

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1786

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JULY 16, 2026

SUMMARY

Synopsis: Concerns development of accessory dwelling units and related regulations.

Type of Impact: Annual State and local expenditure and revenue increases.

Agencies Affected: Municipalities; Department of Community Affairs; Judiciary.

Office of Legislative Services Estimate

Annual Fiscal Impact	
Local Expenditure Increase	Indeterminate
Local Revenue Increase	Indeterminate
State Expenditure Increase	Indeterminate
State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill would result in annual indeterminate increases in municipal costs associated with: 1) reviewing applications for accessory dwelling unit development and complying with the provisions of the bill (including the payment of any penalties by a municipality to the department for noncompliance); 2) the performance of additional inspections, permit approvals, and other administrative and enforcement activities by municipal officials; and 3) installing new or separate utility connections in accessory dwelling units created as separate structures.
- An indeterminate amount of annual revenues will accrue to municipalities where accessory dwelling units are constructed from application fees and surcharges, increased property tax payments, and utility connection fees and capacity charges in certain situations.
- The OLS additionally finds that the bill may result in indeterminate increases in State costs associated with the administrative requirements of the Department of Community Affairs and any appeals heard by the Judiciary.

- Departmental revenues would also increase to the extent that municipalities are found not to be in compliance with the bill's provisions, including the costs of any appeal proceedings undertaken by the department.

BILL DESCRIPTION

This bill would prohibit certain municipalities from prohibiting or restricting the development of accessory dwelling units and would require these municipalities to adopt an ordinance incorporating the provisions of the bill and certifying compliance with the Department of Community Affairs. The bill authorizes a homeowner to file an application for the development of an accessory dwelling unit with the applicable municipal agency and provides the circumstances under which a municipal agency may reject an application. The municipal agency is to consider and approve an application as a ministerial action and may charge a reasonable fee and surcharge to the applicant to cover the municipality's expenses in complying with the bill. The bill authorizes an applicant whose application was rejected to appeal the decision to the department. If the department finds that the rejection was inconsistent with the provisions of this bill, the bill directs the department to approve the application and levy the cost of the proceedings and the legal expenses of the applicant on the municipality. The bill permits for the judicial appeal of the department's decision in these cases.

The bill specifies under what conditions a municipal agency may impose a utility connection fee or capacity charge related to an accessory dwelling unit. The bill also authorizes the department to issue penalties or take other action for a municipality's nonconformity with the bill. The bill additionally amends the definition of an accessory dwelling unit in the Fair Housing Act and directs the department to adopt rules and regulations to effectuate the provisions of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill would result in annual indeterminate increases in municipal costs associated with: 1) reviewing and approving applications for accessory dwelling unit development and complying with the provisions of the bill (including the payment of any penalties to the department for noncompliance); 2) the performance of additional inspections, permit approvals, and other administrative and enforcement activities by municipal officials; and 3) installing new or separate utility connections in accessory dwelling units created as separate structures.

Annual local revenues would also increase by an indeterminate amount under the bill. First, a municipal agency is permitted to charge a reasonable fee to cover its costs of reviewing accessory dwelling unit applications. A municipality may also impose a surcharge to cover other anticipated costs under the bill. Second, municipalities are likely to experience revenue increases from higher property taxes imposed on properties in the municipality where accessory dwelling units are built. Third, revenues collected from connection fees or capacity charges for accessory dwelling units created as separate structures from the primary dwelling, which may be up to half the fee charged

for the new primary dwelling and no more than the reasonable cost of providing the utility service. The OLS lacks the informational basis to determine the number of accessory dwelling units that will be constructed to derive the associated costs and revenues for municipalities under the bill.

The OLS additionally finds that the bill may result in indeterminate increases in State expenditures associated with the administrative costs to the Department of Community Affairs of: (1) adopting rules and regulations; (2) receiving certifications of compliance with the bill from municipalities; and (3) imposing penalties or taking other actions on municipalities in violation of the bill. The Judiciary may also experience periodic cost increases if there is a judicial appeal of a departmental decision regarding the approval of an accessory dwelling unit application, as is permitted under the bill. Departmental revenues would also increase to the extent that municipalities are found not be in compliance with the bill's provisions, including the costs of any appeal proceedings undertaken by the department.

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.).