

**ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY BILL NO.3361
(Second Reprint)**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Committee Substitute for Assembly Bill No. 3361 (Second Reprint) with my recommendations for reconsideration.

Assembly Committee Substitute for Assembly Bill No. 3361 (Second Reprint) would establish a Statewide, annual three percent cap on the amount that an owner or operator of a manufactured home park ("landlord") may increase the rent charged to existing tenants who lease land on which a manufactured or modular home ("covered dwelling site") is located. The bill would allow a landlord to petition the Department of Community Affairs ("DCA") to request an approval to exceed the three percent cap to cover the costs of capital improvements to the property or unanticipated cost increases in taxes, assessments, maintenance and management, utilities, insurance, and hazardous-conditions abatement. A landlord seeking to exceed the three percent cap based on unanticipated increases in any of the costs enumerated above would receive a presumption that their requested rental increase is reasonable and not unconscionable, which an affected tenant could rebut by offering evidence sufficient to overcome the presumption pursuant to procedures set forth in the bill.

Significantly, the bill would preempt established local rent control regulations that do not provide a fixed, numerical rent increase limitation that is not based on the Consumer Price Index, or which provide a rent increase limitation greater than the limitation imposed by the bill. Moreover, the bill would preempt local rent control ordinances that otherwise comply with the provisions of the bill if the municipality does not have a rent

leveling board or similar municipal agency charged with regulating rents.

I commend the bill's sponsors' intent to protect tenants of manufactured home parks, many of whom are seniors or have low to moderate incomes, from unanticipated and significant annual rental increases beyond their means that may force them out of their homes. However, I am concerned that the bill, as presented to me, does not properly account for the broader economic realities that are likely to impact a landlord's ability to maintain or reinvest in manufactured home parks, including inflation and rising operating costs, so that they remain an available housing option to residents. I am also concerned that the bill fails to clearly affirm a tenant's right to access the proof or documentation necessary to contest a landlord's petition for a rent increase that exceeds the bill's allowable rate, and goes too far to usurp the role of local rent leveling boards or other municipal agencies responsible for rent regulations in the rent control process for covered dwelling sites.

I am therefore recommending revisions to increase the annual rent increase cap from three percent to three and one-half percent and to require landlords seeking to exceed this cap to present proof or documentation demonstrating need to their tenants. My revisions also clarify that a municipality will maintain jurisdiction over enforcement of the bill's provisions in cases where a local municipal ordinance is not preempted. Lastly, my recommended changes ensure that DCA has adequate time and resources to carry out its new responsibilities under the bill.

Therefore, I herewith return Assembly Committee Substitute for Assembly Bill No. 3361 (Second Reprint) and recommend that it be amended as follows:

<u>Page 6, Section 2, Line 33:</u>	After "three" insert "and one-half"
<u>Page 6, Section 2, Line 46:</u>	After "d." insert "(1)"
<u>Page 7, Section 2, Line 3:</u>	Delete "(1)" and insert "(a)"
<u>Page 7, Section 2, Line 7:</u>	Delete "(2)" and insert "(b)"
<u>Page 7, Section 2, Line 15:</u>	After "General." insert "(2) In municipalities where preemption does not apply pursuant to section 3 of this act, P.L. , c. (C.) (pending before the Legislature as this bill), enforcement of such penalty in subparagraph (b) of paragraph (1) of this subsection shall be pursuant to applicable law, including any ordinances or resolutions adopted pursuant thereto."
<u>Page 7, Section 2, Line 40:</u>	After "three" insert "and one-half"
<u>Page 7, Section 2, Line 41:</u>	After "demonstrating" insert "through proof or documentation"
<u>Page 8, Section 2, Line 3:</u>	Delete ". If the tenant offers" and insert "so long as the landlord first provides the proof or documentation required in subparagraph (a) of this paragraph to the tenant. The"
<u>Page 8, Section 2, Line 4:</u>	Delete in its entirety
<u>Page 8, Section 2, Line 29:</u>	After "commissioner" insert ", along with the proof or documentation required by subparagraph (a) of paragraph (1) of this subsection"
<u>Page 8, Section 3, Line 36:</u>	After "a." insert "(1)"
<u>Page 8, Section 3, Line 39:</u>	After "that" insert "governs covered dwelling sites and that"
<u>Page 8, Section 3, Line 40:</u>	Delete "(1)" and insert "(a)"
<u>Page 8, Section 3, Line 42:</u>	After "criteria;" insert "and"
<u>Page 8, Section 3, Lines 43-45:</u>	Delete in their entirety
<u>Page 8, Section 3, Line 46:</u>	Delete "(3)" and insert "(b)"
<u>Page 8, Section 3, Line 47:</u>	After "three" insert "and one-half"
<u>Page 9, Section 3, Line 1:</u>	Delete "(a)" and insert "(i)"
<u>Page 9, Section 3, Line 4:</u>	After "three" insert "and one-half"

<u>Page 9, Section 3, Line 6:</u>	Delete "(b)" and insert "(ii)"
<u>Page 9, Section 3, Line 8:</u>	After "criteria." insert "(2) Nothing in this act, P.L. , c. (C.) (pending before the Legislature as this bill), shall be construed to prohibit a municipality from adopting or enforcing an ordinance reflecting, or otherwise consistent with, the provisions of this act. In such cases, the municipality shall maintain jurisdiction for effectuation, implementation, and enforcement, and matters governed pursuant thereto shall not come before the commissioner."
<u>Page 9, Section 3, Line 15:</u>	After "three" insert "and one-half"
<u>Page 9, Section 3, Line 15:</u>	After "period;" insert "or"
<u>Page 9, Section 3, Line 18:</u>	Delete "; or" and insert ". c. A landlord seeking to exceed the allowable rate authorized by subsection a. of section 2 of this act, P.L. , c. (C.) (pending before the Legislature as this bill) in any municipality with a rent leveling board or similar municipal agency charged with regulating rents whose ordinance, rule, regulation, or other law has been preempted pursuant to this section shall seek approval from the board or agency consistent with any requirements and procedures prescribed thereby or by the governing body."
<u>Page 9, Section 3, Lines 19-32:</u>	Delete in their entirety
<u>Page 9, Line 33:</u>	Insert new section: "4. There is appropriated from the General Fund to the Department of Community Affairs the amount of \$2,000,000 to effectuate the purposes of this act, subject to the approval of the Director of the Division of Budget and Accounting."
<u>Page 9, Section 4, Line 34:</u>	Delete "4." and insert "5."
<u>Page 9, Section 5, Line 40:</u>	Delete "5." and insert "6."
<u>Page 9, Section 5, Line 40:</u>	Delete "on" and insert "immediately, but sections 1 through 3 shall remain inoperative until"

Page 9, Section 5, Line 40:

Delete "third" and insert
"eighth"

Page 9, Section 5, Line 42:

After "take" insert "any"

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Kate E. McDonnell

Chief Counsel to the Governor