

***Municipalities and Counties—Urban Homesteading Act—N.J. Stat. Ann. §§ 40A:12-32 to -38 (West Supp. 1989).***

On November 4, 1988, Governor Thomas Kean signed into law the Urban Homesteading Act.<sup>1</sup> The Act allows municipalities to enact ordinances that establish urban homesteading programs through which municipally owned residential properties may be transferred to qualified applicants for limited consideration.<sup>2</sup> The Act helps alleviate the severe housing shortage many urban centers are facing today.<sup>3</sup> Other benefits of the Act, such as providing for more affordable housing, encouraging the revitalization of decaying urban neighborhoods and relieving municipalities of the financial burden that these properties impose on them, were also recognized by the legislature.<sup>4</sup>

The Act allows for the creation of municipal ordinances that create urban homesteading programs.<sup>5</sup> Such ordinances must designate an existing municipal department to act as the urban homesteading agency.<sup>6</sup> The ordinance must also state the maximum and minimum purchase price for which properties may be transferred.<sup>7</sup> Residential properties consisting of less than five dwelling units that have been acquired by a municipality due to abandonment of tax foreclosure<sup>8</sup> are eligible for transfer under the Act.<sup>9</sup>

The Act further requires that applicants who wish to purchase property under the program must demonstrate that they are financially able to do so.<sup>10</sup> Reasonable standards to determine an applicant's financial status must be laid out in the ordinance.<sup>11</sup>

The applicant will be required to rehabilitate the premises as

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<sup>1</sup> N.J. STAT. ANN. §§ 40A:12-31 to -38 (West Supp. 1989).

<sup>2</sup> *Id.* § 40A:12-32(g).

<sup>3</sup> *Id.* § 40A:12-32(a).

<sup>4</sup> *Id.* § 40A:12-32(d)-(g).

<sup>5</sup> *Id.* § 40A:12-34(a).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* § 40A:12-34(b).

<sup>8</sup> *Id.* § 40A:12-33(b).

<sup>9</sup> *Id.* § 40A:12-34(b).

<sup>10</sup> *Id.* § 40A:12-34(c).

<sup>11</sup> *Id.* § 40A:12-34(d).

well as to occupy the premises for a minimum period of time.<sup>12</sup> With respect to the rehabilitation of the premises, the ordinance must require an applicant to submit three independent appraisals of the work that is necessary to bring the property into conformity with local and state codes.<sup>13</sup> The urban homesteading agency will select the appraisal that the applicant will be required to follow and complete.<sup>14</sup> The ordinance must state that penalties, as set forth in the ordinance, will be levied against persons who fail to begin or complete the promised rehabilitation of the premises within the specified time or who fail to fulfill the residency commitment.<sup>15</sup>

Under the Act, the transfer of property pursuant to an established urban homesteading program must take place through a contract of sale and rehabilitation.<sup>16</sup> This contract must state that the purchase is required to rehabilitate the property for residential use, that the rehabilitation will begin and be completed within the specified time, that the property will be maintained in conformance with applicable state and local codes, and that access to the property by government officials, to ensure compliance, will be permitted.<sup>17</sup>

A list of properties available for sale under the program must be published at least twice in a local paper.<sup>18</sup> This notice must be accompanied by a statement of the procedure that an applicant should follow if he wishes to file an application and the requirements that the applicant must satisfy to be eligible under the program.<sup>19</sup>

*Kathy Dal Cortivo*

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<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.* § 40A:12-37.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* § 40A:12-36(a).

<sup>19</sup> *Id.*