

# Community Trends®



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April 2025



## LEGISLATIVE UPDATE

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As many of you know, one of the New Jersey Legislative Action Committee (NJ-LAC)'s biggest accomplishments in the last legislative session was passage of the structural integrity and reserve funding bill. This law was intended to prevent a disaster like the Champlain Towers collapse from happening here by ensuring that appropriate inspections occur, and also by ensuring that associations have funds available to meet their capital needs.

As responsible associations have implemented the reserve funding requirements, the LAC has predictably received pushback from a small number of owners who claim that they have difficulty meeting increased reserve assessments. While Ed San George, PCAM, Dave Ramsey, Esq., and Mitch Frumkin, PE, RS have made incredible efforts to provide input into these situations when brought to our attention by reviewing reserve studies and providing affordability suggestions, some complaints have persisted.

This has metastasized into some organized opposition to the reserve funding portion of the law by certain legislators, such as Assemblyman Paul Kanitra (R10), who is trying to turn this into a partisan political issue. Mr. Kanitra and others have inaccurately claimed that mandatory reserve funding will result in "skyrocketing" HOA fees and loss of property value.

Everyone reading this article knows that they are not correct. Instead, it is clear that enormous special assessments damage property values, not properly funded reserves which enhance property values. Moreover, these special assessments will be far more likely to cause financial harm to the owners that live in these communities than gradually funding reserves over time through manageable increases.

These objectors also fail to take into account how improperly funded reserves may render associations "unwarrantable" and ineligible for conventional Fannie Mae and Freddie Mac underwritten financing, which is devastating to values and marketability.

Finally, these folks fail to take into account the safety and habitability impacts of leaky roofs and other issues with common elements when the association does not have the

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funds available to perform necessary capital repairs and replacements.

What we have found through our interaction with these communities is that in most instances where large increases are imposed, there are a multitude of factors at play, such as increased insurance premiums, increased construction costs, and the need to immediately perform projects in the near future that were not properly funded.

While we are working diligently to "tweak" the law to alleviate some of the confusion around this new law, you should expect to start receiving calls to action from CAI to contact your legislators to prevent a gutting of the law.

It is critical that you respond to these calls to action and contact your legislators so that they do not cave to political pressure being applied by a small group of individuals spreading misinformation, resulting in harm to all associations in New Jersey. ■