SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1513

with committee amendments

STATE OF NEW JERSEY

DATED: JULY 16, 2020

The Senate Community and Urban Affairs Committee reports favorably and with committee amendments Senate Bill No. 1513.

As amended, this bill, the "New Jersey Residential Foreclosure Transformation Act," establishes the "New Jersey Residential Foreclosure Transformation Program" within the New Jersey Housing and Mortgage Finance Agency (HMFA) for the purpose of purchasing eligible properties, including foreclosed residential properties from institutional lenders, properties owned by municipalities as a result of tax foreclosure, and certain properties subject to a nonperforming loan, and dedicating the properties for occupancy as affordable housing.

The bill requires HMFA to include in its existing annual report a section to set forth the current nature and extent of foreclosure activity in the State, and a complete operating and financial statement covering the program’s operations, transactions, and holdings during the year.

The bill empowers HMFA to purchase eligible properties to produce affordable housing and dedicate it for those purposes for up to 30 years. The bill authorizes HMFA to enter into contracts or loans, or both, with no more than two experienced, financially sophisticated, community development financial institutions to enhance the ability of the corporation to fulfill its purpose of producing affordable housing.

If HMFA or its contractors purchase an eligible property from monies deposited in a municipality's affordable housing trust fund, the municipality would receive two units of bonus credit against its fair share affordable housing obligation for each eligible property sold or conveyed as a for-sale unit or leased as rental housing; for each unit of affordable housing dedicated for permanent supportive housing, other than supportive shared living housing; and for each new bedroom dedicated in supportive shared living housing.

The bill provides that the number of additional units of credit that a municipality may receive towards its affordable housing obligation for property purchased and dedicated as affordable housing under the bill cannot exceed 25 percent of the municipality's affordable housing obligation. The bill specifies that

a municipality cannot receive both additional units of credit for producing a unit of affordable housing under this bill, and additional units of credit for that unit under another provision of law.

The bill establishes a mechanism through which a "foreclosure-impacted municipality," one that has 10 or more foreclosed homes listed on a multiple listing service for at least 60 days, can insulate its affordable housing trust funds from the laws that require the transfer of its trust fund monies to the "New Jersey Affordable Housing Trust Fund." A foreclosure-impacted municipality can accomplish this by adopting a resolution committing the expenditure of its municipal affordable housing trust fund monies for the production of affordable housing and authorizing the transfer of at least $150,000 of its municipal affordable housing trust fund monies to HMFA for the production of affordable housing.

The bill requires HMFA to use funds transferred from a foreclosure-impacted municipality to produce affordable housing within that municipality. If the corporation is unable to use all of the transferred funds within two years of the date of transfer, HMFA will return the remaining funds to the municipality and the municipality will have at least six months from the date the funds are returned to commit the funds in accordance with other provisions of law. During this period, all municipal trust fund monies designated for the purchase of foreclosed properties will be protected from transfer to the State. A municipality will receive bonus credits, as otherwise provided by the bill, for affordable housing produced by the corporation or by one of its contractors pursuant to this mechanism.

The bill allows HMFA to establish criteria to identify the circumstances when the purchase, sale, lease, or conveyance of market-rate units furthers the purposes of the program. The corporation, or its contractors, will be able to purchase, sell, lease, or convey market-rate units in accordance with those criteria without imposing affordability controls upon the property provided the transaction does not violate any other law or requirement.

The bill establishes the "Foreclosure to Affordable Housing Transformation Fund," to be administered by HMFA, and to serve as the repository for funds appropriated or made available for the program. The bill require the sheriff or officer, when calculating the amount due at the sheriff's sale, to consider an additional $350 per sale for certain sales, to be utilized by the fund, or by other foreclosure prevention programs as determined by HMFA.

As amended and reported by the committee, this bill is identical to Assembly Bill No. 1049(1R), which was also reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments would:

- provide for the provisions of the bill to be implemented through a program within HMFA instead of establishing a corporation for that purpose;
- expand the types of properties eligible for the New Jersey Residential Foreclosure Transformation Program to include those owned by a municipality as the result of a tax foreclosure judgment, and those subject to a nonperforming loan from an institutional lender;
- require the sheriff or officer, when calculating the amount due at the sheriff's sale, to consider an additional $350 per sale for certain sales, to be utilized by the Foreclosure to Affordable Housing Trust Fund, or by other foreclosure prevention programs as determined by HMFA;
- provide HMFA with 180 days following enactment of the bill to adopt a funding plan for the use of the Foreclosure to Affordable Housing Trust Fund;
- delete the provisions of the bill providing municipalities with a right of first refusal to purchase an eligible property;
- provide 10 business days following entrance into a contract to purchase an eligible property for the agency to notify the municipality of the purchase and list it on HMFA's website; and
- make technical changes to several sections of the bill.