

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3691
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MAY 20, 2021

SUMMARY

- Synopsis:** Provides financial relief to certain landlords and tenants in response to COVID-19 pandemic; and making appropriations.
- Type of Impact:** Potential increase in State expenditures and revenues. Potential increase in local revenues.
- Agencies Affected:** Department of Community Affairs, Attorney General, The Judiciary, and local housing authorities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Unpaid Rent from March 9, 2020 to August 31, 2021</u>
Potential State Cost Increase	Indeterminate
Potential State Revenue Increase	Indeterminate
Potential Local Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill may potentially (1) increase State expenditures attributable to increased administrative costs for the Department of Community Affairs (DCA) and the Attorney General; (2) increase State revenues due to a court’s ability to impose a fine on a non-compliant landlord; and (3) increase local revenues attributable to certain local units serving as a local housing authority, and thereby a landlord eligible for assistance from funding provided by federal funds appropriated under the bill.
- The bill requires the DCA to rename the current “Homelessness Prevention Program” as the “Eviction and Homelessness Prevention Program,” revise the program regulations, prepare guidance covering the amount and duration of the program grants, and process program applications. The bill also requires the DCA to, at least 30 days prior to the expiration of the covered period, implement a comprehensive public information plan and a form notice to ensure that eligible tenants are aware of the assistance provided by the program. Within 30 days following enactment, the bill would also require the DCA to establish an “Office of Eviction Prevention.”
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- The bill would authorize the Attorney General, in response to a complaint from a tenant, or on the Attorney General’s independent initiative, to bring an action against a landlord who has allegedly violated the bill’s restrictions on nonpayment information dissemination. Following

the opportunity to correct any first violation, and upon a finding that non-compliance has occurred, the bill would authorize a court to impose a fine on a non-compliant landlord, not to exceed \$500 for a first violation, \$1,000 for a second violation, and \$2,500 for each subsequent violation, which would lead to an indeterminate increase in State revenues.

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- Additionally, according to information on the federal Department of Housing and Urban Development website, approximately 82 municipalities in the State serve as the local housing authority. Under the bill, local housing authorities collecting rental payments would be eligible to receive assistance from federal funds appropriated under the bill. The bill would appropriate at least \$755 million in federal funds to effectuate the provisions of the bill, but it is unclear how much of these monies may be used to reimburse the DCA and Attorney General for administrative costs. Finally, the OLS is unable to estimate how much unpaid rent is owed to local housing authorities and eligible for compensation under the program.

BILL DESCRIPTION

This bill would provide financial relief to certain residential landlords and tenants in response to the COVID-19 pandemic.

Specifically, the bill would protect low-income, moderate-income, and middle-income households from residential evictions based upon nonpayment or habitual late payment of rent that accrued during the covered period, which began on March 1, 2020, and would last until the end of July 2021. The bill establishes definitions for very low-income, low-income, moderate-income, and middle-income households as those with incomes of 30 percent or less than, 50 percent or less than, between 50 and 80 percent of, and 80 percent to 120 percent of the area median income, respectively. The bill would require that payments made by a tenant after the covered period ends would be credited first to the current month's rental obligation, and any balance would be credited to any arrearage owed by the tenant. The bill provides that amount of rent due to a landlord during the covered period would be considered civil debt and could be pursued as a money judgment.

The bill provides that any amount of unpaid rent due either prior to the start of the covered period or after the covered period ends may be pursued in the manner allowed by law for any other landlord-tenant action for rent due outside of the covered period. However, the bill would provide low-income household tenants with continued protections from evictions for the month of August 2021 if they pay 50 percent of their rent for the month of August 2021. The remaining 50 percent of the low-income tenant's rent due for that month would be considered civil debt. Additionally, the bill would provide moderate-income household tenants with continued protections from evictions for the month of August 2021 if they pay 75 percent of their rent for the month of August 2021. The remaining 25 percent of rent due for that month would be considered civil debt. The bill would also prohibit a landlord from imposing any late fees for rent payments not made during the covered period.

The bill would require that all pending landlord-tenant actions alleging nonpayment or habitual late payment of rent that accrued during the covered period shall be stayed and shall be dismissed upon certification that the tenant is low-income, moderate-income, or middle-income and that the reason for filing was nonpayment or habitual late payment of rent during the covered period. The bill would require the Superior Court to return or credit to the landlord all fees paid by the landlord to file such cases.

The bill would authorize the Attorney General, in response to a complaint from a tenant, or on the Attorney General's independent initiative, to bring an action against a landlord who has allegedly violated the bill's restrictions on nonpayment information dissemination. The bill would

authorize a court to impose a fine on the non-compliant landlord, not to exceed \$500 for a first violation, \$1,000 for a second violation, and \$2,500 for each subsequent violation.

The bill would direct the DCA to rename the current “Homelessness Prevention Program” as the “Eviction and Homelessness Prevention Program” and provide revisions to the Homeless Prevention Program Regulations. At least 30 days prior to the expiration of the covered period, the department would be required to implement a comprehensive public information plan to ensure that eligible tenants are aware of the assistance provided by the program.

Within 30 days following enactment, the bill would require the department to establish an “Office of Eviction Prevention,” which would be responsible for: (1) the identification of all federal, State, local and other sources of financial assistance that could be used to prevent the eviction of residential tenants; (2) becoming knowledgeable with regard to the application process for each such program; and (3) identifying, and proposing remedies for, the gaps in the overall assistance system.

Finally, the bill would appropriate from the funds provided to the State by the United States government for the purpose of providing relief to tenants affected in any way by the COVID-19 pandemic: for the Eviction and Homelessness Prevention Program in the sum of \$750 million and for the Office of Eviction Prevention in the sum of \$5 million. The bill also authorizes the department to use up to \$20 million for the purpose of funding those actions needed to effectively implement and administer the Eviction and Homelessness Prevention Program, \$2 million of which would be provided to nonprofit organizations for education and outreach regarding this program. Additional federal funding for emergency rental assistance related to the COVID-19 pandemic would be appropriated to the foregoing programs as it becomes available.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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The bill would authorize the Attorney General, in response to a complaint from a tenant, or on the Attorney General’s independent initiative, to bring an action against a landlord who has allegedly violated the bill’s restrictions on nonpayment information dissemination. Following the opportunity to correct any first violation, and upon a finding that non-compliance has occurred, the bill would authorize a court to impose a fine on a non-compliant landlord, not to exceed \$500

for a first violation, \$1,000 for a second violation, and \$2,500 for each subsequent violation, which would lead to an indeterminate increase in State revenues.

Additionally, according to information on the federal Department of Housing and Urban Development website, approximately 82 municipalities in the State serve as the local housing authority. Under the bill, local housing authorities collecting rental payments would be eligible to receive assistance from federal funds appropriated under the bill. The bill would appropriate at least \$755 million in federal funds to effectuate the provisions of the bill, but it is unclear how much of these monies may be used to reimburse the DCA and Attorney General for administrative costs. Finally, the OLS is unable to estimate how much unpaid rent is owed to local housing authorities and eligible for compensation under the program.

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.).