

54:5-113.1

**LEGISLATIVE HISTORY CHECKLIST**  
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(Tax sale certificates held by  
municipality)

**NJSA:** 54:5-113.1

**LAWS OF:** 1993 **CHAPTER:** 325

**BILL NO:** S2223

**SPONSOR(S)** DiFrancesco

**DATE INTRODUCED:** November 22, 1993

**COMMITTEE:** **ASSEMBLY:** ---

**SENATE:** Budget

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

**DATE OF PASSAGE:** **ASSEMBLY:** December 16, 1993

**SENATE:** December 16, 1993

**DATE OF APPROVAL:** December 23, 1993

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** No

**SENATE:** Yes

**FISCAL NOTE:** No

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

**REPORTS:** No

**HEARINGS:** No

KBG:pp

[FIRST REPRINT]

SENATE, No. 2223

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 22, 1993

By Senators DiFRANCESCO, SINGER, Lynch,  
Rice and Connors

1 AN ACT authorizing municipal governing bodies to accept a bond,  
2 note or other obligations as partial consideration for the  
3 private sale and assignment of municipally held tax sale  
4 certificates and amending and supplementing P.L.1993, c.113.

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

8 1. Section 2 of P.L.1993, c.113 (C.54:5-113.1) is amended to  
9 read as follows:

10 2. In connection with a sale of one or more certificates of tax  
11 sale pursuant to R.S.54:5-113, the governing body of a [city of  
12 the first class with a population of less than 250,000, according to  
13 the latest federal decennial census] municipality, either on its  
14 own or jointly with other municipalities, may accept, as partial  
15 consideration for the sale of such [a] certificate or certificates,  
16 which may be sold separately or in bulk with other such  
17 certificates as determined by resolution of the governing body or  
18 bodies, a bond, note or other obligation of the purchaser on the  
19 terms and conditions set forth in the resolution of the governing  
20 body; provided, however, that notwithstanding any other provision  
21 of R.S.54:5-113 to the contrary, the sale of such certificate or  
22 certificates pursuant to this section <sup>1</sup>shall be approved by the  
23 Local Finance Board of the Division of Local Government  
24 Services in the Department of Community Affairs and<sup>1</sup> shall be  
25 publicly advertised and publicly bid; and provided further that any  
26 bond, note or other obligation shall:

- 27 a. mature within 20 years from the date of the sale;  
28 b. have a principal amount at maturity of not more than 75%  
29 of the total amount of the liens charged against the real estate,  
30 and the principal amount, when added to the value of the other  
31 consideration received by the city at the time of the sale, shall  
32 not be less than 70% of the total amount of the liens charged  
33 against the real estate;  
34 c. bear interest at a fixed rate at least equal to 2% in excess  
35 of the discount rate in effect at the Federal Reserve Bank of  
36 New York on the date of the sale; and  
37 d. 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 (cf: P.L.1993, c.113, s.2)

41 2. Section 3 of P.L.1993, c.113 (C.40A:4-88) is amended to  
42 read as follows:

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:

<sup>1</sup> Senate SBA committee amendments adopted December 6, 1993.

1 3. The governing body of a [city of the first class] municipality  
2 that receives funds from the sale of tax sale certificates pursuant  
3 to section 2 of P.L.1993, c.113 (C.54:5-113.1) may file any  
4 amendment or correction in its local budget that may be required  
5 to properly reflect that receipt. Notwithstanding any other law,  
6 rule or regulation to the contrary, such funds may be used during  
7 the current local budget year, subject to the limits on final  
8 appropriations pursuant to P.L.1976, c.68 (C.40A:4-45.1 et seq.),  
9 for any lawful purposes deemed appropriate by the municipal  
10 governing body.

11 (cf: P.L.1993, c.113, s.3)

12 3. (New section) To the extent of its value, the bond, note or  
13 other obligation referred to in section 2 of P.L.1993, c.113  
14 (C.54:5-113.1) shall be deemed an asset of the municipality and,  
15 as such, be available to the municipality for appropriate use,  
16 including sale, publicly or privately, as approved by a vote of  
17 two-thirds of the full governing body of the municipality.

18 4. (New section) Notwithstanding the provisions of any other  
19 law, rule or regulation to the contrary, a municipality may assign,  
20 pledge or transfer to <sup>1</sup>[any instrumentality of the State of New  
21 Jersey] New Jersey Economic Development Authority<sup>1</sup> tax sale  
22 certificates held by the municipality for property located within  
23 its boundaries, together with subsequent liens thereon, as  
24 collateral for any bonds or notes issued by <sup>1</sup>[that  
25 instrumentality] the authority<sup>1</sup> by or on behalf of the  
26 municipality on the same terms and conditions as set forth in  
27 section 2 of P.L.1993, c.113 (C.54:5-113.1) for any purposes  
28 permitted by law. For the purposes of this section "municipality"  
29 shall include municipalities acting jointly pursuant to section 2 of  
30 P.L.1993, c.113 (C.54:5-113.1) <sup>1</sup>[and "instrumentality of the  
31 State of New Jersey" shall mean the State of New Jersey and any  
32 agency or authority of the State]<sup>1</sup>.

33 <sup>1</sup>5. Section 4 of P.L.1993, c.113 (C.54:5-113.2) is amended to  
34 read as follows:

35 4. No lessee or tenant or the assign, under-tenant or legal  
36 representative of such lessee or tenant may be removed by a  
37 lienholder or successor thereof established under this act and any  
38 amendments and supplements thereto except for good cause as  
39 provided under section 2 of P.L.1974, c.49 (C.2A:18-61.1). This  
40 section shall apply to any lienholder or successor thereof who has  
41 become a lienholder or successor as a result of the sale of tax  
42 sale certificates pursuant to section 2 of P.L.1993, c.113  
43 (54:5-113.1).<sup>1</sup>

44 (cf: P.L.1993, c.113, s.4)

45 <sup>1</sup>[5.] 6.<sup>1</sup> This act shall take effect immediately.

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Permits municipalities to accept bonds, notes, or other obligations as consideration for sale of municipally held tax sale certificates.

1 to section 2 of P.L.1993, c.113 (C.54:5-113.1) may file any  
2 amendment or correction in its local budget that may be required  
3 to properly reflect that receipt. Notwithstanding any other law,  
4 rule or regulation to the contrary, such funds may be used during  
5 the current local budget year, subject to the limits on final  
6 appropriations pursuant to P.L.1976, c.68 (C.40A:4-45.1 et seq.),  
7 for any lawful purposes deemed appropriate by the municipal  
8 governing body.

9 (cf: P.L.1993, c.113, s.3)

10 3. (New section) To the extent of its value, the bond, note or  
11 other obligation referred to in section 2 of P.L.1993, c.113  
12 (C.54:5-113.1) shall be deemed an asset of the municipality and,  
13 as such, be available to the municipality for appropriate use,  
14 including sale, publicly or privately, as approved by a vote of  
15 two-thirds of the full governing body of the municipality.

16 4. (New section) Notwithstanding the provisions of any other  
17 law, rule or regulation to the contrary, a municipality may assign,  
18 pledge or transfer to any instrumentality of the State of New  
19 Jersey tax sale certificates held by the municipality for property  
20 located within its boundaries, together with subsequent liens  
21 thereon, as collateral for any bonds or notes issued by that  
22 instrumentality by or on behalf of the municipality on the same  
23 terms and conditions as set forth in section 2 of P.L.1993, c.113  
24 (C.54:5-113.1), for any purposes permitted by law. For the  
25 purposes of this section "municipality" shall include  
26 municipalities acting jointly pursuant to section 2 of P.L.1993,  
27 c.113 (C.54:5-113.1) and "instrumentality of the State of New  
28 Jersey" shall mean the State of New Jersey and any agency or  
29 authority of the State.

30 5. This act shall take effect immediately.

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#### STATEMENT

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35 This bill is a companion to the legislation enacted earlier as  
36 P.L.1993, c.113 providing for the sale of tax liens that otherwise  
37 are not able to be sold by the municipality under normal  
38 procedures because of the depressed value of the real estate on  
39 which the taxes are owed. The earlier 1993 legislation permitted  
40 this process for the City of Jersey City. Jersey City generated  
41 significant revenue as a result of the legislation. This bill is  
42 intended to provide the same benefit to all other municipalities  
43 and permit municipalities to act jointly to sell their tax liens.  
44 The bill would also permit municipalities to sell their tax liens to  
45 the State or to a State agency or authority on the same terms as  
46 it sells its liens to a private purchaser.

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51 Permits municipalities to accept bonds, notes, or other  
52 obligations as consideration for sale of municipally held tax sale  
53 certificates.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2223

with Senate committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 6, 1993

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2223, with committee amendments.

Senate Bill No. 2223, as amended, revises P.L.1993, c.113 which was enacted on May 8, 1993. P.L.1993, c.113 permitted Jersey City to sell tax liens that the city could not sell under normal procedures because of the depressed value of the real estate on which the taxes were owed. This statute permitted the governing body of Jersey City by resolution to accept bonds, notes or other obligations in partial consideration for municipally held tax sale certificates, thereby creating a municipal financing technique which turned accumulated tax liens into cash. Jersey City has generated significant revenues as a result of this statute.

This bill will permit all municipalities to sell tax liens under the procedures set forth in P.L.1993, c.113 and to join with other municipalities to sell their tax liens. In addition, municipalities will be permitted to sell their tax liens to the New Jersey Economic Development Authority on the same terms as sales to private purchasers. The bill clarifies that tenants and lessees will receive protection from unlawful evictions if a tax lien on property in which they reside is sold pursuant to the provisions of this bill.

As amended and reported, this bill is identical to Assembly Bill No. 2962 of 1993 as that bill was amended and reported by the Assembly Local Government Committee on December 6, 1993.

COMMITTEE AMENDMENTS

The committee amended section 4 of P.L.1993, c.113 (C.54:5-113.2) in order to clarify that that section, which under current law applies only to Jersey City, will continue to apply as a protection from eviction for tenants and lessees of property upon which there is a tax lien when a municipality sells that lien in accordance with the procedures in this bill.

The original wording of the bill permitted the sale of tax liens to any State agency or instrumentality; the committee amended the bill to permit municipalities to sell tax liens only to the New Jersey Economic Development Authority.

Finally, the amendments will require the Local Finance Board in the Department of Community Affairs to approve the sale of tax liens by a municipality.

FISCAL IMPACT

This bill does not have an impact on State revenues or appropriations.

However, section 4 of the bill permits municipalities to sell tax liens to the New Jersey Economic Development Authority as

collateral for any bonds or notes issued by the authority. It is not known at this time whether this section will be used by a municipality or the authority and under what terms and conditions it may be used. Since the section is permissive and there is no information on how it may be implemented, its future impact on State revenues and expenditures, if any, cannot be ascertained at this time.