

SENATE, No. 3977

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED JUNE 15, 2023

Sponsored by:

Senator M. TERESA RUIZ

District 29 (Essex)

Senator TROY SINGLETON

District 7 (Burlington)

Co-Sponsored by:

Senator Cruz-Perez

SYNOPSIS

Establishes Social Impact Investment Fund; appropriates \$20 million.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/27/2023)

1 AN ACT establishing a Social Impact Investment Fund,
2 supplementing chapter 18A of Title 52 of the Revised Statutes,
3 and making an appropriation.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. The Legislature finds and declare that:

9 a. New Jersey residents could meaningfully benefit from
10 expanded access to below-market-rate capital for socially beneficial
11 projects, including support for public infrastructure, affordable
12 housing and neighborhood revitalization, small business lending, and
13 higher education financing.

14 b. Access to capital is vitally important for the health, security,
15 and well-being of all individuals and businesses in this State and the
16 lack of accessible capital exacerbates the economic hardships being
17 faced by working families and businesses.

18 c. Public banking is a model that could expand capital access by
19 leveraging public and private dollars to finance and support
20 sustainable and forward-thinking projects that would benefit the
21 public interest.

22 d. A public banking model could address the unique needs and
23 goals of community banking institutions, small businesses, and
24 emerging and early-stage developers.

25 e. Recognizing the value that a public bank could provide,
26 Governor Murphy issued Executive Order No. 91 of 2019
27 establishing a Public Bank Implementation Board responsible for
28 studying and making recommendations to the Governor regarding the
29 development of a public bank for New Jersey.

30 f. The Social Impact Investment Fund established by
31 P.L. , c. (C.) (pending before the Legislature as this bill),
32 inspired by the work of the Public Bank Implementation Board, will
33 leverage public capital with investments from private sector
34 institutions and individuals to create a lending pool to provide below-
35 market-rate loans and guarantees to achieve positive social impacts.

36 g. It is the intent of the Legislature that the deployment of State
37 funds through the Social Impact Investment Fund will demonstrate
38 the potential of a public banking model to the benefit the residents of
39 New Jersey.
40

41 2. As used in P.L. , c. (C.) (pending before the Legislature
42 as this bill):

43 “Affordable housing project” means development undertaken for
44 the purpose of creating one or more residential structures, whether in
45 the form of detached units or attached units for separate occupancy,
46 in which a substantial percentage of the housing units are provided
47 for a reasonable income range of low- and moderate-income
48 households, as determined by the New Jersey Housing and Mortgage

1 Finance Agency, including any structures or facilities appurtenant or
2 ancillary thereto.

3 “Financially impaired municipality” means any municipality that
4 at the time of the initiation of a project meets one or more of the
5 following conditions: is eligible to receive aid under the “Special
6 Municipal Aid Act,” P.L.1987, c.75 (C.52:27D-118.24 et seq.); is
7 coextensive with a school district which qualified for designation as
8 a “special needs district” pursuant to the “Quality Education Act of
9 1990,” P.L.1990, c.52 (C.18A:7D-1 et seq.); or is unable to satisfy
10 the credit worthiness standards as set forth in the New Jersey
11 Infrastructure Bank’s credit policy as determined by the New Jersey
12 Infrastructure Bank.

13 “Fund” means the “Social Impact Investment Fund” established
14 pursuant to subsection a. of section 3 of P.L. , c. (C.) (pending
15 before the Legislature as this bill).

16 “Fund manager” means a private professional investment manager
17 selected pursuant to subsection b. of section 3 of P.L. , c. (C.)
18 (pending before the Legislature as this bill) to manage and invest the
19 assets of the Social Impact Investment Fund.

20 “Institutional lender” means any bank or trust company, savings
21 bank, national banking association, savings and loan association, or
22 building and loan association maintaining an office in this State, or
23 any insurance company, community development financial
24 institution certified by the United States Department of the Treasury,
25 or any mortgage banking firm or mortgage banking corporation
26 authorized to transact business in this State.

27 “Letter of understanding” means a notice on a prescribed form
28 from the New Jersey Housing and Mortgage Finance Agency that
29 indicates that the proposed affordable housing project should be
30 considered for a predevelopment loan from the fund. The letter of
31 understanding shall not guarantee or construe that the affordable
32 housing project will receive development financing from the New
33 Jersey Housing and Mortgage Finance Agency.

34 “Predevelopment loan” means a loan for required expenses, other
35 than administrative and construction, that are incurred by qualifying
36 affordable housing developers in the process of, and prior to,
37 securing long-term financing for construction, conversion,
38 preservation, or rehabilitation of an affordable housing project, and
39 that are recoverable once long-term financing is obtained. The
40 purposes for which predevelopment loans may be made include, but
41 are not limited to, the costs of, or the costs associated with: land
42 purchase or options to buy land; options or deposits to buy or
43 preserve existing government-assisted rental housing for the purpose
44 of preserving the affordability of the units; professional services such
45 as architectural, engineering, or legal services; permit or application
46 fees; environmental remediation costs; and bonding, site preparation,
47 related water or sewer development, or material expenses. In
48 addition, the loans may be made for the purpose of extending the time

1 for exercising an option or extending the time period for repayment
2 of an advance previously obtained. These loan funds may be
3 deposited in banks as compensating balances to establish lines of
4 credit for qualifying affordable housing developers.

5 “Qualifying affordable housing developer” means any person,
6 firm, company, corporation, urban renewal entity, or association of
7 persons that has participated in and completed a New Jersey Housing
8 and Mortgage Finance Agency approved emerging developer
9 training and certification program and to which the agency has
10 provided a letter of understanding.

11 “Special purpose vehicle” means an entity that is administered
12 pursuant to an agreement between the State Treasurer and fund
13 manager that is formed solely for the purpose of investing in the
14 purposes enumerated in section 4 of P.L. , c. (C.) (pending
15 before the Legislature as this bill).

16
17 3. a. The State Treasurer shall establish and maintain in the
18 General Fund a separate, non-lapsing fund to be known as the Social
19 Impact Investment Fund to carry out the purposes enumerated in
20 section 4 of P.L. , c. (C.) (pending before the Legislature as
21 this bill). The State Treasurer shall credit the fund with:

22 (1) moneys appropriated by the Legislature for the purpose of the
23 fund;

24 (2) distributions from payments or repayments made to the fund;

25 (3) earnings received, if any, from the investment or reinvestment
26 of money credited to the fund; and

27 (4) any money which, from time to time, may otherwise become
28 available for the purposes of the fund.

29 b. For the purposes of administering the fund, the State Treasurer
30 shall have the power to:

31 (1) select, through an open and competitive process in
32 consultation with other state agencies including but not limited to the
33 New Jersey Infrastructure Bank, the Economic Development
34 Authority, and the New Jersey Housing and Mortgage Finance
35 Agency, one or more fund managers, and any other entities to create
36 and manage one or more special purpose vehicles;

37 (2) enter into agreements with a fund manager necessary for the
38 formation and management of a special purpose vehicle on terms and
39 conditions as the State Treasurer determines to be reasonable,
40 including, but not limited to, fees and operating expenses payable to
41 the fund manager and other entities and a requirement for the fund
42 manager to provide the State Treasurer with information required to
43 complete the report required by section 5 of P.L. , c. (C.)
44 (pending before the Legislature as this bill);

45 (3) monitor and audit a fund manager and any other entities by
46 audits or other reports;

1 (4) invest monies from the fund in one or more special purpose
2 vehicles developed, managed, and maintained by a fund manager
3 pursuant to paragraph (1) of this subsection; and

4 (5) adopt rules and regulations governing the use and application
5 of fund proceeds.

6 c. Subject to the terms of an agreements to be entered between the
7 State Treasurer and a fund manager or a special purpose vehicle, as
8 applicable, a fund manager or special purpose vehicle shall:

9 (1) create one or more special purpose vehicles, which shall be
10 funded by an initial \$20,000,000 investment from the Social Impact
11 Investment Fund and any additional funds which may become
12 available;

13 (2) make loans to institutional lenders and enter into agreements
14 with institutional lenders that receive money from the fund, which
15 agreements shall, at a minimum, require an institutional lender to use
16 the moneys for the purposes set forth in section 4 of
17 P.L. , c. (C.) (pending before the Legislature as this bill) and
18 to provide the fund manager with information as required to complete
19 the report required by section 5 of P.L. , c. (C.) (pending
20 before the Legislature as this bill);

21 (3) purchase participation in loans from institutional lenders that
22 advance the purposes set forth in section 4 of P.L. , c. (C.)
23 (pending before the Legislature as this bill);

24 (4) sell loans made pursuant to paragraph (2) of this subsection or
25 loan participations to enhance liquidity, interest rate risk
26 management, capital and earnings, and to serve the credit needs of
27 borrowers; and

28 (5) raise private capital of at least a 1:1 ratio for every public
29 dollar invested net of the fund manager's operating expenses and
30 fees, by utilizing the fund manager's own funds or by drawing on
31 private capital including, but not limited to, direct investments or
32 coordinated co-investments.

33 d. The agreement between the State Treasurer and fund manager
34 shall include terms governing the dissolution of the fund.

35 e. Notwithstanding any other provision of law to the contrary,
36 financial information received by the State Treasurer from a special
37 purpose vehicle, to the extent that material or data consists of trade
38 secrets, proprietary or commercial information, or information that
39 may give other competitors an advantage, is confidential and shall
40 not constitute a public record under P.L.1963, c. 73 (C. 47:1A-1 et
41 seq.), or a government record subject to access pursuant to P.L.2001,
42 c.404, and shall not otherwise be open to the public for inspection.

43
44 4. Following the selection of a fund manager, the State Treasurer
45 shall invest moneys appropriated to the Social Impact Investment
46 Fund in one or more special purpose vehicles developed, managed,
47 and maintained by the fund manager pursuant to paragraph (1) of
48 subsection b. of section 3 of P.L. , c. (C.) (pending before

1 the Legislature as this bill). Permissible uses of fund capital invested
2 in a special purpose vehicle shall be as follows:

3 a. to facilitate the financing of water and transportation
4 infrastructure components of redevelopment projects in financially
5 impaired municipalities through the provision of limited guarantees,
6 debt reserve fund collateral, or subordinated loans for the
7 municipalities. Any funds provided for the purposes of this
8 subsection shall be transferred to the New Jersey Infrastructure Bank
9 for purposes in accordance with the provisions of P.L.1985, c.334
10 (C.58:11B-1 et seq.) and shall be subject to the terms of an agreement
11 between the special purpose vehicle and the New Jersey
12 Infrastructure Bank. The agreement shall, at a minimum, set forth
13 the various lien positions and the rights and liabilities of each entity
14 and its impacts on the other creditors. Repayment of the amount
15 transferred from the special purpose vehicle and any special purpose
16 vehicle funds, net of returns on private capital investment, no longer
17 needed to act as support for the purposes of this section shall be
18 returned to the Social Impact Investment Fund. Notwithstanding the
19 provisions of section 23 of P.L.1985, c.334 (C.58:11B-23) or any
20 other law to the contrary, moneys received by the New Jersey
21 Infrastructure Bank pursuant to P.L. , c. (C.) (pending before
22 the Legislature as this bill) may be expended consistent with the
23 provisions of P.L. , c. (C.) (pending before the Legislature as
24 this bill); and

25 b. to provide predevelopment loans, in consultation with the New
26 Jersey Housing and Mortgage Finance Agency, to qualifying
27 affordable housing developers that are seeking to participate in Low
28 Income Housing Tax Credit supported development under the
29 Unified Application for New Jersey Housing and Mortgage Finance
30 Agency Multifamily Rental Housing Production Programs.

31
32 5. On or before June 30 of the second year following the effective
33 date of P.L. , c. (C.) (pending before the Legislature as this
34 bill), the State Treasurer, in consultation with the New Jersey
35 Infrastructure Bank and New Jersey Housing and Mortgage Finance
36 Agency, shall prepare and submit a written report regarding the use
37 of funds appropriated to the Social Impact Investment Fund. This
38 report shall be submitted to the Governor and, pursuant to section 3
39 of P.L.1991, c.164 (C.52:14-19.1), to the Legislature.

40
41 6. Notwithstanding any provision of P.L.1968, c.410 (C.52:14B-
42 1 et seq.) to the contrary, the State Treasurer, in consultation with the
43 New Jersey Infrastructure Bank and New Jersey Housing and
44 Mortgage Finance Agency, may adopt, immediately upon filing with
45 the Office of Administrative Law, regulations the State Treasurer
46 deems necessary to implement the provisions of P.L. , c. (C.)
47 (pending before the Legislature as this bill), which regulations shall
48 be effective for a period not to exceed 365 days and may, thereafter,

1 be amended, adopted, or readopted by the State Treasurer, in
2 consultation with the New Jersey Infrastructure Bank and New Jersey
3 Housing and Mortgage Finance Agency, in accordance with the
4 requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

5
6 7. There is appropriated from the General Fund to the Social
7 Impact Investment Fund, established in subsection a. of section 3 of
8 P.L. , c. (C.) (pending before the Legislature as this bill),
9 \$20,000,000 to effectuate the purposes of P.L. , c. (C.) (pending
10 before the Legislature as this bill).

11
12 8. This act shall take effect immediately.

13
14
15 STATEMENT

16
17 This bill directs the State Treasurer to establish a Social Impact
18 Investment Fund (fund) in the General Fund to facilitate the financing
19 of water and transportation infrastructure components of
20 redevelopment projects in financially impaired municipalities and to
21 provide predevelopment loans, in consultation with the New Jersey
22 Housing and Mortgage Finance Agency (NJHMFA), to qualifying
23 affordable housing developers that are seeking to participate in Low
24 Income Housing Tax Credit-supported development under the
25 Unified Application for New Jersey Housing and Mortgage Finance
26 Agency Multifamily Rental Housing Production Programs. The
27 Governor's Fiscal Year 2024 budget recommendations include the
28 enactment of this bill to create a Social Impact Investment Fund to
29 provide below-market-rate loans and guarantees to achieve positive
30 social impacts.

31 The bill provides that the State Treasurer is to credit the fund with:
32 moneys appropriated by the Legislature for the purpose of the fund;
33 distributions from payments or repayments made to the fund;
34 earnings received, if any, from the investment or reinvestment of
35 money credited to the fund; and any money that, from time to time,
36 may otherwise become available for the purposes of the fund.

37 On or before June 30 of the second year following the effective
38 date of this bill, the State Treasurer, in consultation with the
39 NJHMFA, is to prepare and submit a written report regarding the use
40 of funds appropriated to the Social Impact Investment Fund. This
41 report is to be submitted to the Governor and to the Legislature.

42 The bill provides that the State Treasurer, in consultation with the
43 New Jersey Infrastructure Bank and NJHMFA may adopt,
44 immediately upon filing with the Office of Administrative Law,
45 regulations as the State Treasurer deems necessary to implement the
46 provisions of this bill, which regulations are to be effective for a
47 period not to exceed 365 days and may, thereafter, be amended,

S3977 RUIZ, SINGLETON

8

1 adopted or readopted by the State Treasurer, in consultation with the
2 New Jersey Infrastructure Bank and NJHMFA.

3 The bill appropriates to the Social Impact Investment Fund from
4 the General Fund \$20 million to effectuate the purposes of this bill.