expand public resources now for an adequate supply of affordable rental housing outside the private market before disasters strike. Deed-restricted, affordable rental housing is not subject to loss through upwards filtering like housing in the private market. Given the threats posed by climate change and the highly likely increased frequency of disasters, this expansion should

include green and disaster-resilient development standards to the greatest extent possible. An adequate supply of affordable rental housing is essential to creating and maintaining inclusive, disaster-resilient communities.

## Conclusion

Climate-change experts anticipate an increase in the frequency and intensity of weather-related disasters in the foreseeable future, putting low-income renters and their communities at increasingly greater risk. Rental housing for low-income households is likely the most at-risk for being lost when it is damaged. While we must improve our knowledge about landlords’ decision-making, motivations, and needs after disasters and do more to learn about renters’ experiences, we can implement programs and policies now to ensure the recovery of low-cost affordable rental housing and adequate assistance to low-income renters when disasters strike. These steps include a more expedient distribution of recovery dollars, longer-term rental assistance for the duration of recovery, and deep subsidies for the recovery of housing affordable to the lowest-income renters. Steps like these will ensure a more equitable recovery for all individuals and families impacted by disasters.

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## APPENDIX A: SELECTED NEW JERSEY HOUSING RECOVERY PROGRAMS

Name of program	Date launched	Funding allocated to date	Funding expended to date	Purpose	Housing units assisted or under construction to date
Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program	May 24, 2013	\$1.35 billion	\$1.27 billion	Grants of up to \$150,000 to homeowners for restoration of their primary residences. 70% of funds reserved for low-to-moderate income (LMI) applicants (below 80% of area median income (AMI))	7,266 participating homeowners <ul style="list-style-type: none"> <li>6,459 completed</li> </ul>
Homeowner Resettlement Program	May 24, 2013	\$203.1 million	\$203.0 million	Grants of up to \$10,000 to homeowners for recovery costs to encourage them to remain in the community. 60% of group 1 funds was reserved for LMI applicants. Applications closed August 1, 2013.	18,500 households
LMI Homeowners Rebuilding Program	January 5, 2015	\$54.3 million	\$44.1 million	Assistance of up to \$150,000 for LMI homeowners for restoration of their residences, if they did not apply to RREM. Applications closed March 21, 2015.	216 homes completed
Fund for Restoration of Multifamily Housing (FRM)	May 2013	\$661.9 million	\$570.8 million	Zero- or low-interest loans for the construction or repair and rehabilitation of affordable multifamily housing. Must be occupied by LMI tenants. More deeply targeted after May 2014: 50% of units below 50% of AMI, including 10% below 30% of AMI.	72 projects, 5,299 rental units <ul style="list-style-type: none"> <li>66 projects, 4,900 rental units completed</li> </ul>
Landlord Rental Repair Program (LRRP)	July 24, 2013	\$54.1 million	\$53.4 million	Grant (forgivable loan) to repair and elevate low- to moderate-income rentals, up to \$50,000 per unit. Must rent to LMI for 1-5 years. Applications closed November 15, 2013.	393 properties, 560 rental units <ul style="list-style-type: none"> <li>370 properties, 522 rental units completed</li> </ul>
Landlord Incentive Program	May 2013	\$17.2 million	\$17.2 million	Payments to landlords who rented to LMI residents (priority to those at 50% AMI and below, available to those at 80% AMI), up to 2 years available. Program closed on August 31, 2017.	88 rental property owners, 594 rental units
Sandy Special Needs Funding	May 13, 2013	\$59.7 million	\$46.5 million	Capital subsidies for permanent supportive rental housing and community residences	49 projects awarded, 414 beds for individuals with special needs <ul style="list-style-type: none"> <li>362 beds completed</li> </ul>

Source: NJ DCA, 2019a &amp; 2019b; NJ DCA Email Communication, 2019; Fair Share Housing Center Email Communication, 2019.

## APPENDIX B: SELECTED CHARACTERISTICS OF 20 MUNICIPALITIES WITH HIGHEST RENTAL DAMAGE RANKED BY PERCENTAGE LOSS OF LOW-COST RENTAL UNITS (2011 AND 2017)

Place	Damaged Rental Homes	Change in All Rentals (Absolute Change)	Change in Low-Cost Rentals (Absolute Change)	2017 Ownership Rate	Percentage Point Change in Homeownership Rate	Change in Median Contract Rent (Absolute Change)	Change in Median Household Income (Absolute Change)	Poverty Rate 2011 2017	Percent Black Population 2011 2017	Percent Hispanic Population 2011 2017
Ocean Gate, OC	115	4.5% (10)	-100.0% (-82)	71.2	-1.5	63.7% (\$516)	-4.3% (- \$2,812)	8.6 12.4	3.1 3.2	5.8 7.8
Beach Haven, OC	157	-47.7% (-72)	-100.0% (-27)	88.7	6.1	16.5% (\$139)	20.4% (\$14,674)	6.0 6.5	0.0 1.4	4.2 1.1
Seaside Park, OC	240	-46.8% (-200)	-95.8% (-46)	75.7	18.1	20.8% (\$203)	69.6% (\$29,291)	20.7 8.3	5.8 1.0	3.5 0.3
Long Beach, OC	107	-50.2% (-145)	-81.0% (-81)	92.7	0.4	27.3% (\$249)	-5.4% (- \$4,720)	3.8 10.0	0.4 0.0	0.9 0.2
Little Egg Harbor, OC	379	10.0% (135)	-80.4% (-168)	84.6	0.3	1.3% (\$14)	5.3% (\$3,210)	8.7 7.3	0.9 0.7	4.4 5.3
Margate City, AC	177	-25.6% (-241)	-73.3% (-195)	80.1	3.0	14.9% (\$141)	-4.6% (- \$3,394)	10.2 7.7	0.3 2.2	3.8 1.7
Lavallette, OC	259	-36.9% (-108)	-70.8% (-27)	87.5	3.8	6.1% (\$66)	11.4% (\$6,987)	7.8 7.2	0.0 0.0	0.0 3.2
Brigantine, AC	257	-10.3% (-140)	-55.6% (-78)	73.3	2.8	4.5% (\$45)	2.9% (\$1,841)	8.4 10.7	1.0 1.9	9.8 7.4
Belmar, MC	239	-7.6% (-119)	-53.6% (-73)	49.5	3.1	14.6% (\$167)	23.9% (\$14,433)	11.6 11.8	2.0 2.4	21.9 14.6
Manasquan, MC	259	-28.1% (-217)	-53.4% (-50)	76.3	1.8	0.6% (\$7)	19.3% (\$17,224)	3.6 7.5	0.2 0.0	0.2 0.8
Point Pleasant Beach, OC	276	-30.9% (-319)	-21.0% (-17)	69.5	13.6	24.5% (\$285)	49.9% (\$30,667)	11.0 5.2	0.7 0.2	6.2 7.3
Brick township, OC	285	10.1% (492)	-17.0% (-148)	82.9	-2.1	16.2% (\$164)	8.6% (\$5,755)	5.1 6.4	2.0 2.0	6.8 9.8
Long Branch, MC	490	0.1% (9)	-6.4% (-73)	43.2	0.9	5.7% (\$62)	4.1% (- \$2,132)	14.4 17.9	12.6 12.7	28.7 31.5
Atlantic City, AC	1,988	2.9% (361)	-2.0% (-121)	26.3	-7.4	5.0% (\$36)	-8.8% (\$2,520)	29.3 40.6	37.2 34.1	24.4 29.3
Pleasantville, AC	223	18.7% (570)	4.7% (43)	50.7	-7.3	10.8% (\$95)	2.7% (\$1,063)	19.0 22.9	41.9 36.1	34.8 45.6
Keansburg, MC	629	10.5% (186)	5.3% (31)	53.3	-2.5	0.9% (\$8)	-0.4% (- \$208)	15.1 24.9	6.3 7.2	12.0 15.2
Toms River, OC	721	10.0% (613)	7.8% (63)	81.1	-2.6	12.2% (\$132)	3.7% (\$2,738)	6.2 6.6	1.8 2.9	7.9 8.3
Seaside Heights, OC	1,032	-28.5% (-338)	14.3% (19)	23.7	-14.1	13.1% (\$128)	18.5% (\$5,973)	20.8 24.3	0.3 2.6	19.9 33.5
Highlands, MC	487	45.5% (327)	67.0% (114)	63.2	-9.5	5.9% (\$55)	-22.9% (-\$18,043)	14.1 7.2	0.5 1.0	5.6 6.6
Ventnor City, AC	521	-8.2% (-155)	108.4% (258)	61.6	-1.4	-4.2% (\$-43)	-2.1% (- \$1,119)	11.3 12.8	3.6 3.5	18.4 23.0

Note: Low-cost rental units have monthly contract rents less than \$750 (inflation-adjusted dollars by CPI less shelter costs). AC = Atlantic County, MC = Monmouth County, OC = Ocean County. Source: 5-yr American Community Survey, 2007-2011 & 2012-2017; FEMA Housing assistance data (archived).

## APPENDIX C: INTERVIEW PARTICIPANTS

The authors thank the following individuals who participated in interviews with us. Any findings, conclusions, or errors contained within this report are solely attributable to the authors.

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