

EMPOWERING PUBLIC PROPERTY

Simulating New Housing, Economic
Development and Greenspace Policy with
Newark's City-Owned Property Inventory



BREAK-OUT REPORT: **Simulation 1: Facilitate Development of 2,500 Units of Affordable Housing**



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FEBRUARY 2024

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EXECUTIVE SUMMARY

Simulation 1: Facilitate Development of 2,500 Units of Affordable Housing

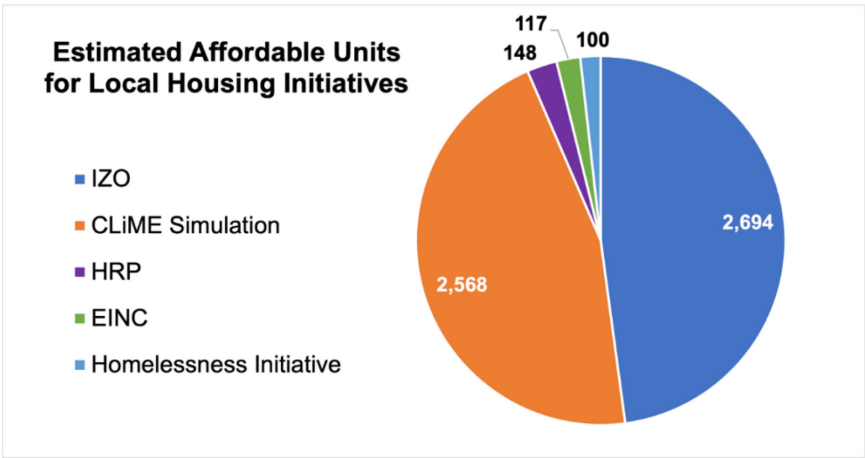
The first housing simulation shows that using available city-owned property for affordable housing production could produce an estimated 2,568 units of affordable housing in standard zoning districts that permit residential uses.¹

Table 1

Simulated Housing Production on Public Land by Ward		
Ward	Affordable Housing Units	Affordable Housing Units Share
South	1,172	45.6%
West	659	27.7%
Central	434	18.2%
East	187	7.9%
North	116	4.9%
City-Wide	2,568	100%

Joining with other affordable housing initiatives by the City of Newark, the use of available city-owned property for affordable housing development can help the City meet its production goals.

Figure 1



¹ The simulation only analyzes the potential for affordable housing production in standard zoning districts that permit residential uses. There is greater potential to produce additional affordable housing units in redevelopment areas that are outside of the scope of the simulation.



There is also an opportunity to create and sustain a bridge fund for affordable housing development that targets projects in Newark. The following illustrates possible financing sources for development of affordable housing units on city-owned land.

Table 2

Capital	Sources	Terms
Senior Debt (65%)	<ul style="list-style-type: none"> • Commercial Banks with CRA obligations • NJHMFA Tax-Exempt Bond • CDFI Loan Funds • CDFI Credit Unions 	<p>Provides loan up to 65% of the value of the project (65% Loan-to-Value)</p> <p>Interest rate 4% - 8% (varies with market conditions)</p>
Subordinate Debt (15%)	<ul style="list-style-type: none"> • NJRDA Urban Site Acquisition Fund for predevelopment costs • Place-Based Affordable Housing Bridge Fund 	<p>Provides loan 100% to 120% of the value of the project</p> <p>Low-cost loan with amenable interest rates (1% - 5%)</p>
Equity (20%)	<ul style="list-style-type: none"> • Public Grants • Philanthropy • Corporate contributions 	



INTRODUCTION

The strategic redevelopment of city-owned land in Newark holds immense promise for advancing policies of housing affordability in hand with placemaking, climate resiliency, and equitable development. Land that has come into the possession of the City of Newark due to tax delinquency, foreclosure, or landlord abandonment reflects a living legacy of structural inequality. This report reimagines public use by chronicling the opportunities for equitable growth and household mobility that might arise from a clearer view of Newark's current inventory.

City-owned property is a public asset that can be strategically leveraged as a policy tool to address Newark's immense unmet needs for affordable housing, equitable economic development, and climate resiliency. Newark faces an acute shortage of affordable housing. While multiple approaches are needed to fill the gap, the acquisition of city-owned land at a nominal fee is a critical resource for affordable housing development in Newark. Any plan that seeks to address the housing crisis must leverage a deep layer of subsidies to produce units that are affordable at the local level. However, supporting the development of healthy, livable neighborhoods requires more than brick-and-mortar affordable housing production. In hand with affordable housing development, Newark needs quality jobs and business ownership opportunities to advance the financial security of residents. Investing in infrastructure that increases climate resiliency is equally crucial to the future health and prosperity of a city that is

vulnerable to multiple climate risks including the urban heat island effect and wastewater and sewage overflow flooding.

Effectively, these policy goals rely on technical capacity-building at City Hall. It is not possible to envision and oversee the redevelopment potential of Newark without information systems that can record the quantity, location, and basic structural characteristics of property in the City's inventory. Quality data about the inventory is an indispensable tool in the effective management of this finite public resource. Indeed, bureaucratic practices of quantification to conceive of and manage land inventory are as old as modern cities (Scott, 1998). Yet, municipalities operate on an uneven playing field as it relates to having basic data infrastructure to reliably collect information about their assets and services. Building the City of Newark's technical capacity to manage property data is a prerequisite to the implementation of numerous active policy initiatives premised on the use of city-owned land, from the creation of the Newark Land Bank to the Investing in Newark Communities initiative that establishes deed restrictions for up to half of city-owned property (City of Newark, 2020; City of Newark, 2023). CLiME has devoted time and resources to produce foundational data management tools and techniques in partnership with the City of Newark that allow for the efficient and creative use of city-owned land as a resource for equitable development.



CLiME began the project in October 2022 with the goals of creating an up-to-date inventory of city-owned land and developing recommendations to institute data management practices for improved efficiency. At completion, the project has yielded:

- A validated list of city-owned property with fields that indicate the disposition status;
- A restructured database to improve efficiency and prevent future data errors;
- A data dashboard and map to convey the state of the inventory to internal city users and the public.

While this research emerged out of CLiME's technical capacity-building initiative with the City of Newark, the project sparked a broader inquiry into how the City of Newark may steward and transfer public land to advance its goals of affordable housing production, equitable economic development, and climate

resiliency. In the first section we describe CLiME's collaboration with the City of Newark and highlight the value of investing in municipal information systems as a cornerstone of policy implementation and evaluation. We continue in the second section by running a series of policy simulations with land inventory data. These simulations estimate the potential of affordable housing production, environmental remediation, and job creation on city-owned property based on development rights defined in the City's proposed 2023 zoning ordinance. Here we also suggest new neighborhood governance and ownership structures that embed democratic processes in local land use and redevelopment planning, such as Community Planning Boards, Community Land Trusts, and a Redevelopment Authority. In the final section we conclude by outlining policy recommendations to leverage city-owned property as a tool for equitable development.



SIMULATION 1: FACILITATE DEVELOPMENT OF 2,500 UNITS OF AFFORDABLE HOUSING

Preventing housing displacement and facilitating affordable housing options have been twin goals of the Baraka Administration since its first term in office. CLiME has studied housing affordability in Newark and beyond for several years. That shared interest in addressing one of the most stubborn crises of American cities led to this simulation in which we illustrate ways in which the City might accelerate reaching its affordable housing goals through the empowerment of city-owned properties.

2.1 How Many Affordable Housing Units Can Newark Build on Public Land?

The first housing simulation shows that using available city-owned property for affordable housing production could produce an estimated 2,568 units of affordable housing in standard zoning districts that permit residential uses.² (Note that all calculations are based on an assessment of inventory as of June 2023.) Simulated affordable housing production represents 38 percent of the City of Newark’s 2021 Housing Goal to produce 6,600 affordable units by 2026 (City of Newark, 2021). However, the approximately 2,500 affordable housing

units represents an even smaller fraction of need for affordable housing. Though CLiME does not recommend that all affordable housing units are used for rentals, simulated affordable housing units would represent substantial progress—15 percent toward the 15 percent—toward the approximately 16,000 affordable units required to meet existing need for affordable rental housing (Troutt & Nelson, 2021). Like many U.S. cities, Newark’s affordability gap is that significant.

Simulated affordable housing production includes a range of single-family, multi-family, and mixed-use buildings, reflecting land availability in relation to land use regulation on permitted density by zoning district (see **Table 6**). The location of simulated affordable housing production is also a function of land availability as opposed to geographic need. Nearly half of simulated housing production is located in the South Ward. Another 29 percent of sites are located in the West Ward and 17 percent of sites are located in the Central Ward. The East and North Wards have relatively fewer simulated housing units, representing about 8 percent and 5 percent of all units, respectively (see **Table 7**).

² The simulation only analyzes the potential for affordable housing production in standard zoning districts that permit residential uses. There is greater potential to produce additional affordable housing units in redevelopment areas that are outside of the scope of the simulation.



Table 3

Number of Simulated Structures & Simulated Units by Structure Type		
Structure Type	Simulated Structures	Simulated Units
Single-Family	12	12
Single-Family with ADU	6	12
Three- and Four-Family	233	784
Townhouse	18	142
Multifamily (5+ units)	10	433
Mixed-Use Buildings (not including first-floor)	40	1,185
Total	319	2,568

Figure 2

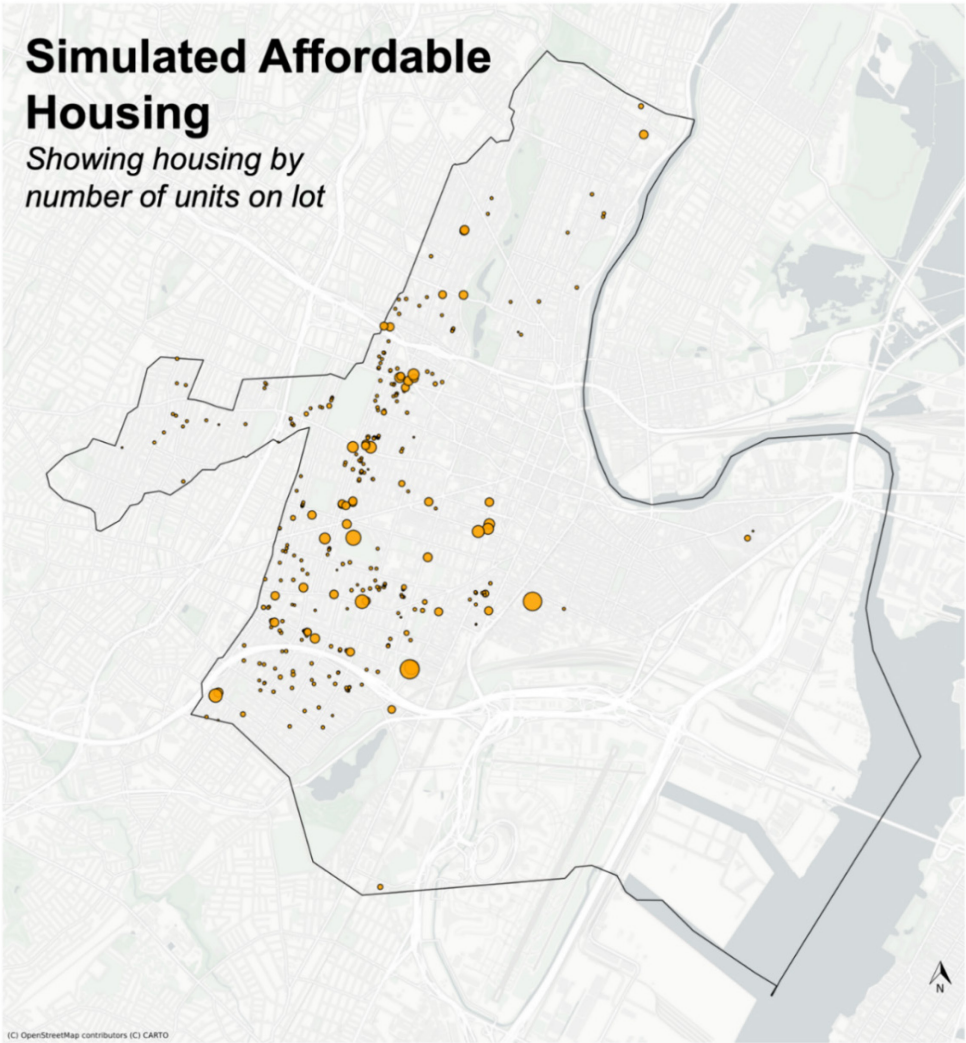


Table 4

Simulated Housing Production on Public Land by Ward		
Ward	Affordable Housing Units	Affordable Housing Units Share
South	1,172	45.6%
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Central	434	18.2%
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City-Wide	2,568	100%

2.2 How Many Households Can 2,500 Affordable Units Serve? Resale Restrictions and the Scope of Affordability

How many Newark households can be served by the simulated 2,500 affordable units developed on public land? The answer depends on the length of protections that are placed on affordable housing to retain affordability over time.³ If the simulated housing units had a longer affordability restriction period of 99 years, these units could serve about 2.8 times more households than a 30-year restriction period over the course of 99 years. A 99-year affordability period would serve nearly 6 times more households than a 10-year affordability restriction over the same course of time.

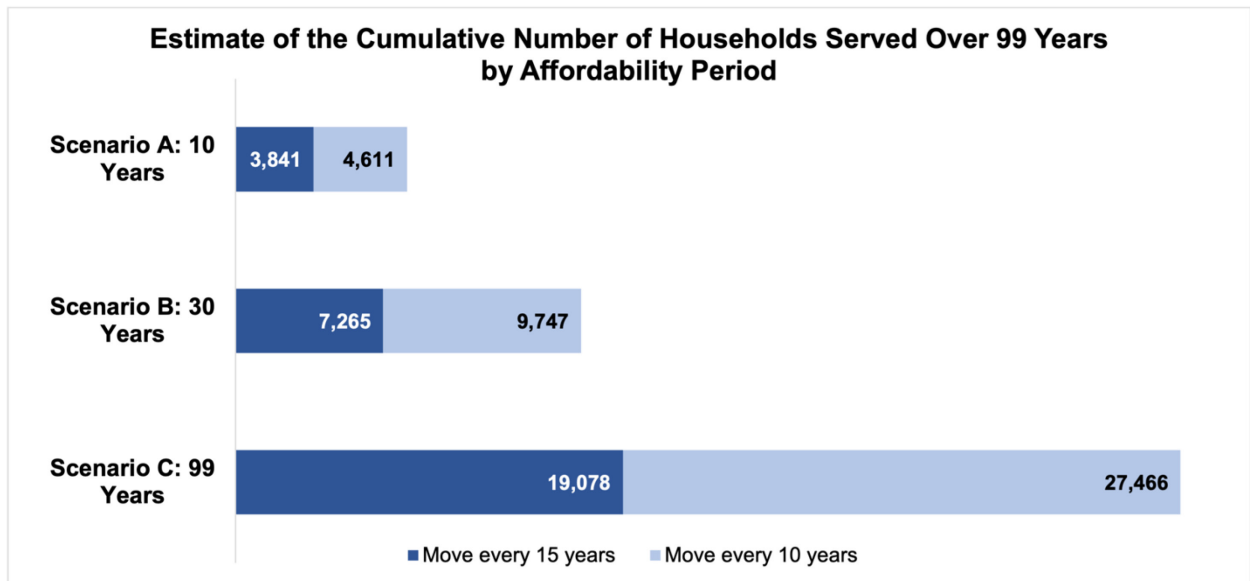
Expansion Through Density

Newark can potentially increase the number of affordable units developed on city-owned lots by merging contiguous parcels before conveyance. Among the subset of all parcels in the inventory included in the simulation, 286 parcels were contiguous lots that share a border with another vacant city-owned property. In certain zoning districts, merging contiguous lots would qualify the merged parcel to construct housing a greater density by-right. Take the four vacant city-owned lots on Kent Street in the West Ward as an example. These lots are just under 2,500 square feet in area and sit in a “community commercial” C-1 zoning district under the proposed 2023 zoning ordinance. Taken alone, these lots do not meet the minimum lot area requirements for permitted residential buildings in community commercial districts, which include low-rise multifamily and mixed-use buildings up to five stories. Merging these lots would provide almost 10,000 square feet in lot area, making it possible to build a 38-unit low-rise multifamily building. Identifying and merging all contiguous parcels before conveyance would further optimize how Newark can create public benefit from public land.

³ We replicate Lubell’s (2013) methodology to compare the cumulative number of households served depending on the duration of affordability restrictions.



Figure 3



Current city policy allows for the resale of affordable housing at a market rate after just a few decades, diminishing the affordable housing stock for future generations. Since 2019, affordable housing conveyed by the Newark Land Bank must abide by affordability restrictions for a period of 20 years (Newark Land Bank, 2021). In January 2023, City Council passed an ordinance placing a 30-year deed restriction on up to 50 percent of city-owned property used to develop affordable housing (City of Newark, 2023). The Homeownership Revitalization Program, another city initiative announced May 2023, establishes a ten-year resale restriction on housing developed under the program (City of Newark, 2023). Though we understand the goal of wealth enhancement that may be served by allowing homeowners to recoup any market gains in half a generation, we think the trade-off in expanding affordability favors longer term protections.

In support of this conclusion, we compare city policy to a longer affordability period by estimating the difference in the cumulative number of households served over time (Lubell, 2013). Scenario A represents the City’s 10-year affordability period for the Homeownership Revitalization Program. Scenario B illustrates the reach of the City’s Affordability Deed Restriction of 30-year resale period.

Scenario C shows an alternative affordability period of 99 years. This longer restriction period is grounded in the imperative to preserve public land for public benefits. Although affordability periods for HUD-funded projects are typically up to 30 years depending on the program and grant size (U.S. Department of Housing and Urban Development, 2013), local jurisdictions have filled the gap by establishing longer resale restrictions ranging from 50 to 99 years, or in perpetuity (Grounded Solutions



Network, 2019). As the Housing Director of Stamford, Connecticut put it, “If we allowed these units to expire after 30 years, which was the conventional HUD affordability term, we’d start losing units as fast as we produced them, and it would be a futile program” (Ibid). Stamford and other localities such as Cambridge, MA, Chicago, IL, and Montgomery County, MD have established affordability periods up to 99 years after seeing tens of thousands of HUD-funded affordable units expire after just three decades (Ibid).

For the purposes of comparison, we test the 2,568 simulated affordable units for each scenario and assume that households move every 10 to 15 years (Anderson, 2022). Under Scenario A with a 10-year affordability period, about 3,800 households to about 4,600 households would be served by the approximately 2,500 affordable housing units. Scenario B shows that a 30-year affordability period could serve *almost double* the number of households, reaching 7,265 households to about 9,750 households. After 10 years or 30 years, the owner could sell their home at market-rate, or under a rental scenario, the landlord could convert the unit to market-rate rental. If the City were to institute a longer resale restriction of 99 years, the City could serve nearly *six times* more households than a 10-year resale restriction or

about 2.8 times more households than a 30-year affordability restriction.

2.3 Bold Affordable Housing Policy at Scale

Newark has an opportunity to advance bold affordable housing policies at scale by leveraging city-owned land as a public asset. Current housing initiatives premised on the use of city-owned property are making important strides, but are only using a small portion of available land. Equitable Investment in Newark Communities (EINC), an initiative announced March 2023, included city-owned lots. If the same set of simulation assumptions are applied EINC lots, CLiME estimates these lots could produce up to 117 affordable units if half of all units are allocated for affordable housing.⁴ Another 2023 program, the Homeownership Revitalization Program (HRP), has 34 designated lots that can produce an estimated 148 homes in the first iteration of the program.⁵ Additionally, the City is using available land to provide permanent supportive housing for the homeless population. Four planned sites will create 100 beds, contributing to the City’s goal to provide shelter to 10,000 homeless families and individuals by 2021 (City of Newark, 2022). The simulation shows how available city-owned property might facilitate development of an

⁴ We estimate that EINC will produce up to 117 affordable units and 117 market-rate units based on the city-owned lots included in the City’s 2023 Request for Qualifications. The City’s RFQ acknowledged that developers may propose building on other city-owned lots not listed in the proposal document. This estimate follows the same assumptions as the affordable housing policy simulation. The estimate assumes that projects will produce the maximum number of units permitted under the City’s proposed 2023 zoning ordinance. Further, the estimate is in accordance with the City’s standard that 50 percent of units produced under EINC are affordable as per the City’s Affordable Housing Deed Restriction.

⁵ A Newark resident is any current resident who has resided in the city for 5 years or a resident who has been displaced and previously lived in Newark for 5 years.



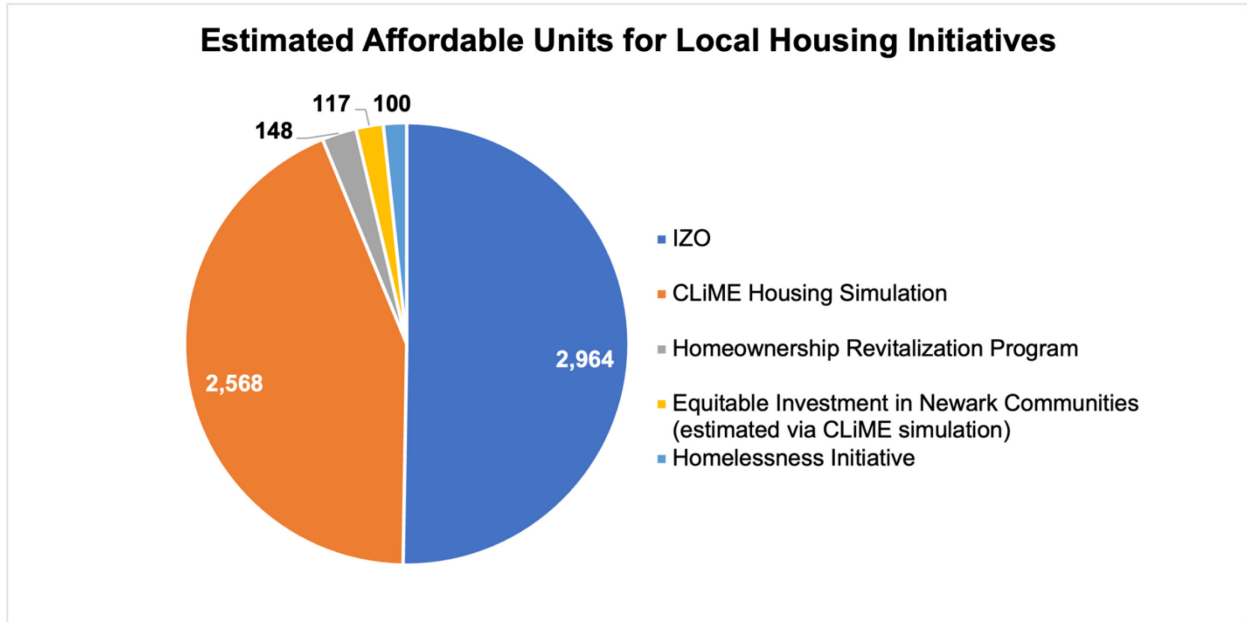
additional 2,500 housing units that can remain affordable to Newark renters over the long-term.

Another important attribute of affordable housing on city-owned land is the depth of subsidy it provides, which supports the conditions for much lower-income residents to benefit. Our simulations calculate income targets as low as 30 percent of Area Median Income (AMI). This is the median income of Newark renters (Nelson and Troutt, 2022). Affordable units produced by the Inclusionary Zoning Ordinance (IZO) are between 40 percent to 60 percent of AMI (City of Newark, 2022). Federal programs such as the Low-Income Housing Tax Credit produce rental units at 50 percent or 60 percent of AMI (NLIHC, 2022). Conveying city-owned property at a nominal fee amounts to a substantial subsidy for development, accompanied by the ability to experiment with innovative affordable development models. For instance, transferring the land to a Community Land Trust (CLT) would safeguard the long-term affordability of the land. Issuing a ground lease for residential structures on the land, whether the uses are for affordable rentals, shared equity cooperatives, or owner-occupied units, would diminish costs for

tenants because they are only leasing the structure, not the land. Next we explore the City's legal authority to undertake this development and further discuss possible ownership structures.



Figure 4



2.4 Ownership and Governance Systems for Affordable Housing

The redevelopment of city-owned property into affordable housing raises a series of questions as to what governance and management infrastructure should be established to facilitate the efficient and equitable redevelopment of underutilized public land. Numerous questions need to be answered about how to map available resources onto public needs. Can a city be a developer, a facilitator of specific kinds of development or even a landlord of properties it owns? Should a city convey all or part of the land to nonprofits or private developers, or should it continue as an owner? What forms of housing or commercial tenure should be produced? Affordable rentals, owner-occupied units, and shared-equity cooperatives are all forms of tenure that meet specific needs of subsets of the population and warrant further investigation. These questions among others point to the need for a governance system that outlines which set of actors decide how public resources are used. This section offers partial answers.

A governance infrastructure is needed to make decisions about how to use public resources and align available assets with myriad public needs that relate to affordable housing.

State law gives Newark significant redevelopment powers. Under New Jersey’s Local Redevelopment and Housing Law (“LRHL” or “Act”), municipalities have broad authority over land use, including the buying and leasing of property and the delegation of land use powers to agencies they create for redevelopment purposes. According to the Act, a city’s redevelopment authority is



conditioned on compliance with planning processes. Specifically, initiate an investigation as to whether an area is in need of redevelopment or rehabilitation, determine that the area is indeed of such redevelopment or rehabilitation, and adopt a plan pursuant to the same.⁶ Much of the available land in Newark is not currently designated as in need of redevelopment, but it could be so long as it meets statutory criteria. Once a parcel is designated, the public must receive notice and an opportunity to be heard.⁷ Any subsequent redevelopment projects must comply with a redevelopment plan approved by the city council that includes affordable housing in accordance with the “Fair Housing Act” and the housing element of the municipal master plan.⁸ Once a city completes these steps, the Act confers sweeping powers on the designated redevelopment entity, including to take private property by eminent domain; the power to issue bonds; to acquire property; to clear any area owned or acquired and construct site improvements essential to the plan; to arrange or contract with public agencies or redevelopers for the planning and construction of any project or redevelopment work, or for the acquisition by such agency or entity of property options or property rights or for the furnishing of property in connection with a redevelopment area.⁹ Furthermore, the redevelopment entity or agency has the power to “**lease or convey property or improvements to any other party...without public bidding and at such prices and upon such terms as it deems reasonable**, provided that the lease or conveyance is made in conjunction with a redevelopment plan” (emphasis added).¹⁰ Readers interested in learning more about the details of city redevelopment authority under the LHRL should see our separate memorandum on the CLiME website.

Newark clearly has the legal authority to put its public lands to myriad uses, but how would it exercise such power as a practical matter? Typically, City and Newark Land Bank programs have connected the opportunity to develop affordable housing on below market-rate land as an opportunity to support local minority-owned businesses in construction and real estate development. After the property is developed, the developer will either sell the home to a household who will become homeowners, or the developer can become a landlord and rent out the property. This model has worked successfully for several City housing initiatives.

2.5 A Local Redevelopment Authority

Given the scale of available properties, we explore a slightly different redevelopment authority model, created for either the single purpose of the equitable redevelopment of city-owned residentially zoned land or the dual purpose of both city-owned residential and commercial/industrially zoned properties (discussed in the second simulation). We leave for further research the question of whether such an entity should also oversee the re-use of city-owned land for

⁶ 40A:12A-4(a).

⁷ See N.J.S.A. §§ 40A:12A-6. See also *Harrison Redevelopment Agency v. DeRose*, 398 N.J. Super. 361 (App. Div. 2008).

⁸ N.J.S.A. §§ 40A:12A § 7(b).

⁹ *Id.* at § 8(a)-(e).

¹⁰ *Id.* at § 8(g).



environmental purposes (discussed in the third simulation). A potential “Newark Redevelopment Agency” would have the power to act as redeveloper itself, in addition to contracting to lease or sell property to private developers or other third parties. The Agency would have the power to acquire from the City property designated as in need of redevelopment or rehabilitation once a redevelopment plan is adopted by resolution. Perhaps most importantly to potential redevelopment of these City-owned parcels, the Agency would then have the power to lease or convey property, fixtures, or improvements **without public bidding and at such prices it deems reasonable**. This is imperative, of course, because conveying property interests at a nominal fee or below-market rate amounts to a substantial subsidy for a would-be developer. It has the potential, if done prudently, to incentivize and spur growth.

Fortunately, Newark already has two entities that exercise similar redevelopment authority, the Newark Housing Authority and Newark Land Bank under Invest Newark. Under the LRHL, a municipality may authorize its municipal housing authority or land bank to act as a redevelopment entity.¹¹ Whether either or both entities would assume these substantial additional duties is a question beyond the scope of this report. It is important to note, however, that Newark has faced these governance issues before.

Beyond questions of the City’s legal authority lie question of ownership and administration. These too require more collaborative policymaking than we can offer here. However, CLiME’s research reveals that there is potential to scale affordable housing development on multiple, non-contiguous lots through the creation of Community Land Trusts (CLTs) and Community Planning Boards.

2.6 Community Land Trusts

Establishing a CLT in Newark to steward affordable housing constructed on city-owned land could contribute to Newark’s affordable housing goals by securing long-term affordability and empowering tenant stewardship of housing. Community Land Trusts (CLTs) are non-profit entities that own land to remove land from the private market and establish community ownership (CLiME, 2017). CLTs can establish a ground lease for structures built on the land, which may involve a variety of uses such as affordable housing, commercial, or mixed-use buildings.

CLTs can help Newark preserve affordable housing over time because CLTs abide by a community-based governance system that can hold leadership accountable to stewarding land for the public interest. CLTs have a tripartite board structure that includes three stakeholder groups: (a) leaseholders that occupy buildings on the land, whether that is tenants of affordable housing or below-market commercial space; (b) residents from the surrounding community who are not tenants; and (c) other representatives from civic organizations or city government (Thaden & Lowe, 2014). The

¹¹ *Id.* at § 21.



tripartite board structure ensures that multiple stakeholders groups have decision-making power, establishing a community-based system of “checks and balances” to ensure that the interests of tenants are not overlooked and do not grow to overpower public interests.

What might a CLT in Newark look like? CLTs can be structured as contiguous parcels or composed of lots dispersed across a city (Thaden & Lowe, 2014). In Newark, there is an opportunity to transfer clusters of lots suited for multi-family residential development to a CLT. A Newark CLT that establishes a ground lease with a shared-equity cooperative would create a strong governance and financial foundation for affordable housing that opens avenues toward stability and modest wealth-building for low- and moderate-income households. While CLTs provide organizational support that draws on the leadership capacity of community representatives and civic leaders, shared equity cooperatives offer an accessible financial structure for shared ownership (Ehlenz, 2018).

2.7 Community Planning Boards

Establishing Community Planning Boards can create a direct role for Newark residents to shape land use and redevelopment decisions that directly impacts their neighborhood. CLiME has demonstrated that available city-owned land creates an opportunity for redevelopment at a meaningful scale in Newark. Newark residents should have a leading say in how public land is used and managed to create public benefit for those in greatest need. Community Planning Boards can elevate civic engagement by creating new leadership roles and forums for residents to voice needs and debate visions of the future for their neighborhood (CLiME,

Community Planning

Community Planning Boards in New York City shows how communities are embedded in the land use and redevelopment planning process. In New York City, Community Planning Boards have one salaried District Manager and 50 unsalaried members who serve on various committees (City of New York, 2023). Chief responsibilities include hosting hearings for residents and coordinating with city officials and agencies. Community Boards have final decision-making power in land use decisions regarding the disposition of city-owned property, land acquisition, the siting of municipal facilities, housing plans, variances, and zoning map changes, among other land use decisions (NYC Department of City Planning, n.d.).

How can Community Planning Boards fit into Newark’s existing land use and redevelopment governance system?

Community Planning Boards would need to establish a leadership structure with capacity to effectively coordinate with existing bodies, including City Council, City of Newark’s Division of Planning and Zoning, the Central Planning Board, and the Zoning Board of Approval. A leadership structure for Community Boards should create fair opportunities for residents from a variety of vantage points to take on salaried and volunteer leadership roles through a process that may involve a combination of applications, elections, and appointments by elected local officials.



2017). Formalizing neighborhood-based governance acknowledges that residents are also experts in local land use and redevelopment questions and have important knowledge to contribute that benefits city government.

2.8 Financing Affordable Housing Development on City-Owned Land

Financing is equally as important to affordable housing redevelopment as governance. How can Newark finance the development of about 2,500 affordable housing units on city-owned land? While the conveyance of city-owned land at a nominal fee significantly minimizes acquisition costs, developers should anticipate pre-development costs to support feasibility studies, legal fees, and architecture and engineering costs. Pre-development and development financing strategies will likely involve seeking a combination of federal, state, and private sources that each provide a different type of capital. Capital for pre-development and development financing are composed of senior debt, subordinate debt, and equity (see **Table 8**).

Senior debt typically contributes the largest portion of capital, often representing up to 65 percent of total project value. Senior debt is considered “low risk” because it is the first loan that is repaid and secured by project collateral (i.e., land and improvements on land). Public and private entities with resources and organizational capacity to issue large loans are best positioned as senior debt lenders. The New Jersey Housing Mortgage Finance Agency (NJHMFA) has three multifamily development

loan programs funded by taxable and tax-exempt bonds. The latter provides a lower interest rate that can provide more amenable financing to affordable housing development and rehabilitation (NJHMFA, 2023).¹² Private sector senior debt lenders include Community Development Financial Institutions (CDFI) and commercial banks. Affordable housing development is central to the mission of national and regional CDFI loan funds and credit unions. These entities have specialized pre-development and development loan products for affordable multifamily development. Commercial banks with Community Reinvestment Act obligations are also potential senior debt lenders, though interest rates may be higher than community development lenders.

Since senior debt lenders typically only offer a loan at 65 percent of the value of the total project, there is a need for additional loans to fill the gap between senior debt and equity. Sitting second in the capital stack, “**subordinate**” or “**mezzanine**” debt is considered “higher risk” because the lender is repaid after the senior lender and the loan is not secured by project collateral. In the context of market-rate projects, a mezzanine lender expects higher rates of return in exchange for greater risk. However, public and private entities committed to supporting affordable housing can design a bridge loan fund that provides subordinate financing with amenable terms to help projects leverage senior debt from other sources. For example, the NJ Department of Community Affairs administers several programs offering a

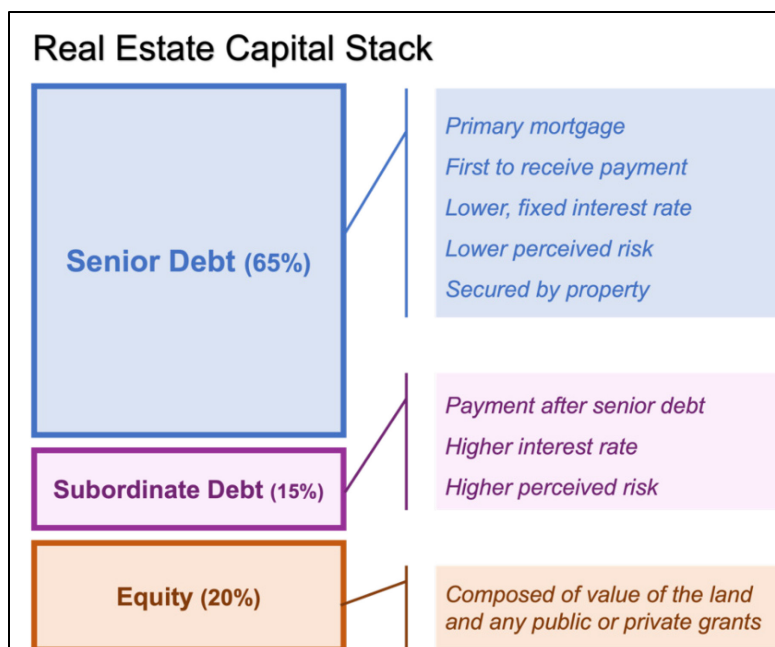
¹² As of February 2023, NJMFA issues long-term tax-exempt bonds for a 32-year term at a 6.15 percent interest rate (NJHMFA, 2023).



second amortizing loan at a one percent interest rate with capital from the New Jersey National Housing Trust Fund (NJ Department of Community Affairs, 2023). Projects in Newark are not eligible for these funds because the programs target municipalities with court-approved fair share housing obligations (Ibid). Another source of state bridge funding for predevelopment costs is the New Jersey Redevelopment Authority (NJRA)'s Urban Site Acquisition Fund. The \$20 million revolving loan program provides bridge loans for acquisition and predevelopment (NJRA, 2023). Although the cost of acquiring city-owned land should be minimal, bridge loans from this program could aid predevelopment costs such as feasibility studies, engineering, and architectural fees. While bridge funding for predevelopment cost is crucial to the financial package, there is a need to establish a reliable source of bridge financing for development costs.

There is an opportunity to create and sustain a bridge fund for affordable housing development that targets projects in Newark. Regional CDFIs are best positioned to coordinate with the City to administer the fund because they have organizational capacity for fundraising, project management, underwriting, and oversight. Self-Help Credit Union's Durham Affordable Housing Loan Fund and LISC Bay Area's Partnership for the Bay's Future Fund are example of place-based bridge funds administered by local CDFIs. These funds are capitalized by a mix of grants from foundations, donors, and corporations alongside patient capital from impact investors (Bay Area LISC, 2023; Self-Help, 2023). These funds offer loans from \$200,000 to up to \$7.5 million with fixed interest rates between 3.4% to 5% (Ibid). Newark needs a reliable source of gap financing for affordable housing development to leverage capital from senior debt lenders.

Figure 5



Finally, equity represents up to 20 percent of a capital stack. The City’s conveyance of city-owned land at a nominal fee is effectively a public subsidy for an asset that functions as equity in the deal. Additional grant capital from public and private sources is needed. Key sources of federal funds are the U.S. Department of Housing and Urban Development (HUD)’s Community Development Block Grant (CDBG) program and HOME Funds for acquisition, rehabilitation, and development. In 2022, HUD granted the City of Newark about \$6.9 million in CDBG funds and \$3.1 million in HOME funds (HUD, 2023). Additionally, philanthropic grants from foundations and corporate sponsors may serve as equity in the deal.

Table 5

Capital	Sources	Terms
Senior Debt (65%)	<ul style="list-style-type: none"> • Commercial Banks with CRA obligations • NJHMFA Tax-Exempt Bond • CDFI Loan Funds • CDFI Credit Unions 	<p>Provides loan up to 65% of the value of the project (65% Loan-to-Value)</p> <p>Interest rate 4% - 8% (varies with market conditions)</p>
Subordinate Debt (15%)	<ul style="list-style-type: none"> • NJRDA Urban Site Acquisition Fund for predevelopment costs • Place-Based Affordable Housing Bridge Fund 	<p>Provides loan 100% to 120% of the value of the project</p> <p>Low-cost loan with amenable interest rates (1% - 5%)</p>
Equity (20%)	<ul style="list-style-type: none"> • Public Grants • Philanthropy • Corporate contributions 	



CONCLUSION & POLICY RECOMMENDATIONS

This report reflects a partnership between a university research center and a city government as well as an experiment in public scholarship. Most U.S. cities own some property that does not have a municipal use. Most face challenges providing enough affordable housing, stimulating wealth and job creation through business development and dealing with the unpredictable and unprecedented effects of climate change. Newark is different only in the relatively large amount of land it owns and the urgency of need among its lower-income residents. The City required a clearer picture of its inventory. This report began as a project to increase the City's property data organization and interpretation capacity. We then showed through three simulations how the property in the City's inventory could be a critical tool in advancing policies to build affordable housing, economic development and green infrastructure. The goal was not to offer all the answers but to present research that promotes better questions and deeper discourse. We conclude with the following policy recommendations.

- 1. Build institutional capacity for data literacy within and across local government, civic organizations, and educational institutions to support civic engagement with city policy.**
 - Resource data infrastructure at City Hall by investing in training for staff, hiring additional staff where there are gaps in key roles, and investing in hardware and software that enables effective and secure data integration across departments.
 - City government should commit to a high standard of transparency and accessibility for users inside and outside of government. Select datasets, such as the dataset of city-owned property, should be published on a regular basis with an accompanying data user guide that helps the public understand what the fields and values represent.
 - Establish programming to create and sustain cross-sectoral partnerships between civic organizations, educational institutions, and city government to promote a civic culture of data literacy. Examples of programming include class projects and studios with schools and universities; partnerships between civic organizations and city government; public events and conferences such as "Open Data Week"; and interdisciplinary data literacy trainings for staff in city government and civic organizations.

Rationale:

This project originated as a collaboration between CLiME and the City of Newark's Department of Economic and Housing Development to build the City's capacity for data management and analysis. Our initiative represents one step in a much larger transformation that is needed to reorient how the City of Newark, local civic organizations, and the public engage with city-generated data and urban policy.



Newark needs a cross-sector data literacy initiative to improve how the City and the public engage with data to develop, implement, and evaluate urban planning and policy.¹³ If data was left to data analysts and technologists alone, Newark would risk minimizing its democratic potential. Public administrators in local government, civic institutions, and residents all have important roles to play as users of city-generated data.

City government needs adequate resources in the form of staff and information technology infrastructure. There is also a need to establish institutional norms for data production, management, and analysis grounded in collaborative workflows between public administrators, data scientists, and information technology professionals to ensure that data is accurate, reliable, and accessible for users inside and outside of local government.

Educational institutions and civic organizations that engage youth and adults should train and empower all residents to become responsible data users who can interpret, process, and question public data. Educators and civic leaders can guide participants in understanding why reading and working with data is relevant to their daily lives and the challenges facing their community.

Members of the public can exercise data literacy through advocacy, civic engagement, and when interfacing with government services. Using data to build or question a narrative during a public forum is an example of how data is embedded in everyday practices of civic engagement.

2. **Maximize the use of city-owned land as a public resource for affordable housing.**

- 100 percent of city-owned land suitable for residential uses should be dedicated to affordable housing at Newark income levels.
- Institute 99-year affordability restrictions on affordable housing constructed on city-owned land, most likely in the form of deed restrictions. Establish mechanisms within city government or a municipal redevelopment authority to oversee compliance with affordability restrictions.
- Align affordable housing development with community needs by creating housing with varying forms of tenure (limited equity cooperative, owner-occupied, rental) and of larger sizes to accommodate families of all kinds.

¹³ Data literacy is a multifold and involves several capabilities – in some contexts, select skills may be more applicable than others. Data literacy involves “reading data” (understanding how data represents the world); “working with data” (acquiring and processing data); “analyzing data” (describing, aggregating, and manipulating); and “arguing with data” (using data to construct a narrative) (D’Ignazio and Bhargava, 2016).



Rationale:

City-owned land is a public resource, and its use should be maximized to generate the greatest public value. Requiring all housing constructed on city-owned land be made affordable to moderate- and low-income Newark residents would expand the city's affordable housing stock. Further, expanding the duration of affordability requirements would significantly increase the total number of Newark households served over time. Finally, it is crucial that the characteristics and design of housing (e.g., form of tenure, size, rate of rent) aligns with the needs and income levels of Newark residents.

3. Leverage city-owned land as a channel for equitable economic development.

- On city-owned lots suitable for mixed-use development, create first floor commercial space with below-market rents to support tenant businesses that provide healthcare and other essential consumer amenities. The municipal redevelopment authority or other entity managing commercial space should strategically curate a mix of businesses that aligns with neighborhood needs. Locally owned businesses that employ Newark residents in quality jobs should be prioritized as tenants.
- Redevelop industrially zoned lots into light industrial space for advanced manufacturing, design, and technology businesses. The managing entity should have in-house expertise to curate a space that attracts and retains multisectoral clusters of high-tech production and design businesses.
- Establish a rubric to set below-market rental rates that proportions subsidies in relation to demonstrable community benefits and prioritizes businesses owned by Newark residents.
- Invest Newark and small business technical assistance intermediaries should coordinate with the managing entity to connect emerging local entrepreneurs with real estate opportunities that help them seed and expand their business.
- Connect commercial and industrial redevelopment opportunities to equitable workforce development goals. The managing entity of light industrial space should partner with workforce development intermediaries to prepare the Newark workforce for quality jobs in the advanced manufacturing, design, and technology sectors. Workforce intermediaries could have an on-site office, work with tenant businesses to hire Newark residents, and partner with tenants to establish apprenticeships and other training programs that prepare Newark residents for career opportunities.

Rationale:

CLiME's simulation of redevelopment on commercial and industrial-zoned land demonstrated that there are opportunities to redevelop up to 21 acres of commercial and



industrial land. Transferring ownership of the land to a redevelopment authority or other entity with capacity to strategically curate commercial space can potentially create economic benefits for Newark in the form of local jobs and business ownership opportunities. Generating economic benefits for Newark residents would require close and effective coordination with small business development and workforce intermediaries to connect Newark businesses to suitable space and prepare workers for quality job opportunities.

4. Creatively use non-buildable lots for green infrastructure to support climate resiliency and community development.

- Use lots that are not suitable for residential or commercial development as potential sites for green infrastructure. The city should commission feasibility studies to refine the list of potential sites that can effectively absorb runoff. Additionally, the city needs to commission an impact analysis to quantify how potential sites could reduce flooding volume, reduce combined sewage overflow volume, and generate other public health benefits such as improved air quality and lowered surface temperature.
- Use green infrastructure planning as a vehicle for neighborhood placemaking and community development. Residents should have a voice in determining what form green infrastructure should take in their neighborhood to align green infrastructure with community needs. For example, neighborhoods with young families may wish to see playgrounds with pervious sidewalks; a neighborhood with limited access to grocery stores may desire urban agriculture on their block; others may wish to see sites used as space for public art to express and build connection to place.

5. Establish governance systems to create community leadership roles in the disposition and management of city-owned land.

- Establish Community Planning Boards to create a leadership role for Newark residents in redevelopment decisions affecting city-owned land in their neighborhoods.
- Transfer ownership of clusters of residential, mixed use, and green space property to a Community Land Trust to preserve long-term affordability and establish a governance system with board leadership roles for tenants, neighborhood residents, and civic leaders.
- Create a strategic plan to convey property from the City to the Newark Land Bank.
- Establish a municipal redevelopment authority -- within or independent of Invest Newark -- to efficiently and equitably manage the redevelopment of multifamily residential, mixed-use, and industrial property at scale.



Rationale:

CLiME's simulations have demonstrated that there is potential city-owned land at a substantial scale that encompasses up to 27.1 acres of land for affordable housing, 21.3 acres of land for commercial and industrial development, and 17 acres of land for green infrastructure. Redevelopment at this scale begs the question of who makes decisions about the use of public resources. How can available public assets be optimally aligned with a range of pressing community needs? It is crucial to create leadership roles for Newark residents in redevelopment planning on city-owned land to ensure that residents have a voice over changes in their neighborhoods. Governance entities such as Community Planning Boards and Community Land Trusts that create leadership roles for neighborhood residents and for tenants are compelling models that elevate neighborhood decision-making.

Further, CLiME's simulations raise the question as to what entities are best equipped to carry out redevelopment and management of city-owned property. Governance of public assets should be effective and efficient. Newark could establish a centralized body in the form of a municipal redevelopment authority -- that is either housed in or separate from Invest Newark -- to streamline redevelopment processes and align property management with public goals.

6. Organize capital to enable the redevelopment of city-owned land at scale.

- Establish a bridge fund dedicated to supporting the redevelopment on city-owned land in Newark. The fund can be sourced by a mix of public and private grants alongside patient investment capital. The bridge fund should be administered by a local CDFI or other financial entity with capacity fundraising, underwriting, and oversight.

Rationale:

There are numerous established public and private sources of senior debt to finance pre-development and development costs. Senior lenders -- namely, banks, regional and national CDFIs, and select state agencies with loan products -- have capacity to issue loans in large volumes, but will typically issue loans that cover 65 percent of the cost of the project. Creating a bridge fund dedicated to redevelopment projects on city-owned land in Newark would help the City leverage these senior debt capital sources and close the financing gap.



APPENDIX A: METHODOLOGICAL NOTES

1. Policy Simulation Methodology

This report developed three simulations to estimate the maximum development potential for residential, commercial/industrial, and green infrastructure development under development rights encoded in the City of Newark's proposed 2023 zoning ordinance. Two limits are taken into consideration in the simulation to estimate maximum development potential: the inventory of available land and development rights. In actuality, there are many additional limits and trade-offs that inform development trajectories. For example, environmental constraints are a significant factor of the predevelopment process. About 3 percent of the inventory or 59 parcels are on NJDEP's list of contaminated sites that require environmental remediation (NJDEP, 2023). Additionally, development rights are potentially adjustable when landowners receive a variance in the land use review process. Other limits include financial and organizational constraints to implement potential development plans. While CLiME's estimate of development potential on city-owned land takes available land and development rights into consideration, only a portion of estimated development may be viable when taking these additional limits into consideration.

The simulations define the universe of property as all available city-owned land in standard zoning districts under the proposed 2023 zoning ordinance. City-owned property located in Redevelopment Areas are not included in the simulation because development rights are specific to the block or parcel level and are difficult to simulate. Additionally, public land is limited to property that is available for conveyance (i.e., property without a municipal use, property that is not in the disposition pipeline, and property without a municipal use managed by the City). We removed an additional 28 property records because the records are missing from the parcel map which impedes our calculation of lot area.

We estimate development potential by joining the zoning spatial layer to a parcel spatial dataset of city-owned property. The City's 2017 zoning spatial layer was manually updated to reflect changes in the March 2023 proposed zoning ordinance by georeferencing PDF maps released by the City's planning department (City of Newark, 2023). After linking parcel records to the proposed 2023 zoning map, the simulation assesses whether the parcel meets minimum requirements for development and quantifies maximum development potential on the parcel in terms of number of housing units or square feet of commercial and industrial space.

Parcels are not "repurposed" across simulations. If a lot is used in one simulation, an alternative use of the same space is not re-simulated in a subsequent simulation. In some zoning districts, it may be permissible to construct either residential or commercial uses under the zoning code. The simulations are sequential and prioritize the use of land in the order that the simulations



are presented. First, we consider all available city-owned land that is suitable for housing in residential, mixed-use, and commercial zoning districts. Then, we simulate economic uses in mixed-use buildings as well as industrial buildings in mixed-use, commercial, and industrial zoning districts. Finally, we simulate potential green infrastructure sites on lots that are not suitable for residential and commercial development because the lot is below the minimum required size or is oddly configured.

The only case where there is overlap between parcels across simulations are mixed-use buildings. The housing simulation identifies lots suitable for mixed-use buildings, proposing that all but the first floor is dedicated for residential uses. The economic development simulation takes those same mixed-use buildings and suggests that the first floor is reserved for commercial uses. There is an overlap in parcels but not in simulated space.

Simulation 1: Affordable Housing

The first simulation on affordable housing production considers available city-owned land in all residential districts (R-1, R-2, R-3, R-4, R-5, R-6), select commercial districts (C-1 and C-2), and mixed-use districts (MX-1, MX-2, MX-3). The simulation considers potential housing development on lots that currently have a residential building as well as lots where residential redevelopment is possible, including vacant lots, parking lots, and other property with an existing structure that is not residential. The simulation assumes that buildings can be rehabilitated or demolished to produce the maximum number of permitted housing units regardless of the state of the structure on the lot. The simulation does not allocate additional lot area for parking. Additionally, the total number of estimated units per lot reflects the minimum lot area per unit for each residential building type (see **Table 10**). Affordable housing plans that prioritize larger units with multiple bedrooms to accommodate with families may yield a smaller number of total units and support affordable housing goals.

We calculate the maximum number of housing units permitted in accordance with development rights under proposed 2023 zoning. The simulation simplifies lot requirements for residential development. We identify parcels that meet minimum lot area requirements for all potential forms of residential uses in each zoning district (see **Table 10**). The simulation does not take minimum lot width into account, though oddly configured lots were manually eliminated from the sample during data preprocessing. Further, the simulation assumes that large lots in low-density residential zones that meet minimum subdivision requirements can be subdivided to produce additional housing units. For example, a 10,000 square foot lot in the R-1 single-family zone can be subdivided into two 5,000 SF lots. Finally, the simulation assumes that existing residential structures in zoning districts that permit residential uses can be retained as non-conforming uses. If there is an existing residential structure but the parcel is under the minimum lot area requirements, the simulation assumes that the smallest number of housing units can be retained on the parcel.



Table 6

RESIDENTIAL USES	R-1			R-2			R-3			
	Permitted Use	Min. Lot Area	Unit / Lot	Permitted Use	Min. Lot Area	Unit / Lot	Permitted Use	Min. Lot Area	Unit / Lot or Lot Area Ratio	Max stories
Single family	Y	5,000 SF	1 unit per lot	Y	2,500 SF	1 unit per lot	Y	2,500 SF	1 unit per lot	
Single family with ADU	Y	5,000 SF	2 units per lot	Y	3,000 SF	2 units per lot	Y	3,000 SF	2 units per lot	
Two-family	N	-	-	Y	2,500 SF	2 units per lot	Y	2,500 SF	2 units per lot	
Three-family	N	-	-	Y	2,500 SF	3 units per lot	Y	2,500 SF	3 units per lot	
One-, Two-, or Three-Family with ADU	N	-	-	Y	3,000 SF	2 - 4 units per lot	Y	3,000 SF	2 - 4 units per lot	
Four-family	N	-	-	N	-	-	Y	3,500 SF	4 units per lot	
Townhouse ¹⁴	N	-	-	N	-	-	Y	5,000 SF	825 SF per unit	3 stories / 36 feet
Low-rise multifamily	N	-	-	N	-	-	N	-	-	-
Mid-rise multifamily	N	-	-	N	-	-	N	-	-	-
High-rise multifamily ¹⁵	N	-	-	N	-	-	N	-	-	-
Mixed-use building	N	-	-	N	-	-	N	-	-	-

RESIDENTIAL USES	R-4				R-5				R-6			
	Permitted Use	Min. Lot Area	Unit / Lot	Max stories	Permitted Use	Min. Lot Area	Unit / Lot	Max stories	Permitted Use	Min. Lot Area	Unit / Lot or Lot Area Ratio	Max stories
Single family	Y	2,500 SF	1 unit per lot		N	-	-		N	-	-	
Single family with ADU	Y	3,000 SF	2 units per lot		N	-	-		N	-	-	
Two-family	Y	2,500 SF	2 units per lot		N	-	-		N	-	-	
Three-family	Y	2,500 SF	3 units per lot		N	-	-		N	-	-	
One-, Two-, or Three-Family with ADU	Y	3,000 SF	2 - 4 units per lot		N	-	-		N	-	-	
Four-family	Y	3,500 SF	4 units per lot		N	-	-		N	-	-	
Townhouse	Y	5,000 SF	825 SF per unit	3 stories	N	-	-	-	N	-	-	

¹⁴ The simulation assumes that townhouses have a minimum lot area of 825 square feet per dwelling unit if a 3-story townhouse contains 3 units.

¹⁵ The 2023 proposed zoning ordinance permits an additional floor for each additional 1,000 square feet of lot area up to 20,000 square feet. (City of Newark, 2023, p. 113)



				/ 36 feet								
Low-rise multifamily	Y	5,000 SF	250 SF per unit	5 stories / 60 feet	Y	5,000 SF	250 SF per unit	5 stories / 60 feet	Y	5,000 SF	250 SF per unit	5 stories / 60 feet
Mid-rise multifamily	N	-	-	-	Y	7,500 SF	150 SF per unit	8 stories / 96 feet	Y	7,500 SF	150 SF per unit	8 stories / 96 feet
High-rise multifamily	N	-	-	-	N	-	-	-	Y	10,000 SF	150 SF per unit	10 stories / 120 feet
Mixed-use building	N	-	-	-	N	-	-	-	N	-	-	-

RESIDENTIAL USES	C-1				C-2				C-3			
	Permitted Use	Min. Lot Area	Unit / Lot	Max stories	Permitted Use	Min. Lot Area	Unit / Lot	Max stories	Permitted Use	Min. Lot Area	Unit / Lot	Max stories
Single family	N	-	-		N	-	-		N	-	-	
Single family with ADU	N	-	-		N	-	-		N	-	-	
Two-family	N	-	-		N	-	-		N	-	-	
Three-family	N	-	-		N	-	-		N	-	-	
One-, Two-, or Three-Family with ADU	N	-	-		N	-	-		N	-	-	
Four-family	N	-	-		N	-	-		N	-	-	
Townhouse	N	-	-	-	N	-	-	-	N	-	-	-
Low-rise multifamily	Y	5,000 SF	250 SF per unit	5 stories / 60 feet	N	-	-	-	N	-	-	-
Mid-rise multifamily	N	-	-		N	-	-	-	N	-	-	-
High-rise multifamily	N	-	-		N	-	-	-	N	-	-	-
Mixed-use building	Y	3,500 SF	150	5 stories / 60 feet	Y	3,500 SF	150	8 stories / 96 feet	Y	3,500 SF	150	8 stories / 96 feet

RESIDENTIAL USES	MX-1				MX-2				MX-3			
	Permitted Use	Min. Lot Area	Unit / Lot	Max stories	Permitted Use	Min. Lot Area	Unit / Lot	Max stories	Permitted Use	Min. Lot Area	Unit / Lot or Lot Area Ratio	Max stories
Single family	Y	2,500 SF	1 unit per lot		N	-	-		N	-	-	
Single family with ADU	Y	3,000 SF	2 units per lot		N	-	-		N	-	-	
Two-family	Y	2,500 SF	2 units per lot		N	-	-		N	-	-	



Three-family	Y	2,500 SF	3 units per lot		Y	2,500 SF	3 units per lot		Y	2,500 SF	3 units per lot	
One-, Two-, or Three-Family with ADU	Y	3,000 SF	2 - 4 units per lot		Y	3,000 SF	2 - 4 units per lot		Y	3,000 SF	2 - 4 units per lot	
Four-family	Y	3,500 SF	4 units per lot		Y	3,500 SF	4 units per lot		Y	3,500 SF	4 units per lot	
Townhouse	Y	5,000 SF	825 SF per unit	3 stories / 36 feet	Y	5,000 SF	825 SF per unit	3 stories / 36 feet	-	-	-	-
Low-rise multifamily	Y	5,000 SF	250 SF per unit	5 stories / 60 feet	Y	5,000 SF	250 SF per unit	5 stories / 60 feet	Y	5,000 SF	250 SF per unit	5 stories / 60 feet
Mid-rise multifamily	N	-	-	-	Y	7,500 SF	150 SF per unit	8 stories / 96 feet	Y	7,500 SF	150 SF per unit	8 stories / 96 feet
High-rise multifamily	N	-	-	-	N	-	-	-	Y	10,000 SF	150 SF per unit	10 stories / 120 feet
Mixed-use building	Y	3,500 SF	150	6 stories / 72 feet	Y	3,500 SF		8 stories / 96 feet	Y	10,000 SF		145 feet

