

# LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

**SENATE, No. 1150**

## **STATE OF NEW JERSEY 218th LEGISLATURE**

DATED: MARCH 29, 2019

### SUMMARY

- Synopsis:** Authorizes DCA to establish flexible multiple dwelling inspection schedule; requires multiple dwelling owners to file certain registrations.
- Type of Impact:** Indeterminate impact on State finances.
- Agencies Affected:** Department of Community Affairs.

#### Office of Legislative Services Estimate

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

- The Office of Legislative Services (OLS) estimates that the bill would result in an indeterminate fiscal impact on the Department of Community Affairs (DCA) associated with the tiered inspection schedule for multiple dwellings, the collection of additional fees, and the revised process for serving certain documents under the "Hotel and Multiple Dwelling Law."
- Most notably, the bill authorizes the DCA to establish a tiered inspection schedule for multiple dwellings under the "Hotel and Multiple Dwelling Law," in which multiple dwellings would be inspected on a seven-year, five-year, or two-year basis, depending on the rate at which property violations are abated.
- Because the OLS cannot predict the rate of property violation abatements, the OLS is unable to quantify the anticipated fiscal impact of the tiered inspection system. However, if implemented, the DCA is expected to experience increases or decreases in revenues and expenditures depending on the number of multiple dwellings qualifying under each inspection tier. Given that the DCA may periodically update inspection fees to ensure that revenues offset costs, any increase or decrease in revenue is expected to be temporary.
- Additionally, the bill could result in an indeterminate increase in DCA revenue associated with additional fee collections. Specifically, the bill requires the owners of hotels and

multiple dwellings to (1) annually certify the accuracy of information contained in certificates of registration, and (2) file amended certificates of registration in certain circumstances. Under the bill, the DCA would collect fees to cover the administrative costs associated with each of these filings.

- The bill could also result in an indeterminate decrease in DCA expenditures associated with the revised process for serving certain documents. Currently, the DCA is required to first serve notices under the "Hotel and Multiple Dwelling Law" by certified mail. By no longer requiring these documents to be served by certified mail, the bill could decrease certain administrative expenses of the DCA.

## **BILL DESCRIPTION**

The bill authorizes the Department of Community Affairs (DCA) to establish tiered inspection schedules for multiple dwelling units and provide reasonable fee increases under the "Hotel and Multiple Dwelling Law," P.L.1967, c.76 (C.55:13A-1 et seq.).

Under current law, the DCA inspects multiple dwellings at least once every five years. The bill permits the DCA to establish the following tiered inspection schedule for multiple dwellings: (1) multiple dwellings in which no violations are found or all violations are abated before the first reinspection, would be next inspected in seven years, (2) multiple dwellings in which all violations are abated before the second or third reinspection would be next inspected in five years, and (3) multiple dwellings in which all violations are not abated before the third reinspection would be next inspected in two years. However, the bill also authorizes the DCA to inspect all multiple dwellings on a five-year cyclical basis if such inspections are determined by the Commissioner of Community Affairs to be in the best interest of the health and safety of multiple dwelling residents. Additionally, the bill clarifies the authority of the DCA to increase inspection fees by regulation.

The bill also requires the owners of hotels and multiple dwellings to annually certify that the information contained in their certificates of registration is current and accurate. Under the bill, these persons would also be required to file an amended certificate of registration within 20 days of any change in the information included on their certificates of registration. The bill authorizes the DCA to establish reasonable fees to defray the administrative costs associated with processing these filings. Once established, the DCA may also increase these fees to the extent permitted under current law.

In addition, the bill revises the process for serving notices, rules, decisions, and orders under the "Hotel and Multiple Dwelling Law." The bill permits service of these documents upon owners and occupants by ordinary mail. These documents also may be served upon owners or their agents by personal service. Additionally, the documents may be served upon occupants by service upon the State Treasurer in certain circumstances or delivery at the dwelling unit of the occupant with a competent member of the household who is at least 14 years of age.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

**OFFICE OF LEGISLATIVE SERVICES**

The OLS estimates that the enactment of the bill would have an indeterminate fiscal impact on the Department of Community Affairs (DCA) associated with the implementation of a tiered inspection schedule for multiple dwellings under the "Hotel and Multiple Dwelling Law," P.L.1967, c.76 (C.55:13A-1 et seq.). Additionally, the bill could also result in (1) an indeterminate increase in DCA revenue associated with the collection of certain additional fees, and (2) an indeterminate decrease in DCA expenditures associated with the revised process for serving documents under the "Hotel and Multiple Dwelling Law."

*Tiered Inspections of Multiple Dwellings*

Most notably, the bill authorizes the DCA to establish and implement a tiered inspection schedule for multiple dwellings under the "Hotel and Multiple Dwelling Law." Currently, all multiple dwellings are inspected under the law on a five-year basis. As authorized by the bill, the DCA may inspect multiple dwellings as follows: (1) multiple dwellings in which no violations are found or all violations are abated before the first reinspection would be next inspected in seven years, (2) multiple dwellings in which all violations are abated before the second or third reinspection would be next inspected in five years, and (3) multiple dwellings in which all violations are not abated before the third reinspection would be next inspected in two years. The bill also clarifies the authority of the DCA to increase inspection fees.

The Bureau of Housing Inspection in the Division of Codes and Standards within the DCA conducts the registration and inspection of hotels and multiple dwellings under the "Hotel and Multiple Dwelling Law." If the DCA implemented tiered inspections, the bureau could experience increases or decreases in revenues and expenditures depending on the number of multiple dwellings qualifying under each inspection tier. For example, if a disproportionate number of multiple dwellings are inspected on a seven-year basis, then the bureau would be expected to annually inspect fewer multiple dwellings, thereby reducing the bureau's inspection costs and fee receipts. Alternatively, if a disproportionate number of multiple dwellings required two-year inspections, then the annual inspection costs and fee receipts of the bureau would be expected to increase due to the increased demand for inspections. Because the DCA is currently authorized to update inspection fees periodically to ensure that revenues offset costs, any increase or decrease in revenue resulting from the tiered inspections is expected to be temporary.

The OLS is unable to determine the rate at which multiple dwelling owners will abate property violations. Consequently, the OLS cannot determine the number of multiple dwelling units that would qualify under each inspection tier. However, according to testimony before the Assembly Housing and Community Development Committee on March 7, 2019 concerning Assembly Bill No. 5041, the identical Assembly counterpart to this bill, the New Jersey Apartment Association estimates that 60 percent of multiple dwellings would qualify under the five-year inspection tier established by this bill. If this estimate is accurate, the fiscal impact of the tiered inspection schedule is expected to be moderate.

The OLS also notes that the bill authorizes the DCA to inspect all multiple dwellings on a five-year cyclical basis if such inspections are determined by the Commissioner of Community Affairs to be in the best interest of the health and safety of multiple dwelling residents. In this event, the provisions of the bill concerning the tiered inspection schedule would not have a fiscal impact on the DCA.

*Fee Collections*

The DCA is also expected to experience an indeterminate increase in revenue associated with the collection of certain additional fees. Specifically, the bill requires the owners of hotels and

multiple dwellings to annually file a certification confirming that the information contained in their certificate of registration is current and accurate. The bill also requires amended certificates of registration to be filed within 20 days of any change in the information included in the certificate of registration. Most importantly, the bill authorizes DCA to establish reasonable fees, and subsequently increase those fees to the extent permitted under law, in order to defray the administrative costs associated with processing these filings. As a result, the increase in revenue that would result from these fee collections is required to be offset by a corresponding increase in administrative expenses.

According to data provided in the Fiscal Year 2019 “Detailed Budget,” the Executive Branch estimates that 96,759 buildings are registered under the “Hotel and Multiple Dwelling Law” in Fiscal Year 2019. However, given the discretionary nature of the fee rates, the OLS is unable to predict the increase in revenue that is expected to result from these additional fee collections.

#### *Revised Service of Documents*

The bill could also result in an indeterminate decrease in DCA expenditures associated with the revised process for serving certain documents. Under the bill, notices, rules, decisions, or orders issued pursuant to the “Hotel and Multiple Dwelling Law” may be serviced upon owners and occupants by ordinary mail. These documents also may be served by personal service upon owners or their agents, and in certain circumstances, a competent member of the occupant’s household. Under current law, the DCA is required to first serve notices by certified mail. By no longer requiring the service of these documents through certified mail, the bill could decrease certain administrative expenses of the DCA.

*Section: Local Government*

*Analyst: Joseph A. Pezzulo  
Assistant Research Analyst*

*Approved: Frank W. Haines III  
Legislative Budget and Finance Officer*

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.).