

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3991 STATE OF NEW JERSEY 220th LEGISLATURE

DATED: JULY 6, 2023

SUMMARY

- Synopsis:** Establishes Urban Preservation Program in HMFA; requires federal funds be made available to HMFA to support affordable housing rehabilitation and reconstruction.
- Type of Impact:** Annual State cost increase.
- Agencies Affected:** New Jersey Housing and Mortgage Finance Agency, Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	<u>Duration of Program</u>
Annual State Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill will result in an indeterminate increase in costs to the New Jersey Housing and Mortgage Finance Agency to administer the construction and rehabilitation of multiple dwellings to be used as affordable housing and the renovation and preservation of existing affordable housing through the Urban Preservation Program.
- The bill is also expected to result in administrative costs to the Housing and Mortgage Finance Agency associated with establishing an application and review process through which a developer may receive an allocation of funds through the Urban Preservation Fund, established for the purposes of the Urban Preservation Program, and promulgating rules and regulations to implement the provisions of the bill.

BILL DESCRIPTION

The bill would establish the Urban Preservation Program in the Housing and Mortgage Finance Agency in order to allocate available funding for the purposes of rehabilitating at least 50 percent of the dwelling units within certain multiple dwellings to be used as affordable housing, and renovating and preserving existing affordable housing units nearing the end their affordability

control periods established in accordance with the Fair Housing Act, P.L.1985, c.222. The Urban Preservation Program would also enable the agency to allocate available funding for the construction of a multiple dwelling within an urban preservation municipality to replace an existing multiple dwelling used for affordable housing, provided that the number of affordable housing units in the new development is no less than the those in the existing multiple dwelling. Urban Preservation Program funding would be exclusively for use in “urban preservation municipalities,” to be designated in accordance with criteria established in the Housing and Mortgage Finance Agency regulations. In allocating funding for the preservation program, the bill directs the agency to make funding available in the form of loans to eligible projects.

The bill further establishes the Urban Preservation Fund to support the purposes of the preservation program. The Urban Preservation Fund would be supported by federal funds allocated to New Jersey from the federal American Rescue Plan Act of 2021. The Urban Preservation Fund would be administered by the Housing and Mortgage Finance Agency.

If moneys in the preservation fund are not sufficient to adequately support a project eligible for the preservation program, then the project would be eligible to obtain funding from New Jersey Affordable Housing Trust Fund in the discretion of the Commissioner of Community Affairs.

The bill directs the Executive Director of the Housing and Mortgage Finance Agency to issue guidelines for the Urban Preservation Program within 180 days following enactment, and provide for the guidelines to be subsequently adopted, as amended, as rules and regulations. The bill directs the Commissioner of Community Affairs to adopt rules and regulations concerning the release of funding for the Urban Preservation Program from the New Jersey Affordable Housing Trust Fund within 180 days following enactment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will result in an indeterminate increase in costs to the Housing and Mortgage Finance Agency to administer the allocation of funds for the rehabilitation of at least 50 percent of total dwelling units within a multiple dwelling to be used as affordable housing, the renovation and preservation of existing affordable housing, and the construction of multiple dwellings to replace existing multiple dwellings utilized for affordable housing through the Urban Preservation Program. The OLS notes that funds for these purposes are required to be initially provided from the Urban Preservation Fund, for which the bill requires federal American Rescue Plan Act funds be made available. If monies from the fund are insufficient to support an eligible project for which the funding is committed for affordable housing rehabilitation, renovation, or construction pursuant to the bill, additional funds may be provided from the Affordable Housing Trust Fund. The OLS is unable to predict the amount of federal American Rescue Plan Act funds that will be made available for the bill’s purposes, and notes that, as of June 23, 2023, \$145.2 million remained unobligated in the Affordable Housing Trust Fund. The OLS is also unable to predict the magnitude of construction, rehabilitation, renovation, and preservation efforts that may be needed to utilize a dwelling unit as affordable housing, or the cost of these individual efforts.

The bill is also expected to result in administrative costs to the Housing and Mortgage Finance Agency associated with establishing an application and review process through which a project

may receive an allocation of funds through the Urban Preservation Fund, and promulgating rules and regulations to implement the provisions of the bill. The OLS notes, however, that 2.5 percent of the amount of federal American Rescue Plan Act funds deposited into the Urban Preservation Fund may be utilized by the agency for organizational, administrative and other work and services, including salaries, equipment, services, and materials necessary to administer the provisions of the bill.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).