

55:14J-41 to 51

LEGISLATIVE HISTORY CHECKLIST

NJSA 55:14J-41 to 55:14J-51

Laws of 1976 Chapter 133

Bill No. S1785 Substituted for A2374

Sponsor(s) Errichetti & others

Date Introduced December 13, 1976

Committee: Assembly -

Senate Revenue, Finance & Appropriations

Amended during passage Yes No

Date of passage: Assembly December 20

Senate December 14, 1976

Date of approval December 27, 1976

Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly Yes No

Senate Yes ~~No~~

Fiscal Note Yes No

Veto message Yes No

Message on signing Yes ~~No~~

Following were printed:

Reports Yes No

Hearings Yes No

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SENATE, No. 1785

STATE OF NEW JERSEY

INTRODUCED DECEMBER 13, 1976

By Senators ERRICHETTI, MERLINO, BATEMAN, BUEHLER
and LIPMAN

Referred to Committee on Revenue, Finance and Appropriations

AN ACT relating to housing to assist in the construction, rehabilitation, and maintenance of housing for senior citizens and families of low and moderate income; supplementing the "New Jersey Housing Finance Agency Law of 1967," (P. L. 1967, c. 81), and making an appropriation therefor.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Except as the context may otherwise require:

2 a. "Department" means the Department of Community Affairs.

3 b. "Commissioner" means the Commissioner of the Department
4 of Community Affairs.

5 c. "Commission" means the New Jersey Commission on Capital
6 Budgeting and Planning.

7 d. "Act" means this act, and any amendments and supplements
8 thereto, and any rules and regulations promulgated thereunder.

9 e. "Low income," and "moderate income" shall be determined
10 by the commissioner pursuant to regulations promulgated under
11 this act, provided however, that the commissioner, in his determina-
12 tion, shall consider the Federal standards for low and moderate
13 income for the various communities within the State of New Jersey.

14 f. "Qualified mortgagor" means any nonprofit or limited divi-
15 dend housing sponsor, owner entity or individual, or any munici-
16 pality, county or public authority, constructing, rehabilitating,
17 maintaining or operating housing in New Jersey under a Federal
18 low or moderate income housing program, the New Jersey Housing
19 Finance Agency program, or other programs for low or moderate
20 income occupancy.

21 g. "Qualified housing development" means any housing project
22 built or rehabilitated or to be built or rehabilitated and operated
23 by a qualified mortgagor.

24 h. "Senior citizen" means a person of low or moderate income,
25 62 years of age or older, or families of low or moderate income
26 which consist of two or more persons and the head of which, or
27 his spouse, is 62 years of age or older.

1 2. There is hereby created and established in the department a
2 "Mortgage Assistance Account" which shall consist of:

3 a. All moneys derived from the sale of the "State Mortgage
4 Assistance Bonds" and appropriated from the proceeds of such
5 bond sales.

6 b. Any moneys which the department shall receive in repayment
7 of loans or advances from the Mortgage Assistance Fund estab-
8 lished pursuant to P. L. 1976, c. 94, notwithstanding the provisions
9 of any act or part thereof.

10 c. Any other moneys made available to the department from any
11 source or sources which the commissioner shall allocate to the fund
12 for the purposes authorized by this act.

1 3. The Commissioner of the Department of Community Affairs
2 is authorized to pay from the mortgage assistance account to the
3 New Jersey Housing Finance Agency \$6,000,000.00 for deposit in
4 one or more reserve funds to assist the New Jersey Housing
5 Finance Agency to provide permanent financing for developments
6 financed or to be financed by it.

1 4. To the extent that moneys paid to the New Jersey Housing
2 Finance Agency pursuant to section 3 of this act have been paid
3 into any reserve fund or funds created by the New Jersey Housing
4 Finance Agency, all moneys which are returned to or received
5 by the agency from such reserve funds free of any pledge or lien
6 in favor of any of the notes, bonds or other obligations of the
7 agency and remain free of such obligations of the agency for 90
8 days shall be returned to the State Treasurer to be held by him
9 in the Mortgage Assistance Fund. Any net earnings received from
10 the investment or deposit of said reserve funds under the control
11 of the New Jersey Housing Finance Agency shall be paid into the
12 administrative fund of said agency.

1 5. In addition to loans authorized under section 9 of the act to
2 which this act is a supplement (P. L. 1967, c. 81, s. 9) (C. 55:14J-9)
3 and notwithstanding the provisions of subsections (a) and (b) of
4 said section, the agency is authorized and empowered to make
5 additional loans to a qualified housing sponsor to which a loan
6 by the agency for the cost of a project is outstanding if and to
7 the extent that the agency finds that such additional loan is required
8 to avoid a default by the sponsor on the original loan for the cost

9 of the project and is in the best interest of the agency and the
10 holders of its bonds, notes or other obligations issued to finance
11 the original loan for the cost of the project.

1 6. The commissioner is authorized to utilize \$2,000,000.00 from
2 the Mortgage Assistance Account for the purpose of granting
3 financial assistance, including interest subsidy assistance, for senior
4 citizens and low or moderate income families and for qualified hous-
5 ing developments, including but not limited to those constructed,
6 financed, or rehabilitated under Federal, other State, or locally
7 aided low and moderate income programs, where such assistance is
8 necessary to provide financial feasibility and stability. Without
9 limiting the generality of the foregoing, such assistance may in-
10 clude: a direct loan to qualified mortgagor, subordinated to the
11 Federal or other State mortgage loan with repayment of principal,
12 and interest, if any, deferred until such time as such Federal or
13 other State loan is paid or otherwise discharged or released, a
14 direct loan for maintenance and operating subsidy to a qualified
15 mortgagor subordinated to the Federal or other State mortgage
16 loan, with repayment of principal, and interest, if any, deferred to
17 such time as the commissioner may deem appropriate, a reserve
18 fund to assist the New Jersey Housing Finance Agency to provide
19 construction or permanent financing for developments financed by
20 it; grants or loans to municipalities for urban homesteading, code
21 enforcement, neighborhood preservation activities, or rehabilitation
22 and direct sale of properties acquired through tax foreclosure or
23 from the United States Department of Housing and Urban Develop-
24 ment; and grants or loans to residential property owners in viable
25 urban neighborhoods threatened by the lack of private capital for
26 mortgage loans and loans for rehabilitation.

1 7. The commissioner shall issue and promulgate such rules and
2 regulations as are necessary and appropriate to carry out the pro-
3 visions of this act. The commissioner shall review and consider
4 the findings and recommendations of the commission in the admin-
5 istration of the provisions of this act.

1 8. There is also appropriated from the proceeds of the sale of
2 the bonds hereinbefore mentioned such sums as may be necessary
3 to meet any expense incurred by the issuing officials under the act
4 hereinafter mentioned for advertising, engraving, printing, clerical,
5 legal or other services necessary to carry out the duties imposed
6 upon them by the provisions of said act.

1 9. The State Treasurer is hereby authorized, empowered, and
2 directed and it shall be his duty to set up and maintain the afore-

3 mentioned appropriations in the Mortgage Assistance Fund,
4 established heretofore pursuant to the act to which this act is a
5 supplement. The funds herein appropriated may be requisitioned
6 by the Department of Community Affairs for the uses and purposes
7 specified herein, subject to the same restrictions and control as are
8 exercised over all other appropriated State funds, but not incon-
9 sistent with the provisions of said act.

1 10. The commissioner is hereby empowered to enter into negotia-
2 tions with the Federal Government for the purpose of securing any
3 available financial grants and to receive any such grants and there-
4 after the State Treasurer may cause them to be established and
5 maintained in the aforementioned Mortgage Assistance Fund. Any
6 such funds so established and maintained may be requisitioned by
7 the Department of Community Affairs for the uses and purposes
8 specified herein, subject to the same restrictions and control as are
9 exercised over all other appropriated State funds, but not incon-
10 sistent with the provisions of the act hereinabove mentioned.

1 11. Not less than 30 days prior to the commissioner entering into
2 any contract, lease, obligation, or agreement to effectuate the
3 purposes of this act the commissioner shall report to and consult
4 with the special joint legislative committee created pursuant to
5 Assembly Concurrent Resolution No. 66 of the 1968 Legislature as
6 reconstituted and continued from time to time by the Legislature.

1 12. There is hereby appropriated from the Mortgage Assistance
2 Fund to the department the sum of \$8,000,000.00 in accordance with
3 the provisions of this act. Said appropriations shall be derived
4 from the sale of State Mortgage Assistance Bonds issued pursuant
5 to P. L. 1976, c. 94.

1 13. This act shall take effect immediately.

STATEMENT

This bill provides an appropriation of \$8,000,000.00 from the \$25,000,000.00 of bond funds authorized by the voters on November 2, 1976, in the New Jersey Mortgage Assistance Bond Act of 1976. From the appropriation \$6,000,000.00 will be used to provide a Reserve Fund for the New Jersey Housing Finance Agency to facilitate the sale of approximately \$72,000,000.00 bonds to provide new housing projects not yet constructed.

The agency has recently been following a policy of selling bonds to provide permanent financing for each project before construction of the project is undertaken. This conservative approach to financing avoids a build-up of large amounts of short term debt by

9 of the project and is in the best interest of the agency and the
10 holders of its bonds, notes or other obligations issued to finance
11 the original loan for the cost of the project.

1 6. The commissioner is authorized to utilize \$2,000,000.00 from
2 the Mortgage Assistance Account for the purpose of granting
3 financial assistance, including interest subsidy assistance, for senior
4 citizens and low or modern income families and for qualified hous-
5 ing developments, including but not limited to those constructed,
6 financed, or rehabilitated under Federal, other State, or locally
7 aided low and moderate income programs, where such assistance is
8 necessary to provide financial feasibility and stability. Without
9 limiting the generality of the foregoing, such assistance may in-
10 clude: a direct loan to qualified mortgagor, subordinated to the
11 Federal or other State mortgage loan with repayment of principal,
12 and interest, if any, deferred until such time as such Federal or
13 other State loan is paid or otherwise discharged or released, a
14 direct loan for maintenance and operating subsidy to a qualified
15 mortgagor subordinated to the Federal or other State mortgage
16 loan, with repayment of principal, and interest, if any, deferred to
17 such time as the commissioner may deem appropriate, a reserve
18 fund to assist the New Jersey Housing Finance Agency to provide
19 construction or permanent financing for developments financed by
20 it; grants or loans to municipalities for urban homesteading, code
21 enforcement, neighborhood preservation activities, or rehabilitation
22 and direct sale of properties acquired through tax foreclosure or
23 from the United States Department of Housing and Urban Develop-
24 ment; and grants or loans to residential property owners in viable
25 urban neighborhoods threatened by the lack of private capital for
26 mortgage loans and loans for rehabilitation.

1 7. The commissioner shall issue and promulgate such rules and
2 regulations as are necessary and appropriate to carry out the pro-
3 visions of this act. The commissioner shall review and consider
4 the findings and recommendations of the commission in the admin-
5 istration of the provisions of this act.

1 8. There is also appropriated from the proceeds of the sale of
2 the bonds hereinbefore mentioned such sums as may be necessary
3 to meet any expense incurred by the issuing officials under the act
4 hereinafter mentioned for advertising, engraving, printing, clerical,
5 legal or other services necessary to carry out the duties imposed
6 upon them by the provisions of said act.

1 9. The State Treasurer is hereby authorized, empowered, and
2 directed and it shall be his duty to set up and maintain the afore-

the agency. However, potential investors in the agency's bonds are concerned about the risks during the period the projects are being constructed, particularly the possibility that a substantial construction cost overrun might occur on one or more of the projects being financed by their bonds, and the agency might not be able to finance the completion of the project.

To assure potential investors in the agency's bonds that they will not end up with an investment in a partially completed project, the agency proposes to establish a construction completion reserve for future bond issues which will finance projects to be constructed. This reserve would be pledged to bondholders only during the construction period and would be available for the cost of completion of the projects if the bond proceeds should be insufficient for completion. The agency also could use this \$6,000,000.00 for successive construction periods of approximately 2 years each. Use of the moneys appropriated in this manner is expected by the agency to result in more favorable interest rates on its bonds, increase the ability by the agency to market sizable bond issues for new projects, and enable the agency to recapture the cost saving by obtaining Federal subsidy authorizations for additional projects.

Section 5 of the bill permits the agency in limited circumstances to make loans to housing sponsors in excess of limits presently provided by law. The New Jersey Housing Finance Agency Law of 1967 limits loans by the agency to 90% of project cost in the case of limited-dividend sponsors, and 100% of project cost in the case of nonprofit sponsors.

Situations have arisen in which a project financed by the agency is temporarily unable to generate enough rental income to cover its necessary operating expenses and meet the debt service payments on the bonds issued by the agency to finance the projects. These situations can occur, for example, by reason of sharp increases in utility or other operating expenses which have not yet been balanced by a corresponding increase in rentals charged to tenants in the project. In some of these situations, it is in the best interest of the agency and its bondholders to finance this shortfall by an additional loan to the project, thus avoiding a default on the sponsor's mortgage and a possible call on the State Treasury to make up a deficiency in the Housing Finance Fund established for the agency's bondholders. At present the agency is not authorized to make such an additional loan if the resulting total loan would exceed the prescribed percentage of project cost. Section 5 of the bill would authorize additional loans in the limited circumstances described above.

The remaining \$2,000,000.00 of the appropriation will be retained under the control of the Commissioner of the Department of Community Affairs to use primarily for neighborhood preservation projects. Also construction and financing assistance to achieve feasibility for merit-worthy projects encountering special feasibility problems can be provided from these funds.

SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE

STATEMENT TO

SENATE, No. 1785

STATE OF NEW JERSEY

DATED: DECEMBER 14, 1976

SUMMARY:

Senate Bill No. 1785, identical to Assembly Bill No. 2374 now pending in the Assembly, makes the first appropriation from the Mortgage Assistance Fund, approved by the voters in November, 1976. The \$8-million appropriation is in two parts: \$6,000,000.00 for a reserve fund to support the Housing Finance Agency's construction of nine major new housing developments, mostly senior citizen housing; and \$2,000,000.00 for allocation by the Commissioner of the Department of Community Affairs for a variety of housing assistance programs.

The bill was reviewed and approved by the bond watchdog committee at its meeting of December 6, 1976. The Senate Revenue, Finance and Appropriations Committee reports it favorably.

HOUSING FINANCE AGENCY APPROPRIATION:

The \$6-million appropriation for deposit in H. F. A. reserve funds will assist the agency in selling long-term bonds financing the construction of 1,775 new housing units in projects that are *all* ready for immediate ground-breaking. It will support the H. F. A.'s planned bond sale of some \$72-million for these projects. The \$6-million is expected to be returned to the Mortgage Assistance Fund when construction of these projects is completed. Although the language in the bill would allow the agency to reapply the money to similar reserve funds for additional new projects, the Revenue, Finance and Appropriations Committee releases the bill on the understanding that the money would return for new legislative appropriation except for extraordinary circumstances.

The reserve fund is expected to make the H. F. A.'s bonds less risky, hence more attractive to investors, resulting in lower interest costs on the bonds. These interest savings are credited to New Jersey's entitlement for Federal housing assistance money. The agency estimates that the interest savings resulting from early enactment of this legislation would quickly be realized as an additional federally-funded project of 200 new housing units—at no additional cost to the State or its agency.

The H. F. A. has recently been avoiding reliance on short-term notes in the preliminary stages of project development and has instead been selling bonds to provide permanent financing for each project before its construction is actually undertaken. However, potential bond buyers profess concern about the risks during the construction period. (Could there be a substantial cost overrun at any of the projects? Might the agency then be unable to finance completion of the project? Could the bondholder wind up with an investment in a project that never gets finished?) These concerns would be allayed by a construction-completion reserve fund that would be pledged to bondholders only during the construction period, available to pay for completing a project if, because of cost overruns or the H. F. A. bond proceeds should be insufficient for completion. That assurance makes agency bonds less risky and hence less costly.

The \$6-million appropriation would be used for such a construction-completion reserve. The projects to be financed from the H. F. A. bond sale (scheduled for the first week in January, 1977) that this appropriation is intended to secure are:

Project	Municipality (county)	Number of Units	Mortgage Amount
Somerville Senior Citizens Housing...	Somerville (Somerset) ...	153	\$5,500,000
Prospect Park Senior Citizens Housing	East Orange (Essex)	130	\$4,300,000
Jewish Federation of Camden County Senior Citizens Housing	Cherry Hill (Camden) ...	145	\$5,000,000
Minisink Village Senior Citizens Housing	Matawan (Monmouth) ...	108	\$3,537,000
Sisters of the Poor Senior Citizens Housing	Paterson (Passaic)	92	\$3,258,000
New Communities Senior Citizens Housing II	Newark (Essex)	125	\$8,750,000
Salem Lafayette Housing Development	Jersey City (Hudson) ...	412	\$18,450,000
West Long Branch Senior Citizens Housing	West Long Branch (Monmouth) ...	150	\$6,000,000
The Mansions Housing Development..	Pine Hills (Camden).....	360	\$10,000,000

DEPARTMENT OF COMMUNITY AFFAIRS APPROPRIATION:

Two million dollars is appropriated for utilization by the commissioner for a variety of housing assistance programs, as she designates. The authorization in section 6 is deliberately more general because many of the intended projects are not in the "ready-to-go" stage and could be delayed. In that event the commissioner should be able to use the money for alternative programs giving notice to the committee and not having to seek amendatory legislation.

Nonetheless, in making the \$2-million appropriation, the Revenue, Finance and Appropriations Committee intends the following uses:

—\$500,000.00 (a minimum) for rehabilitation of housing units, including neighborhood preservation projects. The Legislature has established maintenance of viable neighborhoods as an important tool of housing and community policy (P. L. 1975, chapters 248 and 249), and the Commission on Capital Budgeting and Planning has emphasized the possibilities and need for modernization of existing substandard dwelling space.

—\$1,000,000.00 (a maximum) for construction and financing assistance for new housing developments encountering special feasibility problems, especially the Northgate complex in Camden.

—\$500,000.00 for financing assistance for additional housing projects as new Federal housing money is made available to New Jersey; or for other housing programs that the commissioner finds feasible to support.

OTHER PROVISIONS:

The bill closely follows the definitions and program descriptions in P. L. 1976, c. 94. It establishes a mortgage assistance account for State bond moneys and repayments on loans or advances from State bond moneys.

The bill also supplements the Housing Finance Agency statute to allow the H. F. A. to make additional loans to one of its projects if required to avoid a default on the project's original loan. The law now forbids H. F. A. loans to exceed 90% of a limited-divided project's total cost; the new section in this bill would provide the financing flexibility needed to keep some projects from default.

DECEMBER 27, 1976

FOR FURTHER INFORMATION

FOR IMMEDIATE RELEASE

BOB COMSTOCK

Governor Byrne will sign into law at 11:30 a.m. today S-1785, sponsored by Senator Erichetti, appropriating \$8 million from the Mortgage Assistance Bond Act of 1976.

The bill provides \$2 million to fund neighborhood preservation projects, including housing rehabilitation, and \$6 million to create a construction period reserve fund, to secure long-term Housing Finance Agency Bonds.

The first bonds will be issued next month to finance these nine projects, which are expected to generate some \$24 million in construction wages:

<u>PROJECT</u>	<u>Municipality (county)</u>	<u>Number of Units</u>	<u>Mortgage Amount</u>
Somerville Senior Citizens Housing	Somerville (Somerset)	153	\$5,500,000
Prospect Park Senior Citizens Housing	E. Orange (Essex)	130	\$4,300,000
Jewish Federation of Camden County Senior Citizens Housing	Cherry Hill (Camden)	145	\$5,000,000
Minisink Village Senior Citizens Housing	Matawan (Monmouth)	108	\$3,537,000
Sisters of the Poor Senior Citizens Housing	Paterson (Passaic)	92	\$3,258,000

<u>PROJECT</u>	<u>Municipality (county)</u>	<u>Number of Units</u>	<u>Mortgage Amount</u>
New Communities Senior Citizens Housing II	Newark (Essex)	125	\$8,750,000
Salem Lafayette Housing Development (senior citizen and family housing)	Jersey City (Hudson)	412	\$18,450,000
W. Long Branch Senior Citizens	W. Long Branch (Monmouth)	150	\$6,000,000
The Mansions Housing Development (senior citizen and family housing)	Pine Hill (Camden)	360	\$10,000,000

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At the end of the construction period for these projects (an estimated 18 to 20 months) the \$6 million reserve fund will be available for reappropriation to secure bonds financing other housing projects.

"By going direct to long-term financing and eliminating the need for short-term notes, the HFA expects to achieve lower interest rates on its bonds and move more rapidly to obtain federal subsidy authorizations for additional projects," Byrne explained.

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