

Creating Homeownership Opportunities in Newark through Housing Choice Vouchers

A Newark Land Bank Case Study

In Newark, New Jersey, partners united to provide homeownership opportunities for residents by leveraging an underutilized provision of the Department of Housing and Urban Development's (HUD) Housing Choice Voucher program. Using existing public inventory, the Newark Land Bank is rehabilitating single family properties and working with public and private partners across the city to make the dreams of homeownership a reality.

The Affordable Housing Crisis

Nearly all communities have a shortage of quality, affordable homes that fit their residents' needs and incomes –including communities with extensive inventories of vacant, abandoned, and deteriorated properties. At the same time, many places are seeing an increase in outside investors purchasing properties, often targeting neighborhoods with high populations of Black residents.¹ This changing real estate landscape is exacerbating the housing affordability crisis, diverting properties and wealth away from local individuals and families.

Many communities with existing inventories of vacant properties are turning to land banks, which have unique powers to acquire and repurpose problem properties, to support their affordable housing goals. Indeed, across the country land banks are increasingly



Photo: Courtesy of Newark Land Bank

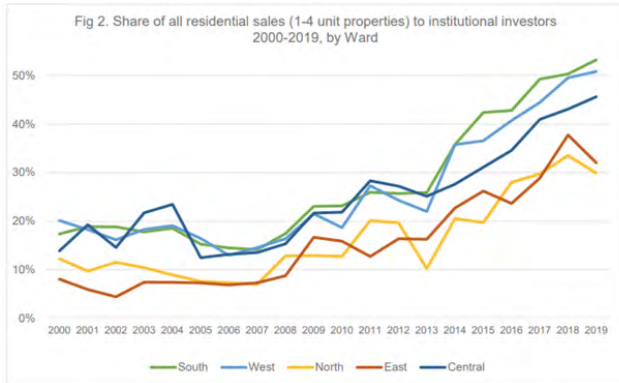
prioritizing affordable housing as an outcome. According to Community Progress' National Land Bank Network survey,² 81 percent of land banks stated the creation of affordable housing is their top priority.

We have seen many success stories of land banks working to create affordable housing: some are partnering with community land trusts to create permanent affordable housing; transferring properties to local Habitat for Humanity affiliates for first-time homebuyer programs; playing a supportive role in larger low-income housing tax credit development projects, and much more.

The Newark Land Bank (NLB), however, offers an exciting new model for the field. NLB is tapping into HUD's Housing Choice Voucher Homeownership Conversion Program to create quality, affordable

¹ David D. Troutt, and Katharine Nelson, *Who Owns Newark? Transferring Wealth from Newark Homeowners to Corporate Buyers* (Rutgers Center on Law, Inequality and Metropolitan Equity, 2022), <https://static1.squarespace.com/static/5b996f553917ee5e584ba742/t/626fd98bb8357d201cb8dcb5/1651497359130/Who+Owns+Newark+Final+1.pdf>.

² Center for Community Progress, *2023 State of Land Banking Survey* (Center for Community Progress, 2023) <https://communityprogress.org/publications/2023-state-of-land-banking/>.



Source: Rutgers Center on Law, Inequity, and Metropolitan Equity

homeownership opportunities for low-income renters. This innovative program is a national model worth emulating. If implemented with the right partners and financial support, communities could transform vacant properties to affordable homes and build wealth for low-income tenants as they transition to homeowners.

The Challenge—and Opportunity—in Newark

In line with national trends, the City of Newark lacks quality, affordable housing and is experiencing an alarming increase in outside investors purchasing properties, outpacing residents’ ability to participate in the housing market. According to Rutgers Center on Law, Inequity, and Metro Equity, in 2020 almost half of all Newark’s residential sales were to institutional buyers, nearly triple the amount of inventory purchased from ten years prior.³ In 2020, nearly 60 percent of Newark residents were cost burdened and nearly one-third were extremely cost burdened.⁴

Decades of disinvestment and weak real estate markets saddled Newark with thousands of vacant properties. Seemingly overnight however, these properties, once seen as only liabilities, have become

valuable assets in the rapidly appreciating real estate market.

City leaders recognized that publicly owned properties could push back against the City’s low homeownership rates. NLB and its partners were charged with leveraging these properties to create homeownership opportunities for low-income residents through an underutilized provision of HUD’s Housing Choice Voucher program.

An Overview of Land Banks and Housing Choice Vouchers

Using HUD’s House Choice Voucher (HCV) program to create homeownership opportunities is not a new idea; it has been an allowable use of the vouchers since at least 1999. However, of the 2.3 million HCVs nationwide, less than 10,000 are being leveraged for homeownership.⁵ The Newark Land Bank is the first land bank in the country leveraging the HCV homeownership conversion program to create new homeownership opportunities for voucher holders.

About Land Banks and the Newark Land Bank

A land bank is a public or nonprofit entity with a unique purpose of putting vacant, abandoned, and deteriorated properties back to productive use according to community goals.⁶

Across the country, over 300 land banks and land banking programs are mitigating the harm from vacant, abandoned, and deteriorated (VAD) properties and advancing equitable, inclusive, resilient communities.⁷ Land banks have profound positive impacts in the communities they serve including stabilizing neighborhoods and property values of neighboring

³ Troutt and Nelson, *Who Owns Newark?*

⁴ Ibid.

⁵ HUD, HCV Homeownership Program Overview, accessed on July 9, 2024, https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/homeownership.

⁶ To learn more about land banks and land banking programs across the country, visit <https://communityprogress.org/resources/land-banks/>.

⁷ A list of all land banks and land banking programs from across the country is compiled in Community Progress’ National Land Bank Map, <https://communityprogress.org/resources/land-banks/national-land-bank-map/>.



Photo: Courtesy of Newark Land Bank

homes,⁸ addressing safety concerns,⁹ leveraging economic investment,¹⁰ furthering racial equity and social justice,¹¹ and creating lasting affordability.¹²

New Jersey municipalities may form land banks pursuant to the 2019 New Jersey Land Bank Law.¹³ The City of Newark was the first city to take advantage of this new tool to address VAD properties.

In 2019, the City designated its economic development corporation, Invest Newark, to launch, implement, and manage its land bank. Upon formation, the Newark Land Bank focused on developing programs to support the City's ambitious goals for homeownership, closing the racial wealth gap, and stabilizing neighborhoods.

The Housing Choice Voucher Program and the Newark Housing Authority

HUD provides funding for very low-income residents, seniors, and people with disabilities to access housing

through the Housing Choice Voucher program (often referred to as Section 8). HCVs allow the individual with the voucher to choose where they would like to live, among participating properties. HCV programs are administered by local housing authorities.

Voucher holders most often use HCVs to assist with rent payments. HUD makes a payment directly to the landlord based on a formula determined by the voucher holder's income, monthly rent and housing expenses, and housing pricing for the designated metro area.

HCVs can also be used to create homeownership opportunities for first-time homeowners, though this provision of the program is grossly underutilized. All housing authorities have the ability to create a homeownership conversion program using HCVs, though not all do it. When a HCV is being applied to a mortgage, HUD pays the lender directly the amount of the voucher.

The NLB's Housing Choice Voucher Homeownership Conversion Program in Action

Preparing the Properties

In Newark, the City sells tax liens on tax-delinquent properties through an auction. When tax liens do not sell at the auction, typically because they were unattractive to the private market, they default to the City, which then forecloses on them and takes ownership. Newark's Economic Housing and Development (EHD) department manages this portfolio

⁸ In Detroit, Michigan, the median sales price grew an additional 11.5 percent per year in the land bank's Rehabbed & Ready neighborhoods during the three-year treatment period than they would have without the intervention. Paul Fontaine, and Chris Mueller, *Good Deeds: Community - minded intervention to strengthen the Detroit housing market is working, according to U-M analysis* (University of Michigan, 2021), <https://www.rocketcompanies.com/wp-content/uploads/2021/04/Good-Deeds-An-Analysis-of-the-Rehabbed-Ready-Program.pdf>.

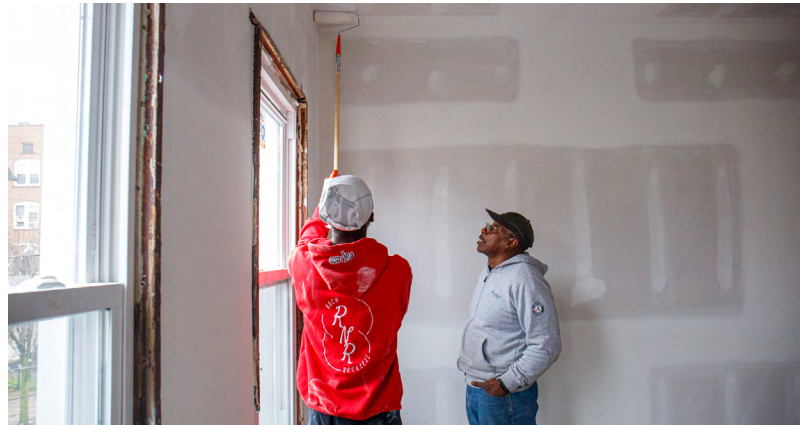
⁹ Analyzing PHS' greening program impact on health and safety from 1999-2008, researchers found a significant reduction (29 percent) in gun assaults citywide in areas with PHS-greened vacant lots. Additionally, in many of these areas, residents also reported less stress and increased exercise. Charles C. Branas, et al., "A Difference-In-Difference Analysis of Health, Safety, and Greening Vacant Urban Space", *American Journal of Epidemiology* 174, no. 11, (40878): 1296-1306, <https://academic.oup.com/aje/article/174/11/1296/111352>.

¹⁰ In 10 years, New York State land banks were able to secure \$180 million in local, state and federal funding, and \$300 million in private investments. Center for Community Progress, *A Decade of Progress: Celebrating 10 Years of Land Banks in New York* (New York Land Bank Association, 2023), https://syracuselandsbank.org/wp-content/uploads/2023/02/NYLBA-publication-2022_FINAL-1.pdf.

¹¹ The Lucas County Land Bank in Toledo, Ohio has established a \$1.5 million Neighborhood Justice Fund to support land bank investments that will grow wealth and foster health in Black and Brown communities. <https://lucascountylandbank.org/njf-invite>.

¹² Across the country, land banks and community land trusts are partnering to create and preserve affordable housing. Center for Community Progress, *Land Banks and Community Land Trusts Partnering to Provide Equitable Housing Opportunities Now and for Future Generations* (2023), <https://communityprogress.org/publications/land-banks-and-community-land-trusts/>.

¹³ NJS A 40A: 12A-78.



Photos: Courtesy of Newark Land Bank

of publicly owned (*in rem*) properties. EHD then transfers these vacant and abandoned properties at no cost to the NLB to fit a variety of programming at the land bank.

When it acquires the properties, NLB conducts the necessary legal work to ensure clear title. NLB then rehabilitates a portion of their single-family properties for their Housing Choice Voucher (HCV) Homeownership Conversion Program.¹⁴ To complete the rehab, NLB engages with minority-owned and local contractors, who have reported that working with NLB has expanded their business—one by nearly 40 percent—and positioned them to do more restoration work in Newark. NLB has also engaged Youth Build Newark,¹⁵ a nonprofit that provides education and workforce development to young adults, to conduct rehabilitation. NLB brings the properties up to health and safety standards, as the homes need to pass local inspections and HUD’s Housing Quality Standard inspection. In order to make the properties pencil out from a development standpoint while remaining affordable to voucher holders, NLB needs to invest significant subsidies in the program.

Properties typically require \$325,000 in construction costs to rehabilitate to a safe standard. However, the typical voucher holder eligible to participate can afford a mortgage of \$220,000–\$260,000. Therefore, the majority of these properties require over \$100,000 in subsidy. In addition, purchasers are eligible for the City

HCV Homeownership Conversion Program Snapshot

New Homes: 14 completed, 18 in queue

Property Type: Single-family

Key Partners: City of Newark, Newark Land Bank, Newark Housing Authority, NACA, Philanthropic partners

Funding: Grants, revolving loans, tax abatements

Average Cost to Rehab: \$325,000

Average Sale Price: \$250,000

Impact:

- Mitigating harm of VAD properties
- Increasing economic opportunities for MBE contractors
- Engaging youth in workforce development
- Creating homeownership opportunities
- Building generational wealth for Newark residents

of Newark’s First Time Homeownership Closing Cost program, which provides a \$20,000 forgivable loan to assist with closing costs and a downpayment.¹⁶

This would not be possible without generous and committed public, philanthropic, and financial partners. The HCV Homeownership Conversion Program has received direct grants from the National Fair

¹⁴ Property types eligible for HUDs HCV homeownership conversion program include: single-family homes, condos, cooperative units, site-installed manufactured housing, units currently under a lease-purchase agreement, PHA-owned or substantially controlled units, if certain conditions are met. HUD, Housing Choice Voucher Guidebook, <https://files.hudexchange.info/resources/documents/HCV-Homeownership-Guidebook.pdf>.

¹⁵ Youth Build Newark, <https://www.youthbuildnewarknj.org/>.

¹⁶ To learn more about the City of Newark’s Closing Cost Assistance program, see <https://drive.google.com/file/d/1iTHEJ-djAapfvLdgweCAMtNdsCQOlaaC/view>.

Housing Association, Wells Fargo, JPMorganChase, and Lakeland Bank, most of which were provided at the start of the program. NLB also receives low-interest loans from LISC New Jersey and the Victoria Foundation. The lines of credit from the loans allow NLB to rehabilitate a batch of properties at a time and use the revenue from the sale of those properties to rehabilitate the next batch of properties. The New Jersey Devils provided a grant to help buyers furnish their new homes. NLB also receives an annual allocation from the City of Newark to support its operations.

Housing affordability is not just about the purchase price, however, but the homeowner's financial ability to maintain the property into the future. NLB worked with the Newark Tax Assessor to get a five-year tax abatement on properties that go through the HCV Homeownership Conversion Program. After the abatement has expired, the taxes are calculated based on the purchase price, not the fair market value, which lowers the tax rates for these new homeowners.

In order to qualify for this tax abatement, a deed restriction is placed on the property for the length of the mortgage, ensuring any new owners meet HUD's income guidelines. This is a critical piece to ensure homeowners can financially maintain their homes for years into the future.

To date, NLB has focused their work on rehabbing existing single-family homes and, as of the writing of this case study, 13 HCV homes were completed.¹⁷

Preparing the Purchasers with HCVs

Potential purchasers of NLB properties in the HCV Homeownership Conversion Program have a HCV through the Newark Housing Authority. When the program was announced, the Newark Housing Authority and NLB hosted an informational session with nearly 1,000 voucher holders in attendance. The interest among residents in Newark demonstrates the critical need for affordable homeownership opportunities in the city.



Photos: Courtesy of Newark Land Bank

¹⁷ Due to the limited inventory of single-family structure received from the City, NLB is in the early stages of planning for construction of single family homes for the program.

Participants in the HCV Homeownership Conversion Program are required to complete homebuyer workshops and qualify for a mortgage. Often the HCV will cover nearly 80 percent of the principal and interest for the mortgage. The Newark Housing Authority connects voucher holders with housing counselors at the Neighborhood Assistance Corporation of America (NACA). NACA serves as the housing counselor agency to prepare potential purchasers and as the conduit for Bank of America, the lender underwriting the mortgage.

NACA shares a list of eligible participants for the program with NLB. Eligible participants are able to tour properties and submit their name into the lottery for the properties they are interested in. NLB selects the purchasers through a lottery system.

Lessons for the Field

What the Newark Land Bank and its partners achieved in developing this successful homeownership conversion program is truly remarkable. With the right group of committed partners at the table, other communities could replicate this program for profound impact. Here are a few key takeaways to consider:

1. **A coordinated, committed team of public, nonprofit, and private partners is critical.**

It is clear that the HCV Homeownership Conversion Program would not have happened without a strong foundation of committed partners working toward a shared goal of creating homeownership and wealth building opportunities for Newark residents. The mayor's political leadership and articulated housing agenda¹⁸ and compelling data and reporting related to homeownership challenges¹⁹ in Newark laid the groundwork for a coalition of eager public, nonprofit, and private partners to support the HCV Homeownership Conversion Program.

Key partners for a program team should include:

- Local government and the department that manages publicly owned properties
- Land bank, or entity responsible for the rehab

- and stewardship of properties
- Public housing authority and other agencies responsible for overseeing the Housing Choice Voucher program
- Housing counseling agencies
- Lenders
- Philanthropy and other funders

Ideally, one staff member from each of the necessary partners oversees the HCV Homeownership Conversion Program at their respective organizations. Consistent communication with a program team is needed to ensure program stability and sustainability, and to respond to emergent issues and opportunities. These representatives should meet regularly (quarterly, for instance), to oversee the program, evaluate progress, measure impact, and make adjustments as needed.

2. **A systematic process for strategic, cost-effective property acquisition is needed.**

Land banks require a systematic and cost-effective property acquisition process in order to be successful. This is especially important in supporting a HCV Homeownership Conversion Program, given the goal of ensuring houses are affordable to voucher holders. NLB was able to receive the properties at no cost from the City of Newark.

City and land bank partners should make data-driven decisions on which VAD properties should be leveraged for this program. Information that will be critical to target properties for this program include:

- Property type, to ensure they meet HUD requirements
- Cost of rehabilitation and/or construction
- Location as it relates to targeted geographic focus for the local government or land bank; proximity to other public investments; and access to public amenities

3. **Subsidies are required.**

Public, philanthropic, and private funding is critical to ensure properties remain affordable. In the

¹⁸ The City of Newark is tracking progress towards meeting its housing agenda, which can be found online at <https://www.newarknj.gov/card/newark-housing-tracker>.

¹⁹ Troutt and Nelson, *Who Owns Newark?*

NLB program, funding was required throughout the program and at different touchpoints with the purchasers, including:

- *Subsidizing the rehabilitation of the house.* The program leveraged vacant and abandoned properties, which required a significant amount of rehabilitation. If the property was sold for the total cost of that rehabilitation, the purchase price would not be attainable for those with HCVs. Given the hot real estate market in Newark, NLB could have sold the properties at market rate and potentially generated some revenue, but made an intentional decision to keep the properties affordable to meet the desired homeownership outcome. NLB's ability to prioritize the end user over maximizing revenue is only made possible because of its infusion of public and philanthropic support.
- *Direct financial support to the purchaser.* All purchasers participated in the City of Newark's First Time Homeownership Closing Cost program. The program provides a \$20,000 forgivable loan to assist with closing costs and a downpayment.
- *Long-term tax abatement.* The properties received tax abatements to ensure the owner could maintain the financial responsibilities of the home for the life of their loan.

4. **Lenders need to be brought on board.**

Program participants were able to receive a mortgage through Bank of America thanks to the bank's long-standing partnership with NACA. NLB is seeking new relationships with financial institutions to expand their pool of lenders and provide more loan products for participants to choose from.

Many lenders did not have adequate knowledge about how they could participate in the HCV homeownership conversion program. NLB has been working to dispel myths surrounding the lender's risk in participating in the HCV Homeownership Conversion Program. For instance, banks must recognize that the HCV provides nearly 80 percent of the mortgage payment, which is a guaranteed payment by HUD. If the homeowner defaults on the remaining percentage of their mortgage, the loan is also guaranteed through HUD, not unlike other

Success Story

In November 2023, NLB and its partners welcomed Christian Miller and her two young children home just in time for the holidays. Miller was a lucky recipient of a HCV Homeownership Conversion Program home. The previous owner of her single-family two-story house had gutted it, but hadn't completed rehabilitation. With unsecured windows and doors, the property had been a significant headache to its adjacent homeowners.

After entering NLB's inventory, the property was rehabilitated by YouthBuild, and Miller was selected through the HCV Homeownership Conversion Program lottery.

Furnishing a new home, however, can also be an expensive endeavor and presents opportunities for more creative partnerships with corporate sponsors on these types of programs. The New York Giants and Bobs Discount Furniture surprised the Millers with a shopping spree to pick out new furniture at no cost to the family. Finally a homeowner, Christian Miller now has a safe, healthy home to raise her children in and is creating a new cycle of homeownership and wealth generation for her family.

* Matthew Fazelpoor, "Giants, Newark, Bob's Discount Furniture partner to surprise first-time homeowner", NJBiz.com, December 4, 2023, <https://njbiz.com/giants-newark-bobs-discount-furniture-partner-to-surprise-first-time-homeowner/>.

conventional loan products. Educating lenders is an ongoing activity for NLB.

5. **Education of homebuyers is a continual process.**

Homebuying can be a confusing process for most individuals, and especially for families who have been excluded from access to capital for generations. NLB would often have a qualified participant for the program who was preapproved for a mortgage. However, the individual might have opened a new credit card, for example, leading to an inability to get a mortgage at the final stage of the process. This was often an upsetting reality for the homebuyer and the land bank staff.

Buyers must be supported throughout the homebuying process and after they become



Photo: Center for Community Progress

homeowners. Homeownership counseling and post-closing workshops need to be accessible and in a format that owners can revisit. To meet these needs, NLB developed informational videos on common topics that homebuyers could access as needed.

With an ultimate goal of long-term homeownership and wealth generation, it is also important to find intervention points to keep homeowners in their homes if they face financial hardship. NLB is at the early stages of exploring foreclosure prevention education and partnerships to assist with this potential future need.

6. **Celebrate the victories.**

Take time to recognize all the hard work, and people who make success possible. In addition to ribbon cuttings, press releases, and celebratory events with elected officials and department heads, find ways to recognize the hardworking individuals, often operating behind the scenes, who have contributed in some way to making the program a success.

Conclusion

The Newark Land Bank HCV Homeownership Conversion Program illustrates the impact of committed partners working towards a shared goal of increasing homeownership and wealth-building.

As real estate markets continue to heat up and outside investors leverage their outsized purchasing power in communities, local governments and their public, nonprofit, and private partners must consider all avenues for preserving and creating homeownership opportunities.

We encourage communities interested in exploring how to create a HCV Homeownership Conversion Program to have honest conversations with their housing authorities, philanthropic partners, lenders, and other community representatives about their level of commitment to start, and sustain, similar programs.

While this work is anything but easy, it can have profound and lasting impacts on individuals' lives and neighborhood stability for generations to come.

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