

PROPERTY RIGHTS: ESPECIALLY CRITICAL NOW

A Formation Premise for the Hudson County Property Rights Coalition

Recent unconstitutional and short-sighted misapplications of government power have arbitrarily and unnecessarily abridged the rights of property owners, which will lead to a devastating standard of control that will undermine the financial health of our public and private institutions.

By enacting a freeze on rent increases, local governments are in violation of Executive Orders # 107 and #108, which assert that local ordinance development should be delayed until appropriate public participation can take place. When asked about the possibility of freezing rents, Governor Murphy said, “Putting a freeze in place is, I believe, impractical in a legal matter.”

Why, then, are our Hudson County municipalities rushing to enact rent freeze ordinances as well as local eviction moratoriums that already are provided in previous Executive Orders? More elementally, why are municipalities legislating on matters of critical public interest when the Governor ordered them to cease such lawmaking until the emergency orders are lifted?

To combat these laws and other wise protect fundamental property rights – a critical component of our Constitution and the freedoms that are guaranteed to Americans – the following local property rights organizations have joined to form the Hudson County Property Right Coalition:

- a. Jersey City Property Owners Association
- b. Mile Square Taxpayer Association
- c. Union City Housing Initiative
- d. Weehawken Tax Fairness

If we look back to the 1970s, when New York City was bankrupt and literally faced missing its payroll, Mayor Abe Beame asked prominent real estate executive Lew Rudin to solicit other real estate owners to pre-pay their property taxes. Mr. Rudin raised \$600 million in a week and a City that seemingly had no way out found the breathing room it needed until it could create a durable long-term financial plan.

There are massive inherent resources in Hudson County’s real estate community and access to them is best achieved through their enlightened self-interest at

protecting the overall health of their cities, best expressed by Mr. Rudin: "We had to do something," Mr. Rudin explained years later. "We couldn't very well pick up our buildings and move them across the George Washington Bridge."

Unnecessary Regulation, Unevenly Applied

The rent freezes enacted apply only to rent controlled properties, where there is no promise that they will be provide meaningful relief:

- The maximum rent increases for rent controlled tenants in Hoboken, Jersey City and Union City are 2.5%.
- Under existing rent control ordinances, only 23.75% of all existing tenants will legally even face the prospect of a rent increase during the pandemic.
- There are no limitations on rental increases in free-market properties where tenants are equally affected by the pandemic.
- There is no forgiveness of property taxes or freeze on their increase on any property owner, including the homeowner who likely has been impacted similarly to his neighboring renter.
- Based on the worst estimates, the unemployment rate in Hudson County will increase from about 5% to 20%. Of those who were legally employed in Hudson County at the time of the outbreak, many are entitled to unemployment benefits that exceed their previous salaries.
- More than \$600 billion is available through the Payroll Protection Program in an attempt to maintain employment for the purpose of preserving as much normalcy as possible during the pandemic, which includes paying rent.

How can we, as a society, accept legislation that shows an immense lack of equity and insight?

The role of local government should be informed by Mr. Rudin's wisdom: it is 100% reliant on the payment of property taxes to sustain itself, and second to protecting the health of its residences, protecting the financial resources that maintain working government should be their primary focus. Rent collection allows property owners to:

- Pay employees, most of who are local residents
- Pay their mortgages which keeps banks healthy
- Pay their property taxes which keeps cities healthy.

Peril for Public Finance and Small Homeowners

A rent freeze could be the first of many steps intended to provide protections but in actuality encumber not only the real estate community but the municipalities in

devastating ways. In particular, the school districts in Union City, Jersey City and Hudson County already face monumental revenue problems. Where is the money going to come from to support education in those towns if property tax collection is materially reduced?

Commercial properties, including apartment buildings, pay property tax based on revenues. When their revenues decline, their share of the obligations of the City are transferred to single-family property owners – who by law are the funding of last resort. Property taxes on homeowners, as a result of revaluations in Jersey City and Hoboken, already have strained household budgets and resulted in dislocation of long-time residents.

While mortgage relief, available from some but not all banks, is a short-term answer that is aptly applied in situations of short-term income imbalance, ultimately someone needs to pay that money back. An additional burden on homeowners that results from short-sightedness in managing the financial health of commercial properties is nothing less than an attack on individual property ownership.

The founders of our country, at great personal peril, worked hard to assure the people had the right to property ownership and equal protection under the law.

Local Officials Should Engage Real Estate Interests

The formation of the Hudson County Property Rights Coalition emanates from a desire to protect the basis of our liberty and our economy for the long-term as we offer constructive advocacy on short-term policy application.

All anyone had to do to figure out how to generate support from the real estate community was ask. Instead, we are seeing our government officials act in autonomy without counsel of the sort of experts who advised New York City in its fiscal dilemma, importantly including municipal finance expert Felix Rohaytin. New Jersey's financial and higher education institutions have expert with similarly impressive credentials. No municipal official that we are aware of has cited the advice of any third party relating to the consequences of their actions, which are as well-promoted as they are foolhardy. New Jersey has denied itself of strategies that could be applied to reduce the severity of the economic impacts of COVID-19 in favor of passing ordinances authored by unprepared, locally elected officials that are not only illegal and redundant, they are counter-productive to their municipality's own interests.

We cannot afford government to abridge property rights in precedent-setting ways that will be hard to unwind later. We are going to contest every incursion into our rights as Americans, not in an effort to increase rents. Our members, who do not number all property owners in Hudson County, have pledged to not increase rents through the Emergency Orders on a voluntary basis and we call on fellow property owners to do the same. But if anyone had asked us about increasing rents, we would have said:

- 1) Rent control has eliminated the possibility that a rent increase which jeopardize affordability to existing residents who otherwise have a means of paying their rent;
- 2) This pandemic is going to result in a huge reduction of demand for rental property and we would never increase rents when we are desperate for continued occupancy by existing tenants and will be for some time;
- 3) The eviction moratorium already prevents is from removing any tenant for non-payment of rent, and surely increases in rent would result in reductions I rent collection with no consequence to the tenant.
- 4) Tenants are our customers. We know them. We respect them. We are in business to serve them. We are the source of our living and in most cases, far and away in most cases, our relationships with them are cordial and productive. In those rare cases where abuse occurs, New Jersey's anti-eviction act is the strongest such tenants-rights legislation in the United States and provides ample protections within an arms-reach of any municipality endeavoring to protect its residents.

We have to get a hold of ourselves in dealing with the pandemic in every aspect of our society. We are doing our part as an industry by forming the Hudson County Property Rights Coalition, and we hope that the municipalities in which we will be advocating and filing protective actions in court recognize the necessity of such activity as a check and balance against harmful legislative activity.

It's not legal and it's not American and most of all it is not needed.