

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3991**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 27, 2023

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3991 with committee amendments.

As amended, this bill would establish the “Urban Preservation Program” (“preservation program”) in the New Jersey Housing and Mortgage Finance Agency (“HMFA”) 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 (C.52:27D-301 et al.). The preservation program would also enable HMFA 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. Preservation program funding would be exclusively for use in “urban preservation municipalities,” to be designated in accordance with criteria established in HMFA regulations. In allocating funding for the preservation program, the bill directs HMFA to make funding available in the form of loans to eligible projects.

The bill further establishes the Urban Preservation Fund (“preservation fund”) to support the purposes of the preservation program. The preservation fund would be supported by federal funds allocated to New Jersey from the federal “American Rescue Plan Act of 2021,” Pub.L.117-2. The preservation fund would be administered by HMFA.

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 HMFA to enter into a memorandum of understanding or grant agreement, as applicable, with the Division of Disaster Recovery and Mitigation in the Department of Community Affairs (“division”) to effectuate the purposes of the fund, to establish

appropriate administrative costs, and to ensure compliance with federal rules and guidance, including with respect to the “American Rescue Plan Act of 2021,” Pub.L.117-2. The bill permits the transfer of the uncommitted balance of any moneys made available. However, the bill requires the division to submit notice to the Joint Budget Oversight Committee, or its successor, no less than five calendar days before the date of the transfer. The notice would indicate the amount of the transferred funds and the purpose for which the funds are transferred.

The bill directs the Executive Director of HMFA to issue guidelines for the 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 preservation program from the New Jersey Affordable Housing Trust Fund within 180 days following enactment.

#### COMMITTEE AMENDMENTS:

The committee amendments:

- Change the names of the “Affordable Housing Rehabilitation and Renovation Program” and “Affordable Housing Rehabilitation and Renovation Fund” to the “Urban Preservation Program” and “Urban Preservation Fund,” respectively;
- Specify that funds made available through the program may be used for the rehabilitation of at least 50 percent of the total dwelling units of multiple dwelling;
- Revise the definition of “multiple dwelling,” applicable to the bill, to consist of a building or structure of 25 dwelling units or more, in addition to other listed limitations on the applicability of the term;
- Change the name of a “targeted urban municipality” to an “urban preservation municipality,” and adjust the definition of the term to enhance the ability of HMFA to revise the criteria to fall within this category;
- Expressly limit project eligibility to projects based in urban preservation municipalities;
- Enable HMFA 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;
- Direct HMFA to make preservation program funding available in the form of a loan;

- Base eligibility for preservation program funding on project characteristics rather than those of a developer;
- Direct the Executive Director of HMFA to issue guidelines for the preservation program within 180 days following enactment, and provide for the guidelines to be subsequently adopted, as amended, as rules and regulations;
- Clarify that any decision to release supplemental funding from the New Jersey Affordable Housing Trust Fund for the preservation program would be made by the Commissioner of Community Affairs;
- Direct the Commissioner of Community Affairs to adopt rules and regulations concerning the release of funding for the preservation program from the New Jersey Affordable Housing Trust Fund within 180 days following enactment; and
- Make technical changes to the bill.

FISCAL IMPACT:

The Office of Legislative Services concludes that the bill will result in an indeterminate increase in costs to the New Jersey Housing and Mortgage Finance Agency to administer the 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 also provides that, if funding from the Urban Preservation Program is not sufficient, that a project may seek supplemental funding from the Affordable Housing Trust Fund. 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, established for the purposes of the Urban Preservation Program, and promulgating rules and regulations to implement the provisions of the bill.