



LEGISLATIVE UPDATE

MATTHEW Z. EARLE, ESQ.

KATES, NUSSMAN, ELLIS, FARHI & EARLE, LLP
LEGISLATIVE ACTION COMMITTEE CHAIR

For the sports issue, I decided to change my monthly article write about the deadliest sport of all, politics! In that connection, note the following new legislative tidbits that may be of interest to you:

1. The New Jersey Legislative Action Committee (NJ-LAC) has requested an exemption for community associations from A3538. This bill would do two things: (1) create a homestead exemption that would protect a substantial

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amount of equity in a debtor's home from any judicial sale; and, (2) increase the limit of personal property exempt from judgment execution from \$1,000 to \$15,000. If passed in its current form, it may make significantly more difficult for associations to collect arrears from delinquent owners. The LAC's comments noted that unlike a profit-making business, associations have a net zero budget, and any deficiency ultimately must be made up by other owners. In addition, we noted that we have no control (usually) over what "customers" we extend credit to, and that associations must continue to provide services to owners who do not pay.

2. The builders have proposed to the Department of Community Affairs (DCA) that the current regulations, which require builders to pay maintenance fees for units they own upon registration of the units, be changed to some later date. We are in discussions with the DCA and other stakeholders and will promote a fair and equitable resolution that must clearly delineate the trigger for the requirement that builders pay maintenance for units.

3. We are pleased to report that S3992 passed the Senate and has been referred to the Assembly Housing Bill, which makes certain changes to the reserve funding law. We worked on these changes at the request of Senator Singleton. The changes include, among other things:

- a. A definition of "Adequate" reserves, which defines adequacy as reserves not projected to fall below zero during the 30-year life of the study.
- b. It requires that reserve provides present associations with a "baseline" funding alternative. It also expressly permits funding plans with escalating contributions.
- c. It corrects a typographical error in the original legislation that might cause one to believe that only associations subject to the structural integrity inspections must update reserve studies at least every five years.
- d. For a limited five-year period, it permits associations to fund reserves at only 85% of the baseline funding level, but only if the board provides a notice to owners (in large font) that the reserves are not being adequately funded and when a projected loan or special assessment may be required to bridge the gap. Purchasers of the unit must also be provided with the notice.

These changes are intended to lessen the current burden on associations that are having difficulties meeting their obligations under the current legislation.

Finally, note that there are several vacancies on the NJ-LAC for CAI-NJ Homeowner Leaders. If you are interested, please submit a CV or resume to the New Jersey Chapter. CAI LAC members are required to attend one monthly meeting, but are also expected to, from time to time, attend political events as the LAC's representative and participate in our legislative activities that occur in between meetings. ■