



July 9, 2018

Senator Sandra B. Cunningham
Deputy Majority Leader
1738 Kennedy Blvd
Jersey City, New Jersey 07305

Assemblyman Nicholas Chiaravalloti
837 Broadway
Bayonne, New Jersey 07002

RE: Revaluation of Real Estate

Dear Senator Cunningham and Assemblyman Chiaravalloti:

We noticed your recent attempt at legislation to delay the very large tax increase many homeowners in Jersey City are about to receive due to the delayed revaluation (reval) of property. Public reports note that your suggested legislation will not receive enough support for it to be enacted.

Most legislators do not understand that the problem with a large tax increase for some property owners is not unusual, and it is not a unique event in New Jersey after reval. I admit that for many years Jersey City's leaders did everything possible to be the kings of following bad public policy and these tax increases may be the largest tax increases ever occurring in New Jersey. Attached is a demonstration of a property in Jersey City that will have its taxes more than doubled in 2018. It should be noted that the mortgage example only consists of the tax payments and does not include the additional payments for principal, interest, escrow, insurance, etc.

My office is suggesting legislation that may have a better chance of receiving support in Trenton because it will help those homeowners that receive unconscionable large tax increases, not just in Jersey City, but for other cities that can be anticipated in the future. It is a loan program for taxpayers who will receive these large tax increases after a reval.

However, when a reval causes a very large tax increase, many property owners will be desperate to sell at prices much less than the property is truly worth. When those properties sell at less than the true market, the tax increase appealed by the new property owner, allowing those properties to pay less taxes than if the recent sales would have sold at the true market value. These tax appeals will cause the municipality to have less ratables to tax, and in turn *increase taxes for all property owners* including those that received tax relief due to the reval and deserve that tax relief.

We are suggesting that if property owners receive a tax increase of 25 percent or more, the city will be allowed to borrow the money it needs to allow those property owners to pay the large tax increase over a five-year period. This loan will become a lien on the property. Can you imagine a property owner that is making monthly real estate tax payments to a bank for \$1,300 and in November has to come up with a check for \$13,000? THAT IS ONLY FOR TAXES!

It was not the reval that caused the problem! It was local, county and state officials that took an oath, but neglected to perform their duties for many years.

This proposal will not only give relief to Jersey City taxpayers, but will also assist many taxpayers in the future for more than 40 cities in New Jersey. This is the total amount of cities that presently should have completed a revaluation of property for many years. This means that a deficiency of responsibilities by local, county, and state officials does not only exist in Jersey City or Hudson County but it travels throughout New Jersey.

110A Meadowlands Parkway, Suite 103 • Secaucus, New Jersey 07094 • 201-867-4415

State statutes and regulations have guidelines when a municipality needs to do a reval in a timely manner, and if they do not, the county is required to order such. When both the municipality and county do not perform their duties properly, the last safeguard is for the state to order the revaluation of property. The exception is when property owners petition the courts that they are over- taxed due to a lack of a completed revaluation, as recently occurred in Weehawken.

No one can deny the issue in Jersey City was compounded when Jersey City leadership cancelled the first reval, only to spend millions of tax dollars over the next few years to promote the city, followed by millions more spent to defend their poor decision in court to cancel the first reval. This promotion created an exponential demand of real estate in certain sections of the city, causing some property types in those sections to be sold for a much larger increase in sale price than was normal. In fact, our recent study of downtown Jersey City shows sale prices increasing two years in a row by more the 20 percent; more than its usual annually increases of approximately five percent. Most would agree the comparison sales used to assess those properties receiving the recent unconscionable large increase in taxes would have assessed for less if the first reval was implemented, making that tax increase more realistic

Additionally, allowing the many taxpayers who will need to sell because of the tax increase a one-year relief will decrease their need to hastily unload their property. This type of marketing of property will most definitely cause properties to sell for much less than the market would supply if the homeowner was not so desperate to sell because the monthly cost to maintain the property has become unrealistic for them. Preventing this will be good for all taxpayers. If these properties are sold for a lower amount than the fair market value it will cause a greater number of tax appeals for many years.

We estimate there are more than 4900 Jersey City homeowners that received a tax increase of greater than 50%. For example, Weehawken that completed their reval this year and is a much smaller municipality. There we estimate more than 70 homeowners that will receive a tax increase of greater than 50%. In 2019 Bayonne may experience the same issues because their reval should have been done years ago. You may have noticed we used the term unconscionable for these large tax increases since we have had state court decisions that have referred to rent increases over 20% as unconscionable.

We request you take our suggestion judiciously and if you wish to discuss our recommendations further please call me on my direct line 201-988-3977.

Very Truly Yours,



Joseph W Hottendorf
Executive Vice President

cc: Board of Directors

Revised with Approved Tax Rate

Revaluation Example of Property Published in Local Newspaper 272 Barrow St, Jersey City

2017 Taxes \$16,380 or \$4,055 per quarter or \$1,365 per month
2018 Taxes \$34,602 or \$8,650 per quarter or \$2884 per month

2018

1st Quarter - Feb	\$4,095
2nd Quarter - May	\$4,095
3rd Quarter - Aug	\$13,206
4th Quarter - Nov	\$13,206

2019

1st Quarter - Feb	\$8,650
2nd Quarter - May	\$8,650

With Mortgage

February - Oct	\$1,365 per month
November	\$13,455
December	\$2,884
Jan-19	\$2,884

Mortgage payment does not include the Principal, Interest, Escrow, Insurance, Etc. to be paid.

The amounts above are estimates and depending upon the financial institution that holds the mortgage if the November payment will be paid in one month or spread over 3 months.

Some financial institutions will require the first payment to be made November, December or January.