

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 5415

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 27, 2023

The Assembly Budget Committee reports favorably and with committee amendments Assembly Bill No. 5415 (1R).

As amended, this bill establishes a zero-interest, forgivable loan program to provide down payment assistance for certain first-time homebuyers. The bill also establishes a Resilient Home Construction Pilot Program (pilot program) for the purpose of providing funding for developers to rehabilitate existing homes and construct new affordable homes for sale.

The loan program is to provide down payment assistance for households of certain limited income to achieve homeownership. Specifically, the loan program is to provide down payment assistance to certain households who are first-time homebuyers, as defined in the bill, to defray the costs associated with acquiring a home, provided the first-time homebuyer commits to using the home as their principal residence for five years following a loan program-supported purchase, after which time, the New Jersey Housing and Mortgage Finance Agency (HMFA) is to forgive the loan.

The loan award is to consist of \$15,000 to be used for down payment assistance, and, if the first-time homebuyer is also a first-generation homebuyer, as defined in the bill, the homebuyer would be eligible for an additional loan award amount of not less than \$7,000, and not more than \$10,000.

Each first-time homebuyer receiving down payment assistance through the loan program is to be required, prior to the award of down payment assistance, to complete a homebuyer counseling course, as directed by HMFA, and to establish eligibility as a first-generation homebuyer via self-attestation, under penalty of perjury. The bill directs HMFA to adopt rules and regulations to effectuate the purposes of the loan program, and to prepare and disseminate guidelines or regulatory guidance documents on or before the first day of the third month following the enactment of the bill to accomplish the purposes of the loan program.

The annual appropriations act for State fiscal year 2024 is to include an appropriation from the General Fund to the loan program

and the annual appropriations acts, following State fiscal year 2024, are to appropriate not less than \$25 million from the General Fund to the HMFA during each year in which the loan program is in operation.

Additionally, the bill establishes a pilot program in the Department of Community Affairs (DCA) for the purpose of providing funding for developers to rehabilitate existing homes and construct new affordable homes for sale. As part of the pilot program, the bill directs DCA to develop an application process and promulgate criteria that enables a developer to qualify for funding for the rehabilitation or construction of homes for sale. Among such other criteria as DCA deems necessary, DCA is to require that:

- homes rehabilitated or constructed for sale are not located in the 500-year floodplain or the inland or coastal climate adjusted floodplain;
- homes rehabilitated or constructed are to be sold to households with a gross household income not to exceed 120 percent of median gross household income;
- a prospective homebuyer is either: a renter that has been impacted by a storm or natural disaster that has prompted the governor to declare a state of emergency; or a first-time homebuyer, including a first-time homebuyer who receiving financial assistance from HMFA;
- the developer include a purchase discount on the home sale price, as established in accordance with criteria developed by DCA; and
- homes for sale contain a minimum period of affordability as determined by DCA.

Funding to successful pilot program applicants would be provided in a manner determined by DCA through an agreement with a successful program applicant, and conditioned upon compliance with the agreement. As part of the pilot program, DCA would permit local government entities to apply for funding to provide to developers to rehabilitate existing homes and construct new, affordable homes for sale, so long as certain conditions are satisfied, as provided in the bill.

In addition to the funding provided to developers through the program, the bill permits DCA to establish incentives to encourage homebuyers to remain in the homes developed through the pilot program, including through the provision of down payment assistance as a zero-interest, forgivable loan for homebuyers who are not eligible or do not qualify for down payment assistance through other State programs, including the loan program established in the bill.

The bill authorizes the Commissioner of Community Affairs (commissioner) to promulgate application and eligibility criteria and guidelines regarding the pilot program through regulatory guidance documents.

The bill directs the pilot program to be eligible for funding from the federal “American Rescue Plan Act of 2021,” Pub.L.117-2, to

DCA for the purposes of the pilot program. Of this amount, no more than five percent would be utilized by DCA for organizational, administrative, and other work and services, including salaries, equipment, services, and materials necessary to administer the activities authorized by the bill.

The bill would take effect immediately.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- revise the additional award that a first-generation homebuyer may obtain from \$10,000 to an award of not less than \$7,000, and not more than \$10,000;
- replace tax credit provisions of the bill with the Resilient Home Construction Pilot Program (pilot program) for the purpose of providing funding for developers to rehabilitate existing homes and construct new affordable homes for sale;
- direct HMFA to prepare and disseminate guidelines or regulatory guidance documents on by the first day of the third month following the enactment of the bill to accomplish the purposes of the loan program, and permit the commissioner to promulgate application and eligibility criteria and guidelines regarding the pilot program through regulatory guidance documents;
- remove appropriation for the loan program;
- makes the pilot program eligible for funding from the federal “American Rescue Plan Act of 2021,” Pub.L.117-2 for the purposes of the pilot program, permitting DCA to use up to five percent for organizational, administrative, and other work and services; and
- make technical amendments.

FISCAL IMPACT:

Fiscal information is currently unavailable.