LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 3128

STATE OF NEW JERSEY
221st LEGISLATURE

DATED: FEBRUARY 7, 2024

SUMMARY

Synopsis: Authorizes HMFA to issue tax credits for certain purposes.

Type of Impact: Potential State revenue decrease.

Agencies Affected: New Jersey Housing and Mortgage Finance Agency; Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	**CY 2027 through CY 2030**
Potential State Revenue Decrease	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill may result in annual State revenue decreases in an indeterminate amount associated with certain tax credits being made available for a broader purpose and in a larger area of the State. This potential impact is expected for a period of four years beginning in CY 2027.

BILL DESCRIPTION

The bill authorizes the New Jersey Housing and Mortgage Finance Agency (HMFA) to issue project financing tax credits to support the development of certain housing projects.

Specifically, the bill permits the HMFA to award project financing tax credits to the developers of certain qualified projects that: (1) have received a four-percent federal low income housing tax credit when the total demand for nine-percent low income housing tax credit exceeds the total value available for distribution; and (2) have a project financing gap demonstrated by the developer at the time of application. The total tax credit award may not exceed the lesser of: (1) the amount necessary to ensure that the qualified project receives a total subsidy in an amount equivalent to the receipt of a nine-percent low income housing tax credit for the qualified project; or (2) the amount of the project financing gap for a qualified project.

The bill provides that the HMFA may award some or all of these tax credits as part of an existing program operated by the HMFA or through the establishment of a new program to

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effectuate the provisions of this bill. The bill also provides that certain of these tax credits may be sold or transferred by the recipient, subject to certain restrictions specified in the bill.

Under the bill, the uncommitted balance of tax credits otherwise authorized to be awarded by the New Jersey Economic Development Authority under the Community-Anchored Development Program would be annually reallocated to the HMFA to support the purposes set forth in this bill. Under current law, the authority may annually award up to $200 million in tax credits under the Community-Anchored Development Program, including up to $130 million in the northern counties of the State and up to $70 million in the southern counties of the State, beginning on January 1, 2026 through the conclusion of the nine-year authorization period set forth in the Economic Recovery Act of 2020. If during any of these years, the authority awards less than the annual limitation of tax credits for either geographic region, the bill provides that the uncommitted balance of tax credits would be annually reallocated to the HMFA to support the purposes of this bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill may result in annual State revenue decreases in an indeterminate amount associated with certain tax credits being made available for a broader purpose and in a larger area of the State. This potential impact is expected for a period of four years beginning in CY 2027.

Current law authorizes the Economic Development Authority to award up to $1.2 billion in tax credits over a nine-year period, which began in 2021, through the Community-Anchored Development Program. The authority is required to annually award tax credits valuing no greater than $130 million for projects located in the 13 northern counties of the State and $70 million for projects located in the eight southern counties of the State. Tax credits not awarded may be carried forward for issuance in a subsequent year without regard to the county in which a projected is located. Tax credits may be awarded to support community-anchored projects. Under current law, a community-anchored project is a capital project that is located in a certain designated area (such as an opportunity zone, Planning Area 1, or a municipality with a high Municipal Revitalization Index Score) and will result in capital investment of at least $10 million in a State opportunity zone. If the project is not located in an opportunity zone, it must be primarily designed to result in the economic expansion of a targeted industry in this State.

The bill reallocates the amount of any remaining tax credits, up to the annual limits originally authorized under the Community-Anchored Development Act, to the HMFA and allows the HMFA to issue those tax credits to support the development of certain housing projects. These tax credits may be awarded to support qualified housing projects in any area of the State. Reallocating these tax credits to HMFA broadens the purposes for which the tax credits may be used and allows them to be used in more areas of the State than currently permitted. While the OLS cannot predict the amount of tax credits that may be transferred from the Community-Anchored Development Program to the HMFA, the transfer of unused tax credits, and the utilization of those tax credits to support qualified housing projects could potentially result in State revenue losses that may not otherwise occur under current law.

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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.).