

**SENATE, No. 1009**

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**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

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INTRODUCED JANUARY 30, 2020

**Sponsored by:**

**Senator JOSEPH F. VITALE**

**District 19 (Middlesex)**

**SYNOPSIS**

Clarifies that conversions of housing cooperatives into condominiums are subject to notice provisions of “The Planned Real Estate Development Full Disclosure Act.”

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT clarifying the registration requirements for certain planned  
2 developments and amending and supplementing P.L.1977, c.419.

3  
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
5 *of New Jersey:*

6  
7 1. Section 3 of P.L.1977, c.419 (C.45:22A-23) is amended to  
8 read as follows:

9 3. As used in this act unless the context clearly indicates  
10 otherwise:

11 a. "Disposition" means any sales, contract, lease, assignment,  
12 or other transaction concerning a planned real estate development  
13 and includes the conversion of a cooperative housing corporation  
14 into a condominium form of ownership of the housing unit .

15 b. "Developer" or "subdivider" means any person who disposes  
16 or offers to dispose of any lot, parcel, unit, or interest in a planned  
17 real estate development.

18 c. "Offer" means any inducement, solicitation, advertisement,  
19 or attempt to encourage a person to acquire a unit, parcel, lot, or  
20 interest in a planned real estate development.

21 d. "Purchaser" or "owner" means any person or persons who  
22 acquires a legal or equitable interest in a unit, lot, or parcel in a  
23 planned real estate development, and shall be deemed to include a  
24 prospective purchaser or owner. However, as used in P.L.1993,  
25 c.30 (C.45:22A-43 et seq.), "owner" means any person owning a  
26 unit, or an "owner" or holder of a "proprietary lease," as those terms  
27 are defined under subsections i. and k. of section 3 of "The  
28 Cooperative Recording Act of New Jersey," P.L.1987, c.381  
29 (C.46:8D-3), if the development is a cooperative.

30 e. "State" means the State of New Jersey.

31 f. "Commissioner" means the Commissioner of Community  
32 Affairs.

33 g. "Person" **【shall be】** means the same as defined **【as】** in  
34 R.S.1:1-2.

35 h. "Planned real estate development" or "development" means  
36 any real property situated within the State, whether contiguous or  
37 not, which consists of or will consist of, separately owned areas,  
38 irrespective of form, be it lots, parcels, units, or interest, and which  
39 are offered or disposed of pursuant to a common promotional plan,  
40 and providing for common or shared elements or interests in real  
41 property. This definition shall not apply to any form of  
42 timesharing.

43 This definition shall specifically include, but shall not be limited  
44 to, property subject to the "Condominium Act," P.L.1969, c.257  
45 (C.46:8B-1 et seq.), any form of homeowners' association, any  
46 housing cooperative or to any community trust or other trust device.

**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.

1 This definition shall be construed liberally to effectuate the  
2 purposes of this act.

3 i. "Common promotional plan" means any offer for the  
4 disposition of lots, parcels, units or interests of real property by a  
5 single person or group of persons acting in concert, where such lots,  
6 parcels, units or interests are contiguous, or are known, designated  
7 or advertised as a common entity or by a common name.

8 j. "Advertising" means and includes the publication or causing  
9 to be published of any information offering for disposition or for  
10 the purpose of causing or inducing any other person to purchase an  
11 interest in a planned real estate development, including the land  
12 sales contract to be used and any photographs or drawings or artist's  
13 representations of physical conditions or facilities on the property  
14 existing or to exist by means of any:

15 (1) Newspaper or periodical;

16 (2) Radio or television broadcast;

17 (3) Written or printed or photographic matter;

18 (4) Billboards or signs;

19 (5) Display of model houses or units;

20 (6) Material used in connection with the disposition or offer of  
21 the development by radio, television, telephone or any other  
22 electronic means; or

23 (7) Material used by developers or their agents to induce  
24 prospective purchasers to visit the development, particularly  
25 vacation certificates which require the holders of such certificates to  
26 attend or submit to a sales presentation by a developer or his agents.

27 "Advertising" does not mean and shall not be deemed to include:  
28 Stockholder communications such as annual reports and interim  
29 financial reports, proxy materials, registration statements, securities  
30 prospectuses, applications for listing securities on stock exchanges,  
31 and the like; all communications addressed to and relating to the  
32 account of any person who has previously executed a contract for  
33 the purchase of the subdivider's lands except when directed to the  
34 sale of additional lands.

35 k. "Non-binding reservation agreement" means an agreement  
36 between the developer and a purchaser and which may be canceled  
37 without penalty by either party upon written notice at any time prior  
38 to the formation of a contract for the disposition of any lot, parcel,  
39 unit or interest in a planned real estate development.

40 l. "Blanket encumbrance" means a trust deed, mortgage,  
41 judgment, or any other lien or encumbrance, including an option or  
42 contract to sell or a trust agreement, affecting a development or  
43 affecting more than one lot, unit, parcel, or interest therein, but does  
44 not include any lien or other encumbrance arising as the result of  
45 the imposition of any tax assessment by any public authority.

46 m. "Conversion" means any change with respect to a real estate  
47 development or subdivision, apartment complex , cooperative

1 housing corporation, or other entity concerned with the ownership,  
2 use or management of real property which would make such entity a  
3 planned real estate development , including a termination and  
4 transfer of a cooperative housing corporation into a condominium  
5 form of ownership .

6 n. "Association" means an association for the management of  
7 common elements and facilities, organized pursuant to section 1 of  
8 P.L.1993, c.30 (C.45:22A-43).

9 o. "Executive board" means the executive board of an  
10 association, as provided for in section 3 of P.L.1993, c.30  
11 (C.45:22A- 45).

12 p. "Unit" means any lot, parcel, unit or interest in a planned  
13 real estate development that is, or is intended to be, a separately  
14 owned area thereof.

15 q. "Association member" means the owner of a unit within a  
16 planned real estate development, or a unit's tenant to the extent that  
17 the governing documents of the planned real estate development  
18 permit tenant membership in the association, and the developer to  
19 the extent that the development contains unsold lots, parcels, units,  
20 or interests pursuant to subsection c. of section 1 of P.L.1993, c.30  
21 (C.45:22A-43). This definition shall not be construed to provide  
22 the developer a different transition obligation than that required  
23 pursuant to section 5 of P.L.1993, c.30 (C.45:22A-47), or to require  
24 that the developer is allowed to vote in executive board elections.

25 r. "Good standing" means the status - solely with respect to  
26 eligibility to (1) vote in executive board elections, (2) vote to  
27 amend the bylaws, and (3) nominate or run for any membership  
28 position on the executive board - applicable to an association  
29 member who is current on the payment of common expenses, late  
30 fees, interest on unpaid assessments, legal fees, or other charges  
31 lawfully assessed, and which association member has not failed to  
32 satisfy a judgment for common expenses, late fees, interest on  
33 unpaid assessments, legal fees, or other charges lawfully assessed.  
34 An association member is in good standing if he is in full  
35 compliance with a settlement agreement with respect to the  
36 payments of assessments, legal fees or other charges lawfully  
37 assessed, or the association member has a pending, unresolved  
38 dispute concerning charges assessed which dispute has been  
39 initiated: through a valid alternative to litigation pursuant to  
40 subsection c. of section 2 of P.L.1993, c.30 (C.45:22A-44); through  
41 subsection (k) of section 14 of the "Condominium Act," P.L.1969,  
42 c.257 (C.46:8B-14); or through a pertinent court action.

43 s. "Voting-eligible tenant" means a tenant of a unit within a  
44 planned real estate development in which:

45 (1) the governing documents of the development permit the  
46 tenant's participation in executive board elections, and

1 (2) either (a) the development has allowed tenant participation  
2 in executive board elections as a standard practice prior to the  
3 effective date of P.L.2017, c.106 (C.45:22A-45.1 et al.), or (b) the  
4 owner has affirmatively acknowledged the right of the tenant to  
5 vote through a provision of a written lease agreement or separate  
6 document.

7 This definition shall not be construed to affect voting as an agent  
8 of the owner through a proxy or power of attorney. Pursuant to  
9 subsection d. of this section, if the development is a cooperative  
10 corporation, then, an "owner" or holder of a "proprietary lease," as  
11 those terms are defined under subsections i. and k. of section 3 of  
12 "The Cooperative Recording Act of New Jersey," P.L.1987, c.381  
13 (C.46:8D-3), is also an "owner," not a tenant, for the purposes of  
14 P.L.1993, c.30 (C.45:22A-43 et seq.).  
15 (cf: P.L.2017, c.106, s.2)

16  
17 2. Section 6 of P.L.1977, c.419 (C.45:22A-26) is amended to  
18 read as follows:

19 6. a. Unless otherwise exempted:

20 (1) No developer may offer or dispose of any interest in a  
21 planned real estate development, including the conversion of a  
22 cooperative housing corporation to a condominium form of  
23 ownership, prior to the registration of such development with the  
24 agency.

25 (2) No developer may dispose of any lot, parcel, unit, or  
26 interest in a planned real estate development, including the  
27 conversion of a cooperative housing corporation to a condominium  
28 form of ownership, unless **【he:】** the developer delivers to the  
29 purchaser a current public offering statement, on or before the  
30 contract date of such disposition.

31 b. Any contract or agreement for the purchase of any parcel,  
32 lot, unit, or interest in a planned real estate development may be  
33 canceled without cause by the purchaser by sending or delivering  
34 written notice of cancellation by midnight of the seventh calendar  
35 day following the day on which the purchaser has executed such  
36 contract or agreement. Every such contract or agreement shall  
37 contain, in writing, the following notice in 10-point bold type or  
38 larger, directly above the space provided for the signature of the  
39 purchaser:

40 "NOTICE TO THE PURCHASER: you have the right to cancel  
41 this contract by sending or delivering written notice of cancellation  
42 to the developer by midnight of the seventh calendar day following  
43 the day on which it was executed. Such cancellation is without  
44 penalty, and any deposit made by you shall be promptly refunded in  
45 its entirety."

1 c. Notice as required in subsection b. shall, in addition to all  
2 other requirements, be conspicuously located and simply stated in  
3 the public offering statement.

4 d. The developer shall make copies of the public offering  
5 statement freely available to prospective purchasers prior to the  
6 contract date of disposition.  
7 (cf: P.L.1977, c.419, s.6)

8  
9 3. (New section) Any vote taken by the shareholders of a  
10 cooperative housing corporation concerning a conversion or transfer  
11 of the real estate to a condominium form of ownership shall be null  
12 and void unless and until the registration and public offering  
13 statement requirements of P.L.1977, c.419 (C.45:22A-21 et seq.)  
14 have been met. This section shall apply to all pending cooperative  
15 housing corporation conversions pending on or before the effective  
16 date of P.L. , c. (C ) (pending before the Legislature as this  
17 bill).

18  
19 4. (New section) Notwithstanding any provision of the  
20 “Municipal Land Use Law,” P.L.1975, c.291 (C.40:55D-1 et seq.),  
21 “The Planned Real Estate Development Full Disclosure Act,”  
22 P.L.1977, c.419 (C.45:22A-21 et seq.), or any other law to the  
23 contrary, the conversion by a developer of a cooperative housing  
24 corporation to a condominium form of ownership shall not require  
25 the preparation of an environmental impact statement by the  
26 developer.

27  
28 5. This act shall take effect immediately.  
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### 31 STATEMENT

32  
33 This bill clarifies that conversions from a housing cooperative to  
34 condominiums are subject to the registration and public offering  
35 disclosure required by “The Planned Real Estate Development Full  
36 Disclosure Act,” P.L.1977, c.419 (C.45:22A-21 et seq.).

37 In the past, the Department of Community Affairs has not  
38 applied the consumer protection provisions of “The Planned Real  
39 Estate Development Full Disclosure Act” to units undergoing a  
40 conversion from a housing cooperative corporation to a  
41 condominium form of planned real estate development. “The  
42 Planned Real Estate Development Full Disclosure Act” has been  
43 construed by the courts very broadly in its protection of prospective  
44 purchasers in planned real estate developments. This bill clarifies  
45 that purchasers of condominiums in a conversion from a  
46 cooperative housing corporation are within the class of prospective  
47 purchasers that the Legislature sought to protect through the

1 enactment of “The Planned Real Estate Development Full  
2 Disclosure Act.”

3 The bill specifies that the change of a cooperative housing  
4 corporation into a condominium development will be considered a  
5 conversion, and is required to be registered as such under “The  
6 Planned Real Estate Full Disclosure Act.” The bill requires that the  
7 tenants in a cooperative that is converting to a condominium be  
8 entitled to the same protections under the State law that protects  
9 tenants under converted ownership.

10 Section 3 of the bill provides that whenever a vote has been  
11 taken to terminate a cooperative in order to convert to a  
12 condominium, if the new condominium was not registered with the  
13 Department of Community Affairs, and a public offering statement  
14 has not been provided to the prospective purchasers, then the vote is  
15 nullified, and further specifies that it will apply to all cooperative  
16 housing corporation conversions pending on the date the bill is  
17 enacted into law, as well as to all future cooperative housing  
18 corporation conversions.

19 Lastly, the bill provides that the change of a cooperative housing  
20 corporation into a condominium development will not require the  
21 preparation of an environmental impact statement by the developer.