

54:5-113.1

LEGISLATIVE HISTORY CHECKLIST
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(Tax Sale Certificate--permit
governing body to accept bonds, etc.)

NJSA: 54:5-113.1 et seq

LAWS OF: 1993 **CHAPTER:** 113

BILL NO: S1623

SPONSOR(S) Connors and others

DATE INTRODUCED: March 11, 1993

COMMITTEE: **ASSEMBLY:** ---
SENATE: Community Affairs

AMENDED DURING PASSAGE: Yes Amendments during passage
Second reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** March 29, 1993 Re-enacted 5-6-93
SENATE: March 22, 1993 Re-enacted 5-6-93

DATE OF APPROVAL: May 8, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No
SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: Yes

MESSAGE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[SECOND REPRINT]

SENATE, No. 1623

STATE OF NEW JERSEY

INTRODUCED MARCH 11, 1993

By Senators CONNORS, DiFRANCESCO, O' Connor,
Cowan, Assemblymen Zecker and Haytaian

1 AN ACT authorizing certain governing bodies to accept a bond,
2 note or other obligation as partial consideration for the private
3 sale and assignment of municipally held tax sale certificates
4 and amending R.S.54:5-113 and supplementing chapter 5 of
5 Title 54 of the Revised Statutes and chapter 4 of Title 40A of
6 the New Jersey Statutes.

7

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

10 1. R.S.54:5-113 is amended to read as follows:

11 54:5-113. When a municipality has or shall have acquired title
12 to real estate by reason of its having been struck off and sold to
13 the municipality at a sale for delinquent taxes and assessments,
14 the governing body thereof may by resolution authorize a private
15 sale of the certificate of tax sale therefor, together with
16 subsequent liens thereon, for not less than the amount of liens
17 charged against such real estate , except as provided in section 2
18 of P.L. , c. (C.) (pending before the Legislature as this
19 bill). The sale shall be made by assignment executed by such
20 officers as may be designated in the resolution. When the total
21 amount of the municipal liens shall, at the time of the proposed
22 sale or assignment, exceed the assessed value of the real estate
23 as of the date of the last sale thereof for unpaid taxes and
24 assessments, the certificates, together with subsequent liens
25 thereon, may be sold and assigned for a sum not less than such
26 assessed value.

27 (cf: R.S.54:5-113)

28 2. (New section) In connection with a sale of one or more
29 certificates of tax sale pursuant to R.S.54:5-113, the governing
30 body of a city of the first class ¹with a population of less than
31 250,000, according to the latest federal decennial census¹ may
32 accept, as partial consideration for the sale of such a certificate,
33 a bond, note or other obligation of the purchaser on the terms and
34 conditions set forth in the resolution of the governing body;
35 provided, however¹, that notwithstanding any other provision of
36 R.S.54:5-113 to the contrary, the sale of such certificates
37 pursuant to this section shall be publicly advertised and publicly
38 bid; and provided further¹ that any bond, note or other obligation
39 shall:

40 a. mature within 20 years from the date of the sale;

41 b. have a principal amount at maturity of not more than 75%
42 of the total amount of the liens charged against the real estate,

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SCO committee amendments adopted March 18, 1993.

² Senate amendments adopted in accordance with Governor's
recommendations May 6, 1993.

1 and the principal amount, when added to the value of the other
2 consideration received by the city at the time of the sale, shall
3 not be less than 70% of the total amount of the liens charged
4 against the real estate;

5 c. bear interest at a fixed rate at least equal to 2% in excess
6 of the discount rate in effect at the Federal Reserve Bank of
7 New York on the date of the sale; and

8 d. be secured by and payable from a tax sale certificate and
9 the proceeds thereof in such manner and on such terms and
10 conditions as shall be agreed upon by the governing body.

11 3. (New section) The governing body of a city of the first
12 class that receives funds from the sale of tax sale certificates
13 pursuant to section 2 of P.L. , c. (C.) (pending before the
14 Legislature as this bill) may file any amendment or correction in
15 its local budget that may be required to properly reflect that
16 receipt. Notwithstanding any other law, rule or regulation to the
17 contrary, such funds may be used during the current local budget
18 year, subject to the limits on final appropriations pursuant to
19 P.L.1976, c.68 (C.40A:4-45.1 et seq.), for any lawful purposes
20 deemed appropriate by the municipal governing body.

21 ²4. No lessee or tenant or the assign, under-tenant or legal
22 representative of such lessee or tenant may be removed by a
23 lienholder or successor thereof established under this act except
24 for good cause as provided under P.L.1974, c.49, (C.2A:18-61.1).²

25 ²[4.] 5.² This act shall take effect immediately and shall be
26 retroactive to January 1, 1993.

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31 _____
32 Permits certain governing bodies to accept bonds, notes, or other
33 obligations as consideration for sale of municipally held tax sale
certificates.

1 of the discount rate in effect at the Federal Reserve Bank of
2 New York on the date of the sale; and
3 d. be secured by and payable from a tax sale certificate and
4 the proceeds thereof in such manner and on such terms and
5 conditions as shall be agreed upon by the governing body.
6 3. (New section) The governing body of a city of the first
7 class that receives funds from the sale of tax sale certificates
8 pursuant to section 2 of P.L. , c. (C.) (pending before the
9 Legislature as this bill) may file any amendment or correction in
10 its local budget that may be required to properly reflect that
11 receipt. Notwithstanding any other law, rule or regulation to the
12 contrary, such funds may be used during the current local budget
13 year, subject to the limits on final appropriations pursuant to
14 P.L.1976, c.68 (C.40A:4-45.1 et seq.), for any lawful purposes
15 deemed appropriate by the municipal governing body.
16 4. This act shall take effect immediately and shall be
17 retroactive to January 1, 1993.
18
19

20 STATEMENT

21
22 This bill permits the governing body of a city of the first class
23 to accept a bond, note or other obligation of the purchaser as
24 partial consideration for the private sale and assignment of
25 municipally held tax sale certificates. Under the provisions of
26 the bill, a bond, note or other obligation will be accepted as a
27 partial consideration provided that the bond, note or other
28 obligation will: (1) mature within 20 years from the date of the
29 sale; (2) have a principal amount at maturity of not more than
30 75% of the total amount of the liens charged against the real
31 estate, and the principal amount, when added to the value of the
32 other consideration received by the city at the time of the sale,
33 shall not be less than 70% of the total amount of the liens
34 charged against the real estate; (3) bear interest at a fixed rate
35 at least equal to 2% in excess of the discount rate in effect at
36 the Federal Reserve Bank of New York on the date of the sale;
37 and (4) be secured by and payable from a tax sale certificate and
38 the proceeds thereof in such manner and on such terms and
39 conditions as shall be agreed upon by the governing body.

40 Currently, under the provisions of R.S.54:5-113, the governing
41 body may, by resolution, authorize the private sale and
42 assignment of a tax sale certificate for monetary consideration.
43 The provisions of this bill will enable a governing body of a city
44 of the first class to accept a bond, note or other obligation as
45 partial consideration for the private sale and assignment of a
46 municipally held tax sale certificate.

47 A city of the first class that realizes proceeds from the sale of
48 tax sale certificates pursuant to this bill may amend or correct
49 its budget to reflect those receipts and may use those funds
50 during the current local budget year, subject to the limits on final
51 appropriations pursuant to P.L.1976, c.68 (C.40A:40-45.1 et seq.),
52 for any lawful purposes deemed appropriate by the municipal
53 governing body. The effective date of the bill is retroactive to
54 January 1, 1993.

SENATE COMMUNITY AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1623

with Senate committee amendments

STATE OF NEW JERSEY

DATED: MARCH 18, 1993

The Senate Community Affairs Committee reports favorably and with amendments Senate Bill No. 1623.

Senate Bill 1623, as amended by the committee, permits the governing body of a city of the first class with a population of under 250,000, according to the latest federal decennial census, to accept a bond, note or other obligation of the purchaser as partial consideration for the private sale and assignment of municipally held tax sale certificates. Under the provisions of the bill, a bond, note or other obligation will be accepted as a partial consideration provided that the sale is publicly advertised and that the bond, note or other obligation will: (1) mature within 20 years from the date of the sale; (2) have a principal amount at maturity of not more than 75% of the total amount of the liens charged against the real estate, and the principal amount, when added to the value of the other consideration received by the city at the time of the sale, shall not be less than 70% of the total amount of the liens charged against the real estate; (3) bear interest at a fixed rate at least equal to 2% in excess of the discount rate in effect at the Federal Reserve Bank of New York on the date of the sale; and (4) be secured by and payable from a tax sale certificate and the proceeds thereof in such manner and on such terms and conditions as shall be agreed upon by the governing body.

Currently, under the provisions of R.S.54:5-113, the governing body may, by resolution, authorize the private sale and assignment of a tax sale certificate for monetary consideration. The provisions of this bill will enable the governing body of a city covered by the bill to accept a bond, note or other obligation as partial consideration for the private sale and assignment of a municipally held tax sale certificate.

A city that realizes proceeds from the sale of tax sale certificates pursuant to this bill may amend or correct its budget to reflect those receipts and may use those funds during the current local budget year, subject to the limits on final appropriations pursuant to P.L.1976, c.68 (C.40A:40-45.1 et seq.), for any lawful purposes deemed appropriate by the municipal governing body. The effective date of the bill is retroactive to January 1, 1993.

The committee amended the bill to limit its applicability to any city of the first class with a population of under 250,000. As referred to the committee, the bill would have applied to any city of the first class.

In addition, the committee amended the bill to require that the sale of those certificates authorized thereunder be publicly advertised and publicly bid.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

May 6, 1993

SENATE BILL NO. 1623

(First Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14, of the New Jersey Constitution, I herewith return Senate Bill No. 1623 (First Reprint) with my objections for reconsideration.

This bill would permit the governing body of Jersey City by resolution to accept bonds, notes or other obligations in consideration for municipally held tax sale certificates. In doing so, it would permit the creation of a municipal financing technique to turn a non-performing municipal asset (accumulated tax liens) into cash. I support the goal of this bill to provide potential tax relief to the thousands of overburdened property owners in Jersey City and to fund its municipal services by raising funds for the City. However, I cannot ignore the needs of the tenants of Jersey City who are understandably concerned that this legislation if unaltered and if not administered prudently could result in their eviction.

This bill is permissive. It permits but does not mandate Jersey City's officials, in their discretion, to undertake this new financial vehicle. Accordingly, this bill places an undeniable responsibility on the mayor and the governing body to implement the bill responsibly to protect the interests of the City's citizens and its short- and long-term fiscal health.

Thus, in structuring any bulk lien sale, the local officials need to address and satisfy themselves and the public that the up-front cash payment to the City is adequate, that the issuing costs of the special purposes corporation are within the norm, that a competitive bid process for the sale is truly competitive, and that the City responsibly utilizes the "one-shot" revenue gained from the lien sale to ensure that the City gains not just a short-term illusory fiscal benefit, but instead strengthens and

) 2)
STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

fortifies the City's future fiscal stability. In the end, the City's residents will be looking to their local elected officials to implement the mechanism permitted by this bill responsibly and wisely.

However, one persistent concern has been raised regarding the possible impact of this bill on the tenants of Jersey City. It has been estimated that about half of the properties potentially subject to inclusion in the bulk lien sale are residential in nature. I cannot ignore the concerns of this segment of Jersey City's population - the estimated 28,000 tenants who may be adversely impacted by this bill.

As you will remember, last session I approved legislation that placed a moratorium on eviction actions by landlords against tenants with respect to condominium or cooperative conversions. I took that action because of my commitment to tenants and the need to provide quality housing at an affordable price. Jersey City's Mayor, Bret Schundler, has publicly stated his support for Assemblyman Raul "Rudy" Garcia's proposed legislation, Assembly Bill No. 2402, which is designed to protect tenants. Mayor Schundler has also promised to include provisions in the tax lien sale mechanism to protect tenants. Tenants deserve security from unjust evictions. In particular, our senior citizens deserve assurance that they will not find themselves out on the streets and counted among the homeless.

Accordingly, I am recommending that this bill be amended to apply the goal of Assemblyman Garcia's proposed legislation to this bill. This proposal will preserve and protect the interests of tenants while simultaneously providing tax relief to homeowners in Jersey City.

Therefore, I herewith return Senate Bill No. 1623 (First Reprint) and recommend that it be amended as follows:

Page 2, After Section 3:

Insert New Section as follows:

"4. No lessee or tenant or the assign, under-tenant or legal representative of such lessee or tenant may be removed by a lienholder or successor thereof established under this act except for good cause as provided under P.L. 1974, c. 40 (C. 2A:18-61.1)."

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STATE OF NEW JERSEY
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Page 2, Section 4, Line 21: Delete "4." insert "5."

Respectfully,

/s/ Jim Florio

GOVERNOR

[seal]

Attest:

/s/ William Harla

Deputy Chief Counsel to the Governor



OFFICE OF THE GOVERNOR NEWS RELEASE

**CN-001
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Release:**

Saturday
May 8, 1993

GOVERNOR SIGNS JERSEY CITY TAX RELIEF MEASURE

Governor Jim Florio today signed legislation that allows Jersey City to sell its tax liens to private investors. He conditionally vetoed the original legislation on April 19 and the new measure reflects his recommendations which are designed to bolster the city's finances as long as it protects city tenants from the threat of eviction.

In his conditional veto message, the Governor supported legislative efforts to provide the Jersey City Mayor and City Council with a new means of property tax relief. However, the Governor urged that the bill be revised to protect tenants' rights to continue living in rental units whose tax liens are sold to private investors.

S 1623 is sponsored by Senators Donald DiFrancesco, Leonard Connors, Edward O'Connor and Thomas Cowan.

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