

# SENATE, No. 1235

## STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED JUNE 25, 1998

**Sponsored by:**

**Senator GERALD CARDINALE**

**District 39 (Bergen)**

**Senator LEONARD T. CONNORS, JR.**

**District 9 (Atlantic, Burlington and Ocean)**

**Co-Sponsored by:**

**Assemblyman Kelly**

**SYNOPSIS**

Clarifies 30-year rent control exemption for certain rental multiple dwelling units constructed without initial mortgage financing.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 11/16/1999)**

1 AN ACT concerning certain exemptions from municipal rent control  
2 and rent leveling ordinances and amending P.L.1987, c.153.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 2 of P.L.1987, c.153 (C.2A:42-84.2) is amended to read  
8 as follows:

9 2. a. In any municipality which has enacted or which hereafter  
10 enacts a rent control or rent leveling ordinance, other than under the  
11 authority of P.L.1966, c.168 (C.2A:42-74 et seq.), those provisions of  
12 the ordinance which limit the periodic or regular increases in base  
13 rentals of dwelling units shall not apply to multiple dwellings  
14 constructed after the effective date of this act, for a period of time not  
15 to exceed the period of amortization of any initial mortgage loan  
16 obtained for the multiple dwelling, or for 30 years following  
17 completion of construction, whichever is less.

18 b. In the event that there is no initial mortgage financing, the  
19 period of exemption from a rent control or rent leveling ordinance  
20 shall be 30 years from the completion of construction.  
21 (cf: P.L.1987, c.153, s.2)

22  
23 2. Section 5 of P.L.1987, c.153 (C.2A:42-84.5) is amended to read  
24 as follows:

25 5. a. It is the intent of **【this act】** P.L.1987, c.153 (C.2A:42-84.1  
26 et seq.), that the exemption from rent control or rent leveling  
27 ordinances afforded under **【this act】** P.L.1987, c.153 (C.2A:42-84.1  
28 et seq.) shall apply to any form of rent control, rent leveling or rent  
29 stabilization, whether adopted now or in the future, and by whatever  
30 name or title adopted, which would limit in any manner the periodic or  
31 regular increases in base rentals of dwelling units of multiple dwellings  
32 constructed after the effective date of **【this act】** P.L.1987, c.153  
33 (C.2A:42-84.1 et seq.). No municipality, county or other political  
34 subdivision of the State, or agency or instrumentality thereof, shall  
35 adopt any ordinance, resolution, or rule or regulation, or take any  
36 other action, to limit, diminish, alter or impair any exemption afforded  
37 pursuant to **【this act】** P.L.1987, c.153 (C.2A:42-84.1 et seq.).

38 b. The Legislature deems it to be necessary for the public welfare  
39 to increase the supply of newly constructed rental housing to meet the  
40 need for such housing in New Jersey. In an effort to promote this new  
41 construction, the Legislature enacted P.L.1987, c.153 (C.2A:42-84.1  
42 et seq.), the purpose of which was to exempt new construction of  
43 rental multiple dwelling units from municipal rent control so that the

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 municipal rent control or rent leveling ordinances would not deter the  
2 new construction. Although this legislation was initially made  
3 effective only for a temporary five-year period, it was expanded for a  
4 second five-year period by P.L.1992, c.206 until 1997, and then in that  
5 year made permanent by P.L.1997, c.56. At the time P.L.1987, c.153  
6 (C.2A:42-84.1 et seq.) was introduced, the uniform method of  
7 financing construction of new apartments was through project-based  
8 mortgage loans. There was little, if any, new construction financed in  
9 any other way. Recently, however, there has been increased utilization  
10 of Real Estate Investment Trusts (REITs) and other public companies  
11 which could potentially be an important new source of construction of  
12 rental housing in New Jersey. These entities generally do not utilize  
13 project-based mortgages but instead obtain comprehensive financing  
14 not secured by individual mortgages as a more efficient and lower cost  
15 means of financing new construction. There has been confusion as to  
16 whether new construction undertaken by REITs and other such entities  
17 would be exempted from municipal rent control under the terms of  
18 section 2 of P.L.1987, c.153 (C.2A:42-84.2) when there is no initial  
19 mortgage financing. To eliminate any confusion and to facilitate the  
20 construction of new rental units for which there is no initial mortgage  
21 financing, section 1 of P.L. \_\_\_\_\_, c. \_\_\_\_\_ (now pending before the  
22 Legislature as this bill) amends section 2 of P.L.1987, c.153  
23 (C.2A:42-84.2) to add a subsection b. to that section in order to  
24 clarify the Legislature's intent of providing an exemption from  
25 municipal rent control ordinances, except those adopted under the  
26 authority of P.L.1966, c.168 (C.2A:42-74 et seq.), by specifying that  
27 the period of time for exemption from rent control in such instances  
28 shall be 30 years following completion of construction.  
29 (cf: P.L.1987, c.153, s.5)

30

31 3. This act shall take effect immediately and shall be applicable to  
32 all multiple dwellings or portions of multiple dwellings for which  
33 construction was completed prior to the effective date of this act,  
34 provided that the owner of the multiple dwellings has fully complied  
35 with the requirements of section 4 of P.L.1987, c.153 (C.2A:42-84.4).

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## STATEMENT

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40 This bill is intended to clarify the original intent of the Legislature  
41 to provide an exemption from non-senior citizen municipal rent control  
42 ordinances for all new rental multiple dwelling unit construction,  
43 regardless of whether or not there was an initial mortgage loan to  
44 finance the construction. Under current law, the term of the  
45 exemption is the period of amortization of the initial mortgage loan.  
46 Real Estate Investment Trusts (REITs) and other public companies are

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1 now being used to construct new rental multiple dwelling units without  
2 initial mortgage financing. Since there is no amortization period to  
3 delineate the term of the municipal rent control exemption there has  
4 been confusion as to whether these entities were intended to be eligible  
5 for the exemption. This bill makes clear that the period of exemption  
6 from municipal rent control ordinances shall be 30 years from the  
7 completion of construction when there is no initial mortgage loan.