SENATE, No. 4508

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED JUNE 24, 2026

Sponsored by:
Senator VINCENT J. POLISTINA
District 2 (Atlantic)

Co-Sponsored by:
Senators Space and Singer

SYNOPSIS

Modifies capital reserve funding requirement for associations of planned real estate developments.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 10/1/2026)

AN ACT modifying the capital reserve funding requirement for associations of planned real estate developments and amending P.L.2023, c.214.

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

1. Section 6 of P.L.2023, c.214 (C.45:22A-44.2) is amended to read:

6. a. Any association of a planned real estate development shall undertake and fund a capital reserve study which shall determine or assess the adequacy of the association's capital reserve funds to meet the anticipated costs of replacement or repair of the capital assets of a common interest community that the association is obligated to maintain. All capital reserve studies shall be prepared in conformity with the latest edition of the National Reserve Study Standards of the Community Associations Institute or similar standards by another recognized national organization. A capital reserve study conducted pursuant to this section shall be performed or overseen by a reserve specialist who is credentialed through the Community Associations Institute or an engineer or architect who is licensed by the State and shall include, but be not limited to, the following:

(1) the association's capital reserve fund balances;

(2) the association's anticipated income and expenses;

(3) an analysis of the physical status and of the common area components of the buildings and other common areas that the association is obligated to maintain;

(4) the anticipated costs associated with the building maintenance, as well as the anticipated costs of repair or replacement of common area building components, which are necessary to maintain the structural integrity of the buildings and other common area components that the association is obligated to maintain;

(5) a reasonable estimate of the cost of:

(a) future reserve studies;

(b) reserve study updates; and

(c) periodic structural inspections required pursuant to section 3 of P.L.2023, c.214 (C.52:27D-132.4);

(6) a reasonable estimate of the costs associated with implementing any corrective maintenance deemed necessary pursuant to section 3 of P.L.2023, c.214 (C.52:27D-132.4);

(7) a proposed 30-year<u>, or 35-year,</u> funding plan or plans, as described in section 7 of P.L.2023, c.214 (C.45:22A-44.3), which establish the adequate proposed capital reserve funding over a 30-

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 <u>thus</u> is new matter.

year, or 35-year, time period, which shall include a 30-year, or 35-year, funding plan that allows the reserve fund to reach a lowest dollar balance of zero during the 30-year, or 35-year, plan projection. Nothing in this section shall prohibit the reserve study from including additional funding plans with a minimum fund balance greater than zero, or funding plans with escalating annual contributions, provided the reserve fund balance is not projected to fall below zero dollars; and

(8) any other information necessary to perform an analysis of the adequacy of the association's capital reserve funds relative to maintaining the structural integrity of buildings and common areas which the association is obligated to maintain.

b. Associations which have not undertaken a reserve study within five years of the effective date of P.L.2023, c.214 (C.52:27D-132.2 et al.) shall undertake a reserve study within one year of the effective date of P.L.2023, c.214 (C.52:27D-132.2 et al.). Associations formed after the effective date of P.L.2023, c.214 (C.52:27D-132.2 et al.) shall undertake a reserve study as soon as practicable after the election of a majority of an executive board pursuant to section 5 of P.L.1983, c.30 (C.45:22A-47), but in no event shall such study be undertaken more than two years following the election of a majority of the executive board under section 5 of P.L.1983, c.30 (C.45:22A-47).

c. An association of a planned real estate development shall ensure that a capital reserve study conducted pursuant to this section shall be reviewed by a licensed architect, engineer, or credentialed reserve specialist and that a capital reserve study be conducted and reviewed at least once every five years.

d. This section shall not apply to an association of a planned real estate development with less than $25,000 in total common area capital assets.

e. As used in sections 6 and 7 of P.L.2023, c.214 (C.45:22A-44.2 and C.45:22A-44.3):

"Adequate" or "adequacy" means the same as those terms are defined pursuant to section 2 of P.L.2023, c.214 (C.52:27D-132.3).

f. An association may, on or before the 12th month next following the effective date of P.L. , c. (pending before the Legislature as this bill), undertake and fund a new capital reserve study pursuant to this section in order to adopt a 35-year funding plan, as described in section 7 of P.L.2023, c.214 (C.45:22A-44.3), which establishes the adequate proposed capital reserve funding over a 35-year time period, which shall include a 35-year funding plan that allows the reserve fund to reach a lowest dollar balance of zero during the 35-year plan projection.

(cf: P.L.2025, c.132, s.2)

2. Section 7 of P.L.2023, c.214 (C.45:22A-44.3) is amended to read:

7. a. An association of a planned real estate development shall obtain a reserve study including a 30-year, or 35-year, funding plan in order to ensure that the association has adequate reserve funds available to repair or replace the capital assets located on the common elements and facilities that the association is obligated to maintain without need to create a special assessment or loan obligation, except as permitted pursuant to subsection e. of this section. These reserve funds shall be used for the repair or replacement of components that have reached the end of their established useful life as set forth in the most recent reserve study undertaken pursuant to section 6 of P.L.2023, c.214 (C.45:22A-44.2).

b. (Deleted by amendment, P.L.2025, c.132)

c. (Deleted by amendment, P.L.2025, c.132)

d. (Deleted by amendment, P.L.2025, c.132)

e. An association existing as of the effective date of P.L.2023, c.214 (C.52:27D-132.2 et al.) shall, to fund the association's capital reserve fund, either:

(1) fund the capital reserve fund in accordance with one of the funding plans set forth in the most recent capital reserve study prepared on behalf of the association pursuant to paragraph (7) of subsection a. of section 6 of P.L.2023, c.214 (C.45:22A-44.2); or

(2) fund the capital reserve fund in an amount equal to 85 percent of one of the capital reserve funding plans pursuant to paragraph (7) of subsection a. of section 6 of P.L.2023, c.214 (C.45:22A-44.2), and set forth in the most recent capital reserve study prepared on behalf of the association, provided that:

(a) prior to the adoption of an annual budget to fund the capital reserve fund account pursuant to this paragraph, the association shall provide a notice to all unit owners of the association in 20-point bold font, which specifies that the executive board of the association has elected to fund the capital reserve fund at 85 percent of the funding plan recommended by the association's 30-year, or 35-year, capital reserve study and funding plan. The notice shall provide the year in which a special assessment or loan is anticipated as a result of the reduced funding of the capital reserve fund and the anticipated amount of the special assessment or loan that shall be required as a result of the decision by the executive board of the association; and

(b) prior to the execution of a contract for the purchase of a residential unit in the planned real estate development, the seller of the unit shall provide to the buyer a copy of the most recent notice provided to the unit owners of the association pursuant to subparagraph (a) of this paragraph.

(3) The funding method authorized pursuant to paragraph (2) of this subsection shall not be utilized by an association for more than five fiscal years of the association next following the **[**effective

date of P.L.2025, c.132] adoption of the 30-year, or 35-year, funding plan.

f. An association created after the effective date of P.L.2023, c.214 (C.52:27D-132.2 et al.) shall fund its capital reserve fund account in accordance with one of the capital reserve funding plans set forth in the association's most recent capital reserve study.

(cf: P.L.2025, c.132, s.3)

3. The Department of Community Affairs shall, in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), publish updated guidance for associations in complying with the provisions of P.L.2023, c.214 (C.45:22A-44.2 et seq.), as amended by P.L.2025, c.132 and P.L. , c. (pending before the Legislature as this bill).

4. This act shall take effect immediately.

STATEMENT

This bill modifies the planned real estate development capital reserve funding requirement to allow an association to elect to adopt a 35-year funding plan instead of a 30-year funding plan, exclusively required under current law. The bill specifies that an association may undertake and fund a subsequent capital reserve study, which is to include a proposed 35-year funding plan, and fund its capital reserve fund in accordance with the 35-year funding plan. The bill permits an association, without action by the association, to maintain its current 30-year funding plan.

The bill additionally provides that the existing provision allowing certain associations to fund their capital reserve fund in an amount equal to 85 percent of one of the capital reserve funding plans may be utilized for no more than five fiscal years from the date of the adoption of the funding plan and not five fiscal years from the effective date of P.L.2025, c.132.

The bill additionally directs the Department of Community Affairs to publish updated guidance for associations in complying with the provisions of laws concerning the planned real estate development capital reserve funding requirement.

The intent of the bill is to alleviate financial strain on associations while maintaining funding requirements by allowing an association to achieve adequacy over the longer periods detailed in the bill. This allows for lower annual increases to assessments paid by homeowners, reducing financial demands and preventing unpaid assessments, liens, and potential foreclosure of homes.