

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1235

STATE OF NEW JERSEY

DATED: DECEMBER 17, 1998

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 1235.

This bill would exempt new rental multiple dwelling units, which are not initially constructed subject to mortgage financing, from rent control and rent leveling ordinances for 30 years from the completion of construction. The bill would not be applicable to multiple dwelling units constructed for occupation by senior citizens and to ordinances adopted pursuant to P.L.1966, c.168 (C.2A:42-74 et seq.) concerning substandard multiple dwellings.

Under current law, the term of the exemption from rent control and rent leveling for newly constructed multiple dwellings is the lesser of the period of amortization of the initial mortgage loan or for 30 years following completion of construction. Real Estate Investment Trusts (REITs) and other public companies are now being used to construct new rental multiple dwelling units without initial mortgage financing. Since there is no amortization period to delineate the term of the municipal rent control exemption there has been confusion as to whether these entities are intended to be eligible for the exemption. This bill would clarify that the period of exemption from municipal rent control and rent leveling ordinances is 30 years from the completion of construction when there is no initial mortgage loan.

Because this bill seeks to clarify a provision of current law it would take effect immediately and be applicable to multiple dwelling units constructed prior to the effective date so long as the owner of the multiple dwelling filed a claim for exemption from the provisions of a rent control or rent leveling ordinance pursuant to the provisions of section 4 of P.L.1987, c.153 (C.2A:42-84).

This bill is identical to Assembly Bill No. 2236 which is currently pending before the General Assembly.