



MEMORANDUM

To: Senate Community and Urban Affairs Committee Members
From: Nicholas Kikis, VP of Legislative and Regulatory Affairs
Date: March 1, 2019
Re: **NJAA Opposition to S-1151 (Ruiz)**

On behalf of the New Jersey Apartment Association (NJAA), and our members who own, develop, and manage safe, clean, and affordable rental housing for over a million New Jersey residents, we respectfully oppose S-1151. We share in the sponsors' goal of addressing substandard housing issues and look forward to working with the sponsors and members of this committee on legislation that would help address these problem properties. However, in an effort to target bad actors, this bill would significantly change the potential liability for all real estate investors that utilize a Limited Liability Company (LLC) or corporate structure. We believe that this will have a negative impact on the multifamily industry, and particularly, affordable housing.

S-1151 would hold members of a Limited Liability Company (LLC), the managers of a Manager-Managed Limited Liability Company, and the officers and directors of a corporation jointly and severally liable for any unpaid state or municipal fines for building code, housing code, or health code violations. As such, an investor in an LLC could be personally liable for the fines imposed against a company regardless of their level of ownership interest or whether or not the investor was in a position to pay the fine or correct the violation.

Additionally, the bill would allow municipalities to convert unpaid fines and other charges from code violations into tax liens. This is a significant change in policy because once a tax lien is sold, the property can be foreclosed upon. Furthermore, a municipality would get paid before any other lien holder. Given the severity of such a policy change, NJAA would ask that adequate notice be provided along with an opportunity to cure in advance of a tax lien being imposed on a property.

We look forward to a continued dialogue with the sponsor and with committee members to identify solutions that would add to the considerable tools that municipalities already have to combat substandard housing, while limiting the impact on the good actors who make up the vast majority of the apartment industry. Unfortunately, S-1151 would have a sweeping impact on the corporate structures of all affordable and market-rate communities and could have serious and unintended consequences with respect to housing investment.

If you have any questions or if you would like to discuss further, please do not hesitate to contact me at 732-992-0600 or nicholas@njaa.com.

The New Jersey Apartment Association represents over 200,000 multi-family apartment units throughout the State of New Jersey. We are a statewide organization dedicated to maintaining, improving, and building both market-rate and affordable rental housing that serves over one million New Jersey residents.