SYNOPSIS
Establishes Statewide limitation on rent increases.

CURRENT VERSION OF TEXT
Introduced Pending Technical Review by Legislative Counsel.
AN ACT establishing limits on rent increases and supplementing chapter 18 of Title 2A of the New Jersey Statutes.

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

1. The Legislature finds and declares that:
   a. The cost of housing in New Jersey, including rental housing, constitutes one of the most substantial financial challenges faced by the residents of the State;
   b. According to recent estimates, over 43 percent of all New Jersey renters pay more than 35 percent of their household income on rent, a percentage of income that is commonly viewed as the limit of what constitutes an affordable rent;
   c. The affordability of rental housing presents a challenge that requires a substantial response so that renters can continue to afford housing in this State; and
   d. It is, therefore, appropriate for the Legislature to establish a reasonable limitation on annual rent increases throughout the State.

2. a. Except as provided in subsections c. and d. of this section, and section 3 of P.L. , c. (pending before the Legislature as this bill), a residential landlord shall not, over the course of a 12-month period, increase the rent on a dwelling unit by more than 5 percent plus the percentage change in the cost of living, or 10 percent, whichever is lower, of the lowest rental rate charged for that dwelling unit at any time during the 12 months prior to the date when the increase takes effect.
   b. A tenant of residential real property subject to this section shall not enter into a sublease that results in a rental rate for the dwelling unit that exceeds the allowable rental rate authorized by subsection a. of this section. Nothing in this subsection authorizes a tenant to sublet or assign the tenant’s interest where otherwise prohibited.
   c. Regarding a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the dwelling unit, the landlord may establish the initial rental rate notwithstanding subsection a. of this section. Subsection a. of this section shall only apply to subsequent increases after that initial rental rate has been established with respect to the new tenancy.
   d. This section shall not apply to the following:
      (1) non-residential real property;
      (2) a dwelling unit restricted by deed, regulatory restriction contained in an agreement with a government agency, or other recorded document as affordable housing for persons and families of very low, low, or moderate income;
(3) a dormitory constructed and maintained in connection with an institution of higher education for the use and occupancy of students in attendance at the institution;

(4) a dwelling unit subject to a “Notice of Rent Protection Emergency,” established pursuant to P.L.2002, c.133 (C.2A:18-61.62 et seq.), the application of which results in a lower permitted rent increase for the specified year than that permitted pursuant to subsection a. of this section;

(5) a dwelling unit that has been newly constructed, and issued a certificate of occupancy as a result of its completion, within the previous 15 years;

(6) a single family dwelling unit, provided that both of the following apply:
   (a) the landlord is not any of the following:
      (i) a real estate investment trust, as defined in 26 U.S.C. s.856;
      (ii) a corporation; or
      (iii) a limited liability company in which at least one member is a corporation; and
   (b) (i) the tenant has been provided written notice that the dwelling unit is exempt from this section using the following statement: “This property is not subject to the rent limits imposed by P.L. , c. (C. ) (pending before the Legislature as this bill). The landlord is not any of the following: (1) a real estate investment trust; (2) a corporation; or (3) a limited liability company in which at least one member is a corporation.”;
   (ii) regarding a tenancy for a single family dwelling unit in existence prior to the first day of the third month next following the enactment of P.L. , c. (C. ) (pending before the Legislature as this bill), the notice required pursuant to sub-subparagraph (i) of this subparagraph is not required to be provided in the rental agreement;
   (iii) regarding a tenancy for a single-family dwelling unit commenced or renewed on or after the first day of the third month next following the enactment of P.L. , c. (C. ) (pending before the Legislature as this bill), the notice required pursuant to sub-subparagraph (i) of this subparagraph shall be provided in the rental agreement; and

(7) a duplex in which the landlord occupies one of the units as the landlord’s principal place of residence at the beginning of the tenancy.

e. In the event that a landlord increases the rent by more than the amount permitted pursuant to subsection a. of this section between November 1, 2019 and the first day of the third month following the date of enactment of P.L. , c. (C. ) (pending before the Legislature as this bill), the applicable rent on the first day of the third month following the date of enactment of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be the rent as of November 1, 2019, plus the maximum permitted increase pursuant
to subsection a. of this section. The enforcement provision
established pursuant to subsection g. of this section shall not apply
to an overpayment of rent in response to an unauthorized rent
increase within the timeframe established by this subsection.
f. This section shall function in addition to, and not in place of,
the existing prohibition on unconscionable rent increases, pursuant
to subsection f. of section 2 of the Anti-Eviction Act, P.L.1974,
c.49 (C.2A:18-61.1).
g. (1) A violation of P.L.  , c.  (pending before the
Legislature as this bill) shall constitute an unlawful practice
pursuant to P.L.1960, c.39 (C.56:8-1 et seq.) and shall be subject to
all remedies and penalties available pursuant to P.L.1960, c 39
(C.56:8-1 et seq.).
(2) Notwithstanding the provisions of paragraph (1) of this
subsection, a tenant shall have the right to petition a court of
competent jurisdiction to terminate a lease containing a provision in
violation of this section.
h. Pursuant to subsection f. of section 2 of the Anti-Eviction
Act, P.L.1974, c.49 (C.2A:18-61.1), a tenant may assert a violation
of this section as a defense to an eviction action.
i. As used in this section:
“Duplex” means a building or structure of one or more stories
and any land appurtenant thereto, and any portion thereof, in which
exactly two units of residential dwelling space are occupied, or are
intended to be occupied by two or more persons who live
independently of each other.
“Dwelling unit” means a structure, or a room or group of rooms
within a structure, used or intended for use, in whole or in part, for
residential purposes.
“Percentage change in the cost of living” includes: (1) the
percentage change from November 1 of the prior year to November
1 of the current year in the regional Consumer Price Index for the
region where the dwelling unit is located, as published by the
United States Bureau of Labor Statistics; or (2) any alternative
source for determining the percentage change in the cost of living
that the Commissioner of Community Affairs deems necessary to
effectuate the provisions of P.L.  , c.  (pending before the
Legislature as this bill).
“Single family dwelling unit” means a building or structure of
one or more stories and any land appurtenant thereto, and any
portion thereof, in which exactly one unit of residential dwelling
space is occupied, or intended to be occupied by one or more
persons.
“Tenancy” means the lawful occupation of a dwelling unit and
includes a lease or sublease.
regulation, or other law regarding rent control, rent leveling, or rent
stabilization adopted by the governing body of a municipality that
would result in a lower permitted rent increase on a dwelling unit
over the course of a 12-month period. The provisions of
P.L. , c. (C. ) (pending before the Legislature as this bill)
shall preempt an ordinance, rule, regulation, or other law regarding
rent control, rent leveling, or rent stabilization adopted by the
governing body of a municipality that would result in a higher
permitted rent increase on a dwelling unit over the course of a 12-
month period.

4. In accordance with the "Administrative Procedure Act,"
P.L.1968, c.410 (C.52:14B-1 et seq.), the Commissioner of
Community Affairs may adopt the rules and regulations necessary
to effectuate the purposes of P.L. , c. (C. ) (pending before
the Legislature as this bill).

5. This act shall take effect immediately and shall be
retroactive to November 1, 2019.

STATEMENT

This bill would establish a Statewide limitation on rent increases.
Specifically, the bill would prohibit a residential landlord from
increasing rent a dwelling unit by more than 5 percent plus
inflation, or 10 percent, whichever is lower, of the lowest rental rate
charged for that dwelling unit at any time during the 12 months
prior to the date when the increase takes effect.

The rent increase limitation established by this bill would not
apply to the following:

(1) Non-residential real property.
(2) A dwelling unit restricted by deed, regulatory restriction
    contained in an agreement with a government agency, or
    other recorded document as affordable housing for persons
    and families of very low, low, or moderate income.
(3) A dormitory constructed and maintained in connection with
    an institution of higher education for the use and occupancy
    of students in attendance at the institution.
(4) A dwelling unit subject to a “Notice of Rent Protection
    Emergency,” established pursuant to P.L.2002, c.133
    (C.2A:18-61.62 et seq.), the application of which results in a
    lower permitted rent increase for the specified year than that
    permitted by this bill.
(5) A dwelling unit that has been newly constructed, and issued
    a certificate of occupancy as a result of its completion,
    within the previous 15 years.
A single family dwelling unit, provided that (a) the landlord is not a real estate investment trust, as defined in the federal Internal Revenue Code, a corporation, or a limited liability company in which at least one member is a corporation; and (b) the tenant has been provided written notice that the residential real property is exempt from the requirements of this bill, if the tenancy has been established on or after the first day of the third month next following enactment.

A duplex in which the landlord occupies one of the units as the landlord’s principal place of residence at the beginning of the tenancy.

Additionally, the rent increase limitation established by this bill would not apply to a dwelling located in a municipality that enforces a local rent control, rent leveling, or rent stabilization ordinance, the application of which results in a lower permitted rent increase for a 12-month period than this bill would.

Furthermore, the rent increase limitation established by this bill would not apply to a new tenancy in which no tenant from the prior tenancy remains in lawful possession of the dwelling unit. This bill would function in addition to, and not in place of, the existing statutory prohibition on unconscionable rent increases.

A violation of this bill would constitute an unlawful practice pursuant to the New Jersey consumer fraud act, P.L.1960, c.39 (C.56:8-1 et seq.) and would subject the offending landlord to all remedies and penalties available to an aggrieved consumer, in this case the tenant, under that statute. Additionally, the bill permits a tenant to petition a court of competent jurisdiction to terminate a lease containing a provision in violation of this bill. Finally, in accordance with the Anti-Eviction Act, P.L.1974, c.49 (C.2A:18-61.1), a tenant would be authorized to assert a violation of this bill as a defense to an eviction action.

The bill authorizes the Commissioner of Community Affairs to adopt the rules and regulations necessary to effectuate its purposes.

In order to avoid the creation of an incentive for landlords to increase rents substantially prior to this bill’s enactment, the bill would apply retroactively to rent increases established on or after November 1, 2019.