

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2544

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JANUARY 11, 2022

SUMMARY

- Synopsis:** Expands financing opportunities for low and moderate income housing.
- Type of Impact:** Indeterminate impact on State finances.
- Agencies Affected:** New Jersey Housing and Mortgage Finance Agency.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Finances	Indeterminate Impact		

- The Office of Legislative Services (OLS) concludes that the bill will have an indeterminate impact on State finances. At a minimum, the bill may result in an indeterminate loss of New Jersey Housing and Mortgage Finance Agency (NJHMFA) revenues because it permits the repayment of agency-financed mortgage without penalty after a certain period of time. The OLS cannot predict the impact of the bill’s provision restricting the use of savings achieved by the NJHMFA through bond refinancings or the discharge of debt.

BILL DESCRIPTION

The bill revises certain aspects of the NJHMFA’s governing statutes to encourage participation by qualified minority and women owned development firms. The bill directs the agency to establish incentives and priorities to promote participation by minority and women owned businesses, to provide opportunity for these firms to successfully participate in providing low and moderate-income housing options to residents of the State. The bill also encourages the development of multi-family rental housing and home ownership opportunities for low and moderate income families by allowing participating developing firms to satisfy existing bonding requirements through a valid letter of credit or traditional performance bonding. The bill also makes various procedural changes to help the NJHMFA carry out its housing priorities. Most notably, the bill limits the purposes for which the NJHMFA may use savings achieved through bond refinancings or the discharge of agency debt.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will affect State finances. The bill limits the purposes for which the NJHMFA may use debt service savings realized through the refinancing or discharge of agency debt and permits the repayment of agency-financed mortgages, without penalty, after a certain period of time.

The lower debt service payments resulting from a bond refinancing, or refunding, generally improve the amount of cash available to an issuer. Current law does not circumscribe the purposes for which the NJHMFA may use agency funds that would otherwise be allocated for debt service, but now may be appropriated for other uses. The bill restricts the NJHMFA's use of the funding made available following a refunding because it requires the agency to apply a proportionate share of the savings to each of the projects participating in the refinancing.

An issuer considers refunding outstanding bonds under several conditions, including the opportunity to achieve interest rate savings, the need to extinguish old debt, the ability to make favorable changes on the debt service schedule, and the potential to garner other economic benefits. The OLS cannot predict the extent to which this provision of the bill will affect future decisions by the NJHMFA to refinance or discharge agency debt and its ability to support ongoing operations and capital projects.

From time to time, the NJHMFA refinances, or refunds, agency debt. In a refunding, an issuer sells new debt (also known as "refunding bonds") and uses all or a portion of the bond proceeds to pay off previously issued bonds. For example, the NJHMFA's financial statements indicate that the agency issued \$80.6 million in debt to support its Multi-Family Housing Program. Of that amount, \$30.4 million was applied to refund Multi-Family Housing Bonds previously issued by the NJHMFA in 2008 and 2009. The refunding was expected to generate net present value savings of \$11.5 million.

The bill also provides that, beginning on the first day of the eleventh calendar year following the issuance financed by the NJHMFA, a project sponsor may repay a mortgage at any time without penalty. Presumably, this provision would result in a reduction in agency revenues. Information on the total amount of NJHMFA revenues generated by repayment penalties is unavailable at this time.

Section: *Revenue, Finance, and Appropriations*
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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.).