

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1787
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MAY 7, 2021

SUMMARY

Synopsis: Establishes "Tiny Home Pilot Program" in three regions of State.

Type of Impact: Indeterminate increase in State expenditures and an indeterminate impact on municipal finances.

Agencies Affected: New Jersey Housing and Mortgage Finance Agency; between three and six municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Three-Year Pilot Program</u>
State Cost Increase	Indeterminate
Municipal Finances Impact	Indeterminate

- The Office of Legislative Services (OLS) estimates that the bill would result in an indeterminate increase in State expenditures. The bill requires the New Jersey Housing and Mortgage Finance Agency (HMFA) in the Department of Community Affairs to select one or two municipalities in each of three regions of the State to participate in the "Tiny Home Pilot Program" – a three-year pilot program to assist the State's homeless population and other residents struggling financially with acquiring housing through the construction of small, affordable homes. Grant awards from the program would go to applicants for the construction of eligible projects within pilot municipalities. "Applicant" under the bill is defined as a nonprofit organization or a municipal housing authority.
- The HMFA also would be required to manage the pilot program to award grants to qualified applicants for the construction of eligible housing developments, to seek funding from the federal government and other sources to implement the pilot program, to promulgate rules and regulations necessary to carry out the purposes of the bill, to submit an annual report detailing the pilot program's progress, and to collaborate with participating municipalities. These requirements are likely to result in an indeterminate increase in State expenditures through additional administrative costs for the HMFA. However, the OLS notes that a provision of the bill allows any acquired funding to be used towards administrative costs.

- In addition to the ability for a municipal housing authority to apply for and receive grants, which would amount to \$1.65 million per year under the pilot program if funding was secured, the bill also states that any municipality participating in this pilot program would receive two credits toward the fulfillment of its fair share housing obligation for each tiny home dwelling unit constructed within its borders. The OLS acknowledges that: (1) securing funding could increase municipal housing authority revenues; and (2) tiny homes built through the bill could result in fewer local monies spent on a municipality's fair share housing obligation. However, without knowing additional information, particularly which municipal housing authorities, if any, or municipalities will be selected for the pilot program, the OLS cannot make a determination as to how a municipality's finances will be impacted by this provision.

BILL DESCRIPTION

This bill creates the "Tiny Home Pilot Program" as a three-year pilot program to assist the State's homeless population and other residents struggling financially with acquiring housing through the construction of small, affordable homes.

This bill requires the HMFA to select one or two municipalities in each of three regions of the State to participate in the pilot program. The HMFA also would be required to manage the pilot program to award grants to qualified applicants for the construction of housing developments consisting of homes no greater than 300 square feet of interior floor space. As part of the program, the HMFA would establish options, including rental assistance programs, designed to make tiny home dwelling units affordable for very low-income families and very low-income individuals. Any municipality participating in this pilot program would receive two credits toward the fulfillment of its fair share housing obligation for each tiny home dwelling unit constructed within its borders.

This bill directs the HMFA to seek funding from the federal government and other sources to implement the pilot program. Upon securing a funding source, the HMFA would distribute \$1.65 million during each of the three years the pilot program is in operation to qualified applicants for the construction of housing developments consisting of tiny homes. The HMFA would be required to promulgate rules and regulations necessary to carry out the purposes of the bill and submit an annual report to the Governor and Legislature detailing the pilot program's progress in increasing affordable housing options and reducing the State's homeless population.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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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.).