

**A Housing Strategy for the  
City of Salem, New Jersey**

**New Jersey Community Capital**

**January 2023**





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## INTRODUCTION

Initially a flourishing port and market town, and subsequently a center of glass manufacturing, Salem City has suffered economically in recent years as its factories have closed and hundreds of well-paying jobs have been lost. As Salem's population has declined, increasing numbers of vacant homes have appeared in the city's neighborhoods, and vacant storefronts along Broadway, the city's main artery. With a largely lower income population and an older housing stock, many of the city's homes are in varying degrees of disrepair.

While facing many challenges, Salem offers valuable assets and opportunities. The city's historic character, coupled with civic pride and traditions, stand out among New Jersey's cities. Moreover, in recent years, opportunities for economic revival have begun to emerge. With the active involvement of the New Jersey Economic Development Authority, plans for revitalization of the port and the city's industrial areas have emerged, much of it linked to the State of New Jersey's ambitious offshore wind energy plans which could lead to hundreds of new jobs in Salem and nearby Lower Alloways Creek in coming years. Perhaps paralleling these plans, we found a small but noticeable uptick in the city's housing market over the past two years.

The potential for economic revival offers both an opportunity and a challenge with respect to Salem's housing conditions and housing market. The city has a window of opportunity to build its housing market, upgrade the quality of its housing stock, and draw more homebuyers. At the same time, although it may seem remote, the city must be careful to avoid an overheated market, which could lead to potential burdens on the city's less affluent residents, and harm to the city's historic and architectural character through incompatible development.

The city's energetic and dedicated leadership is actively trying to address these issues, and chart the best path for the city among these emerging challenges and opportunities. This housing strategy that we have prepared with the city is meant to be a key part of that effort, helping the city move forward in three critical areas: building homeownership and a stronger housing market; improving the quality of the rental housing stock; and revitalizing and improving the quality of life in the city's neighborhoods.

While the opportunities are there, it will not be easy to realize them. Improving housing and neighborhood conditions and rebuilding the homeownership market, after decades of decline, is neither a simple nor a short-term task. On the contrary, it includes many different moving parts, calls for substantial financial resources, and demands a long-term, sustained commitment to a strategic process of change. That can be a tall order for a small city of barely 5,000 people with severely limited local resources.

While we believe that significant resources from the state and federal governments as well as private sources can be mobilized for the housing strategy, that is only one part of the puzzle. Putting the pieces together will require involving and coordinating many partners with a wide range of skill sets and capabilities, and carefully coordinating their efforts. Some of the partners

are already on board; with others, the process of building a relationship has just begun. Others will have to be recruited and brought on board in the future.

This is a challenge, but it is one for which solutions are within reach. We believe that Salem's governmental and civic leadership is up to the task, and we look forward to working with them to make positive change a reality in their community.

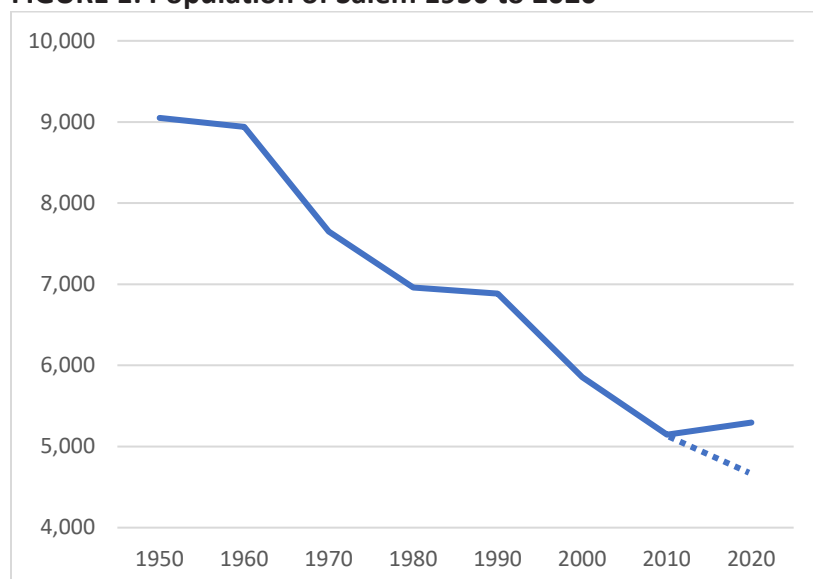
## I DEMOGRAPHIC, ECONOMIC AND HOUSING MARKET OVERVIEW

A successful housing strategy needs to be based on the actual conditions in the community, including its demographic characteristics, economic conditions, and the state of its housing market. In order to provide a framework for the housing strategy, this initial section provides a brief overview of demographic, economic and housing market conditions in the city of Salem.

### Salem demographic and economic overview

Salem is a small, historic city of 2.8 square miles with a population of around 5,000, located on the Delaware Bay in the southwest corner of New Jersey. Since reaching its peak population of over 9,000 in 1950, Salem's population has dropped steadily, although it may have stabilized since 2010 (Figure 1).<sup>1</sup> Salem's population today is roughly the same as it was in the 1880s.

**FIGURE 1: Population of Salem 1950 to 2020**



NOTE: Solid line indicates decennial census data, dotted line American Community Survey data

Salem is a majority Black city, with 61 percent of the population Black, 24% non-Latino White, 12% Latino, and the remainder multiple or other races or ethnicities. Salem has been a majority Black city since around 1990, with little or no change in the city's racial or ethnic makeup in the past 10 years. All three of Salem's census tracts have a majority Black population, although the share is greater in Census Tract 220, the southeastern part of the city that contains the city's Quality of life Improvement Zone (QIZ). The majority of the city's small but growing Latino population lives in that area as well (Table 1).

<sup>1</sup> There are unusually large discrepancies between data from the 2020 Census and the 2016-2020 American Community Survey. The Census data, which is more reliable, indicates that the population has stabilized since 2010, and even risen slightly, while the ACS data suggests that it has continued to decline.

**TABLE 1: Population by race and ethnicity by census tract**

	219	220	221	CITY
<b>Black</b>	61%	51%	67%	61%
<b>Non-Latino White</b>	27%	34%	13%	24%
<b>Latino</b>	8%	9%	17%	12%
<b>Multiple races, other or no answer</b>	4%	6%	3%	4%

As is increasingly the case around the country, most of Salem's households do not contain children. Just one-third of the households in Salem have children, and the great majority of those (85 percent), as Table 2 shows, are headed by single parents. Only 5 percent, or one out of 20 households, are married couples raising children, compared to 19 percent nationally. 40 percent of Salem's households are single people living by themselves, compared to 28 percent nationally. 60 percent of Salem's single individuals are women. The city's population under age 18 has dropped from 1,916 in 2000 to 1,668 in 2020, a decline of 13 percent.<sup>2</sup>

**TABLE 2: Households by type of household in Salem 2020**

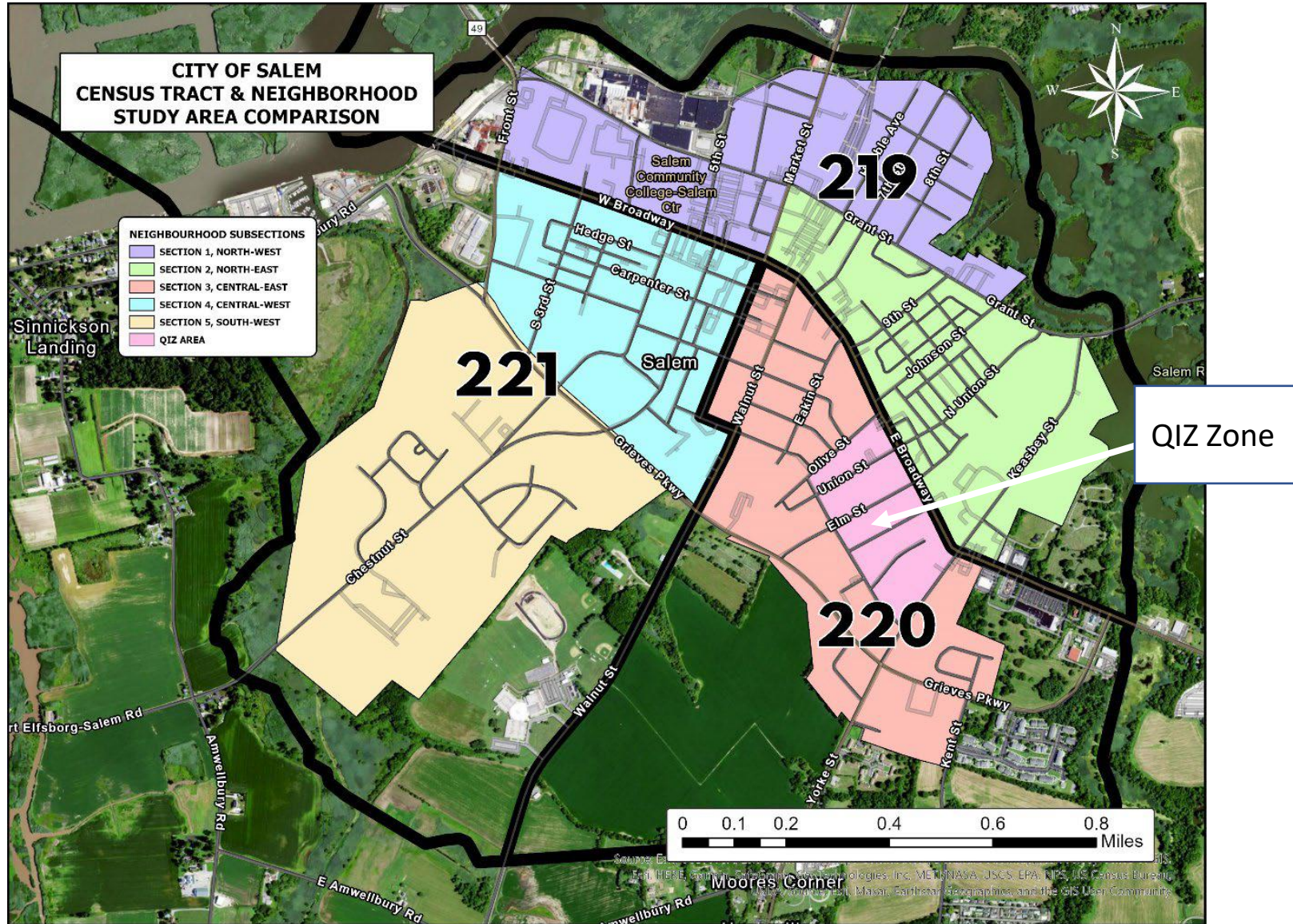
Household Type		Number	%
<b>Households with Children</b>			
	Married couple	103	5%
	Single mother	540	27%
	Single father	52	3%
<b>Households without children</b>			
	Family households	415	21%
	Single individuals	821	41%
	Other nonfamily households	80	4%

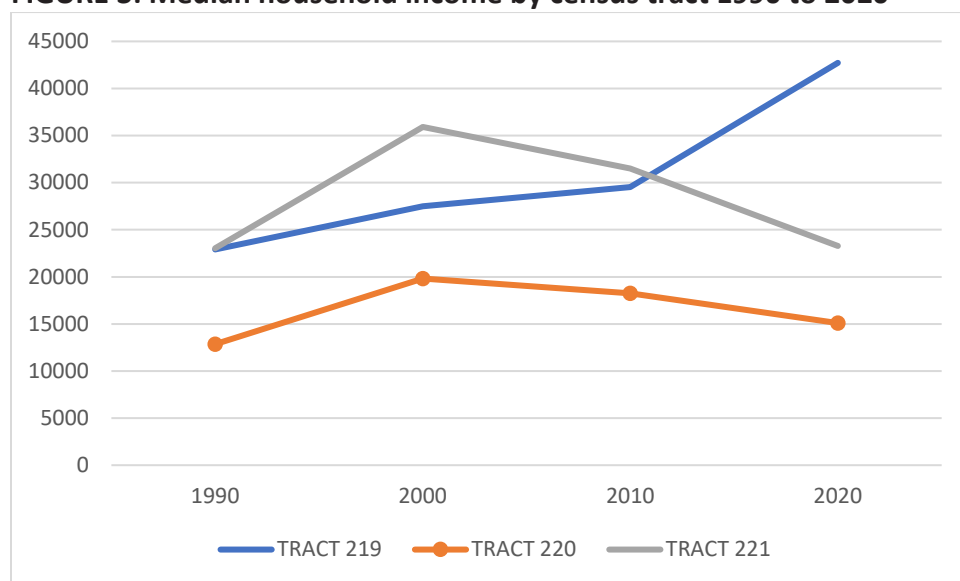
Salem is a poor city, possibly the poorest city in New Jersey. According to the 2016-2020 ACS, the median household income for the city was \$22,125, barely more than one-third of the national median income of just under \$65,000. 44 percent of Salem's residents, and 61% of those under the age of 18, live in households below the national poverty level. During the past two decades, household incomes have risen in the northern part of the city (Tract 219), while declining elsewhere, as shown in Figure 3. The median household income in Tract 220 in 2020 was only \$15,093 and 55 percent of that tract's residents and 77 percent of its children were living below the poverty level. 54 percent of all the families with children are receiving SNAP (food stamp) benefits.

<sup>2</sup> The latter figure comes from the 2016-2020 ACS, so it may be slightly lower than the actual figure.



FIGURE 2: Salem Census Tracts, Neighborhood Study Areas, and QIZ area



**FIGURE 3: Median household income by census tract 1990 to 2020**

Reflecting the low incomes of the residents, only 51 percent of the city's population over 16 are members of the workforce, compared to 63 percent of that population nationally. Of those in the workforce, 12 percent reported themselves as unemployed.<sup>3</sup> Thus, only 44 percent of Salem's adults hold jobs, compared to 60 percent of adults nationally.

Although the total number of private sector jobs has dropped by nearly 50 percent since 2005, a fair number of jobs still exist in the city of Salem. Among those Salem residents who do hold jobs, hardly any work in the city. Only 4 percent of Salem residents with jobs work in the city (74 workers), while 1,784 work elsewhere. 97 percent of all the jobs in Salem City are filled by people commuting from outside the city to work.

## Housing conditions in Salem

### 1. *The city's housing stock*

Salem is an old city, and 69 percent of its housing units were built before 1960, with only 3 percent built in the last 20 years. Salem has been a majority-renter city at least as far back as 1970, when 54 percent of the city's households were renters and 46 percent were homeowners. The share of owner-occupied homes has been gradually dropping, with the biggest drop between 2000 and 2010, when it fell from 40 percent to 35 percent. The homeownership rate has remained fairly stable since then, and today stands at 34 percent. There are significant differences between Salem's homeowners and its renters:

- All of Salem's homeowners live in single family homes (almost all detached single family

<sup>3</sup> This is based on self-reporting in the American Community Survey. It is likely to be a higher share of the workforce than those meeting the official criteria to be considered unemployed.

homes), while the majority of renters live in multifamily housing, more than half of which is subsidized housing.

- Although a majority of Salem’s population is Black, the majority of homeowners are white. 53 percent of Salem’s white households are homeowners, compared to 26 percent of the city’s Black households.
- 53% of all homeowners are white, 46% are Black, and 12% are Latino (who may be of any race)
- The typical (median) Salem homeowner is a senior citizen, with a median age of 69 – one of three is over 75 – and has lived in the same house for a long time. 54 percent have lived in their home for over 30 years, and only 7% have moved in during the past decade.
- The median age of Salem renters is 44, with one out of three renters under 35 (compared to only 2 percent of homeowners). The median renter has lived in the same home or apartment for 8 years – which, while much less time than homeowners, still constitutes a highly stable renter population compared to most parts of the United States.
- Salem’s homeowners have higher incomes than the city’s renters: the median income for homeowners is \$32,400, compared to \$17,400 for renters. Homeowners in Tract 219, however, have median household incomes more than double those of homeowners in the rest of the city.
- Nearly half of Salem’s renters have children in the home, while the same is true for only 1 of 8 (12%) homeowners. Nearly 90% of the families with children in Salem are renters.
- 18% of Salem homeowners have a bachelor’s degree or higher, compared to only 3% of renters. Both are very low, however, by comparison with the national rate of 33%.

Reflecting the low incomes of Salem’s renter population, a very large part of the city’s rental housing is either subsidized housing – housing built or rehabilitated for lower income households – or subsidized through individual housing vouchers. According to the most recent American Community Survey, Salem contains 1,332 rental units. As Table 3 shows, 46% or nearly half of all of those rental units are in subsidized housing developments. If we assume that half of the vouchers in Salem are used in subsidized housing projects, and half in the private rental market, that would indicate that 53% of the city’s tenants are receiving some housing subsidy. Despite that, 46% of Salem’s renters are severely cost burdened (paying over 50% of their income for housing), reflecting the extremely low incomes of most renters.<sup>4</sup>

In the following sections we will look at the condition and ownership of Salem’s housing stock, and the features of the city’s housing market.

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<sup>4</sup> At least some of the tenants in subsidized housing may be severely cost burdened. Since rents in Low Income Tax Credit projects are set not to exceed 30% of a percentage of AMI, rather than 30% of the tenant’s actual income, it is not unusual to find that many tenants in Low Income Tax Credit projects are spending far more than 30% of their income on rent unless they are fortunate enough to have vouchers to make up the difference.



**TABLE 3: Subsidized rental housing in Salem**

Project	Program	Number of Units	Total Units
<b>Harvest Point (note 1)</b>	USDA Section 515	260	
<b>Westside Court and Anderson Drive</b>	Public Housing	156	
<b>Carpenter Street</b>	Low Income Tax Credit	103	
<b>Salem Senior Village</b>	Low Income Tax Credit	64	
<b>Broadway Towers</b>	Public Housing (senior)	24	
	All subsidized housing projects		607
<b>Housing Choice Vouchers</b>		200 (note 2)	
	All subsidized housing		807 (note 2)

(1) Includes Whispering Waters

(2) Since vouchers are often used by tenants in subsidized rental housing projects, particularly in Low Income Tax Credit projects, the actual total of subsidized households will be less than 807

## **2. *Housing condition and ownership overview***

We begin by looking at the overall condition and ownership of Salem’s housing stock. In order to assess the condition of Salem’s housing stock, we conducted a parcel-by-parcel survey of the city during the summer of 2022, concentrating on Class 2 properties; that is 1 to 4 unit properties, which in Salem are predominately single family homes. Based on a checklist of exterior conditions, each property was classified as being in Excellent, Good, Fair or Poor condition, generally defined as follows:

- Excellent – not merely okay, but have particular features, such as attractive landscaping or visible improvements, that make them stand out in a positive way
- Good – generally well maintained, but may need minor repairs
- Fair – repair work is needed, with visible evidence of roof, siding or porch deterioration.
- Poor – needs major rehabilitation or demolition.

Poor properties were further categorized as whether they appeared potential suitable for major rehabilitation, or should be demolished.

In addition, we attempted to determine whether the property was occupied or vacant. City staff followed up for properties where the surveyor could not make that determination. We then merged that data with property ownership data from the city’s tax assessor files, and used address and name matching to determine which owners were owner-occupants and which

were investors.

For purposes of the parcel survey, and for the rest of the ownership and housing market analysis, we divided Salem into five neighborhood study areas, corresponding to the city's distinct market areas or neighborhoods, shown in Figure 2 on page 7. The QIZ Zone, located entirely in Area 3, is also shown on the map. We found significant differences in housing conditions and market trends between these five areas.

The results of the parcel survey are shown in Tables 5A and 5B, including both the absolute number of properties in each area by condition, and the percentage distribution by condition, and summarized in Figure 4. This information brings out the scale of the challenge facing Salem. Strictly speaking, the only properties that may not need *any* work are those classified as 'excellent', or only one out of every five homes in the city. While many 'good' properties need no work, some may need minor or cosmetic improvements, such as addressing peeling paint or repairing gutters. 'Fair' properties will usually require more substantial work, while 'poor' properties require either major renovation or demolition. 87% of the properties in 'poor' condition are vacant. Moreover, the survey only evaluated the exterior condition of the property. Many properties that may appear to be in sound condition from the outside may have interior conditions, such as wiring or plumbing deficiencies resulting from deferred maintenance, that need repair or replacement.

**TABLE 5A: Condition of 1 to 4 family properties by focus area (number of properties)**

	Area 1	Area 2	Area 3	Area 4	Area 5	CITY
<b>Excellent</b>	71	84	67	26	84	290
<b>Good</b>	111	128	150	122	96	607
<b>Fair</b>	48	89	176	62	25	400
<b>Poor</b>	21	9	62	26	1	119
<b>NA</b>	3	12	4	5	1	25
<b>TOTAL</b>	254	322	459	241	165	1441

**TABLE 5B: Condition of 1 to 4 family properties by focus area (percentage distribution)**

	Area 1	Area 2	Area 3	Area 4	Area 5	CITY
<b>Excellent</b>	28%	26%	15%	11%	25%	20%
<b>Good</b>	44%	40%	33%	51%	58%	42%
<b>Fair</b>	19%	28%	38%	26%	15%	28%
<b>Poor</b>	8%	3%	14%	11%	1%	8%
<b>NA</b>	1%	4%	1%	2%	1%	2%
	100%	100%	100%	100%	100%	100%
<b>Fair or Poor</b>	27%	31%	52%	37%	16%	36%



36 percent, or more than one out of every three properties, are likely to need more than cosmetic repairs or improvements before they are likely to be of interest to most potential homebuyers, since it is a rare buyer who both has the money and is willing to spend the time to carry out major repairs on their new home. The worst housing conditions are in Area 3, while the best are in area 5, which contains most of the housing constructed in the city since the 1950s.

The above description is of the total housing stock regardless of ownership. To better understand the character of the stock, we have broken it down in two ways:

- By occupancy: vacant or occupied
- By ownership: owner-occupants, local landlords (with a Salem address)<sup>5</sup>, and out-of-town landlords

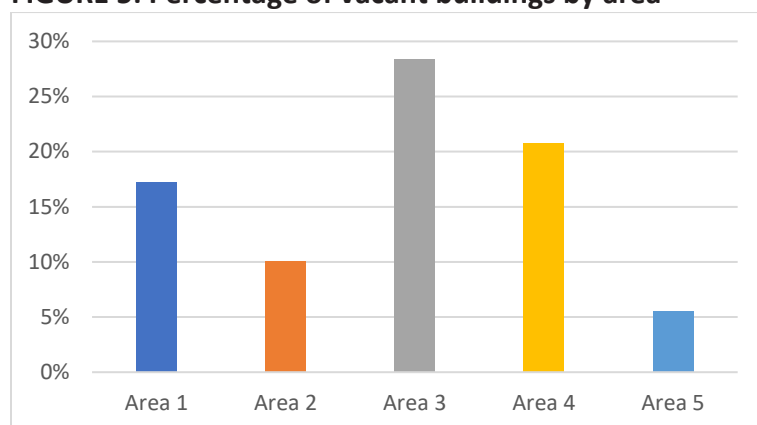
**FIGURE 4: Condition of 1 to 4 family properties by focus area**



Of the 1,416 Class 2 properties that were scored for condition, 261, or 18 percent, were determined to be vacant buildings. As Figure 5 shows, they are disproportionately located in Area 3 and to a lesser extent in Area 4. Area 3 contains 129 or nearly half of the 261 vacant structures identified in the parcel survey, far more than in any other part of the city. In addition to vacant buildings, the parcel survey identified 224 vacant lots in Salem, excluding properties used as community gardens or parking lots, representing 11% of all parcels in the city. 110, or just under half are located in Area 3.

There are a total of 214 parcels in the QIZ zone, which is located in Area 3 (shown in Figure 4). This area tends to have the worst property conditions of any part of the city. The condition and occupancy status of those parcels is shown in Table 6. More than 1 out of 3 parcels in the area is either a vacant house or vacant lot, while over 40% of the occupied homes are in fair or poor

<sup>5</sup> Some of these landlords do not actually live in the city of Salem, but in the adjacent townships of Mannington and Elsinboro.

**FIGURE 5: Percentage of vacant buildings by area****TABLE 6: Type and condition of properties in QIZ zone**

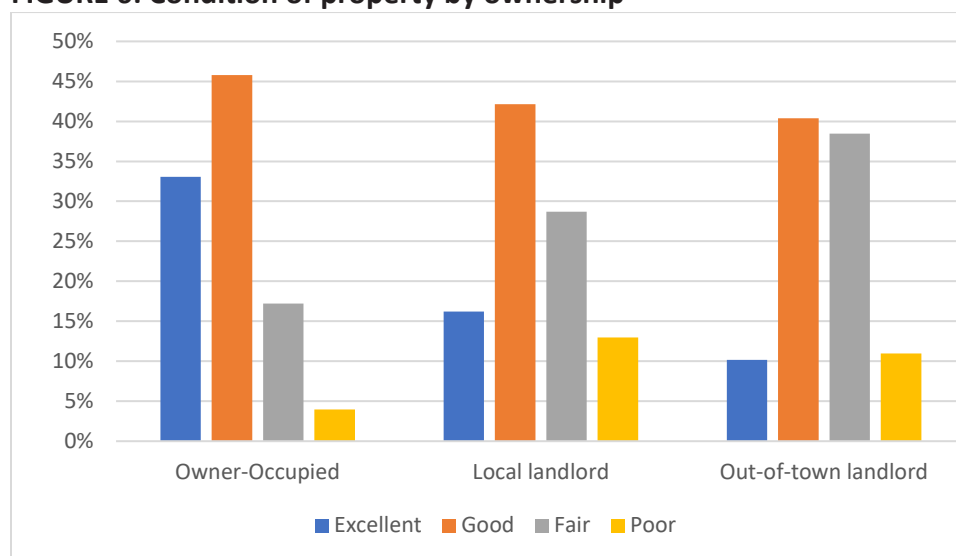
	GOOD	FAIR	POOR	TOTAL
Occupied residential structures	54	40	1	95
Vacant residential structures	3	26	17	48
Vacant lots				31
Other parcels (gardens, multi-family, commercial, etc.)				40

condition, in need of substantial repairs or improvement. Surprisingly, though, the share of homeowners appears to be relatively high, with nearly 1 out of 3 occupied residential properties owner-occupied.

Of the 1 to 4 family properties in the city 59% are absentee owned; of these, nearly three quarters are owned by investors who live outside the city of Salem, while a quarter are owned by Salem residents, often living in the same neighborhood or block as their rental properties. Outside investors are mostly from nearby communities like Bridgeton, Carney's Point or Sewell, but a substantial number are from farther away, including 48 whose owners have addresses in New York City or Long Island.

There is an old saying in real estate that the closer landlords live to their properties, the better landlords they are. This is born out in Salem, where, as Figure 6 shows, out of town landlords are much more likely to have properties in fair condition – in need of substantial improvement – and less likely to have properties in excellent condition than local landlords. As is generally true elsewhere, owner-occupied housing tends to be in the best condition, although there are a significant number of owner-occupied units in need of substantial work.<sup>6</sup>

<sup>6</sup> This graph includes both occupied and vacant residential properties. The small number of 'owner-occupied' properties in poor condition is made up of vacant properties that are still listed on the tax rolls as belonging to their one-time owner occupants, so are not technically owner occupied at this point.

**FIGURE 6: Condition of property by ownership**

## Housing market conditions and trends

The condition of the housing market in a city or neighborhood is evaluated by looking at three key measures:

- The number of sales, as a percentage of properties (sales ratio)
- The median sales price
- The share of all buyers who are owner-occupants versus investors.

These three factors measure the housing market directly. In addition, we can look at other measures, such as crime or tax delinquency, which either influence or reflect the strength or weakness of the housing market. Since all of these measures change over time – sometimes slowly, sometimes more quickly – by looking at those changes we can get a sense of how the market is trending, and whether the overall direction is upward, downward, or flat, with little or no change. The data comes from the SR1A forms which are filed for all real estate transfers in New Jersey.<sup>7</sup>

While sales price and investor share are self-explanatory, the *sales ratio* calls for a brief explanation. The sales ratio is the ratio between the number of sales in a given year, and the total number of properties in the pool in which the sales take place. For purposes of this study, the pool is the number of Class 2 properties in the city and in each area. So, if 7 properties sold in a given year in an area where there are 100 properties in the pool, the sales ratio would be 0.07 or 7%. In the United States, as a rule of thumb, an average of 7% of residential properties turn over each year, with the average varying between 5% and 10% in any given year. What

<sup>7</sup> Investors and owner-occupant buyers were classified using the same address and name matching approach used to look at the city's housing stock. Sales transactions for under \$1,000 were excluded, as these transactions are not likely to be arm's length sales.

that means is that, for sales to absorb the supply of properties coming on the market, the volume of sales each year should be between 5% and 10% of the pool of relevant properties, which in the case of this study is made up of the city's Class 2 properties.

Table 7 on the following page presents data for the three key market measures for the city and for each area from 2017 through 2021. A number of important points about Salem's housing market jump out of this data:

- ***Properties usually sell when they come on the market in Salem.*** In contrast to some low-value housing markets elsewhere, where too few properties sell to absorb the supply, the sales volumes in Salem and in each area within the city are consistently within the 5% to 10% range that reflects a normally-functioning housing market.
- ***The Salem housing market is overwhelmingly an investor's market.*** Over the last five years, 3 out of 4 sales of 1 to 4 family houses in Salem have been to investors, rather than owner-occupant buyers. This reflects a continued erosion of the homeownership rate in Salem. As existing homeowners, who – as we saw earlier – are disproportionately elderly, age out, they are much more likely to be replaced by investors – most probably from outside Salem – than by younger homebuyers. There does appear to be a modest improvement over time; the share of owner-occupant buyers has increased from 19% in 2017-2018 to 29% in 2020-2021.
- ***House prices in Salem are low but rising.*** Compared to New Jersey, where the median sales price in 2021 was \$435,000 and Salem County where the median was \$188,500, sales prices in the city of Salem are very low. They have begun to rise in the past two years, though, as shown in Figure 7 and Table 8, increasing from \$16,375 in 2017 to \$46,500 in 2021.

In recent years a large gap has opened between the typical price paid by investors and that paid by homebuyers. This is a potentially significant development. As is well known, the factors driving homebuyer decisions are very different from those driving investor decisions. Investors are purely driven by whether they can make a reasonable return from the property, while homebuyers – who generally expect to live in the house for many years – are concerned with the condition and appearance of the neighborhood, not just the house. Furthermore, investors are willing to buy a house that needs substantial work, as long as the numbers work, while few homebuyers want to buy a house that needs more than minimal or cosmetic work. This is particularly true of low to moderate income homebuyers, who tend to have limited savings and cannot afford to carry two houses at the same time, living in one while restoring the other.

When we apply these factors to the Salem market, it points to a clear pattern. *There is a growing demand by homebuyers for houses in Salem that are both in good condition and located in reasonably attractive surroundings.* The number of homebuyers is increasing – from 48 in 2018-2019 to 91 in 2020-2021, and the typical sales prices are steadily increasing. At the

**TABLE 7: Housing market data for Salem by Area 2017 through 2021**

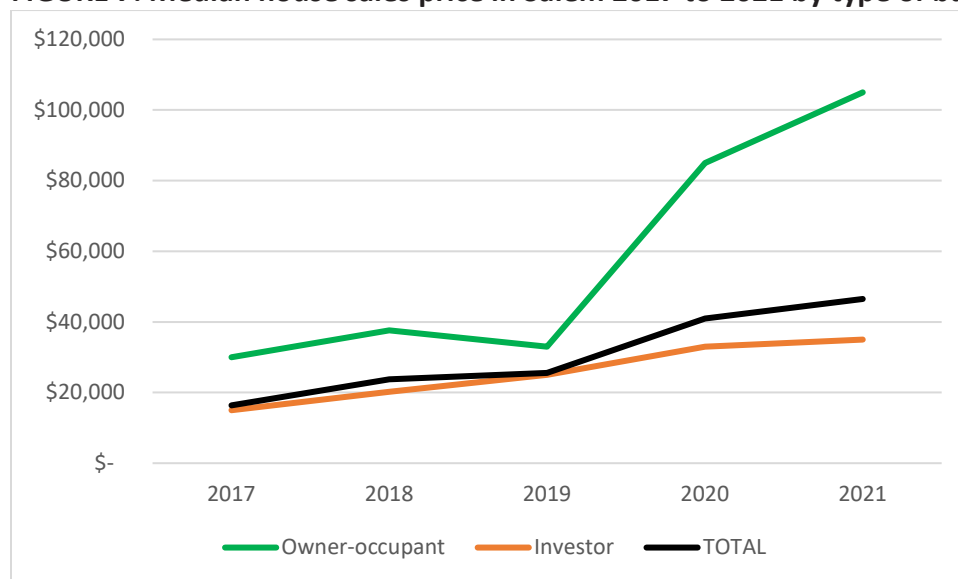
AREA 1	2017	2018	2019	2020	2021	TOTAL	%
Investor	9	20	2	10	15	56	73.7%
Owner Occupant	1	2	7	8	2	20	26.3%
Sales ratio (see note)	0.039	0.086	0.035	0.071	0.067	0.060	
Investor	\$17,000	\$26,000	\$34,750	\$46,000	\$35,000		
Owner Occupant	\$17,000	\$57,050	\$53,000	\$81,000	\$112,500		
AREA 2							
Investor	27	41	17	23	34	142	79.3%
Owner-Occupant	9	6	6	5	11	37	20.7%
Sales ratio (see note)	0.110	0.143	0.070	0.085	0.137	0.109	
Investor	\$16,000	\$22,500	\$29,000	\$35,000	\$46,500		
Owner-Occupant	\$27,300	\$42,385	\$29,100	\$42,000	\$105,000		
AREA 3							
Investor	44	27	29	35	41	176	86.3%
owner-occupant	5	5	6	2	10	28	13.7%
Sales ratio (see note)	0.105	0.069	0.075	0.082	0.109	0.088	
investor	\$11,005	\$12,075	\$20,500	\$27,500	\$31,000		
owner-occupant	\$30,000	\$15,000	\$28,500	\$37,250	\$72,500		
AREA 4							
Investor	12	12	6	11	18	59	65.6%
Owner-occupant	5	5	6	5	10	31	34.4%
Sales ratio (see note)	0.063	0.063	0.044	0.059	0.103	0.066	
Investor	\$7,850	\$15,500	\$17,935	\$35,000	\$32,500		
Owner-occupant	\$13,500	\$67,500	\$26,250	\$40,000	\$82,450		
AREA 5							
Investor	13	2	5	6	2	28	43.8%
Owner-occupant	5	4	1	13	13	36	56.2%
Sales ratio (see note)	0.109	0.036	0.036	0.115	0.091	0.078	
Investor	\$21,000	\$57,350	\$25,000	\$116,500	\$74,950		
Owner-occupant	\$75,000	\$65,250	\$84,900	\$113,900	\$144,500		

NOTE: Sales ratio refers to the ratio between the number of sales and the total pool of Class 2 (1 to 4 family) properties in the area. See text for more details.

**TABLE 8: Median house sales price in Salem 2017 to 2021 by type of buyer**

	2017	2018	2019	2020	2021
Owner-occupant	\$ 30,000	\$ 37,635	\$ 33,000	\$ 85,000	\$ 110,000
Investor	\$ 15,000	\$ 20,250	\$ 25,000	\$ 33,000	\$ 35,000
City Total	\$ 16,375	\$ 23,751	\$ 25,600	\$ 41,000	\$ 46,500



**FIGURE 7: Median house sales price in Salem 2017 to 2021 by type of buyer**

same time, most houses are still selling at significantly lower prices to investors, who are less concerned about either house or neighborhood condition. Landlords are buying houses that are likely to need \$30,000 or more in repairs and improvements, in all of the city's neighborhoods except for Area 5, where prices are rising to where houses may no longer be profitable to rent out. Examples of houses that sold for \$147,000 or more to homebuyers in 2021 are shown in Figure 8.

This points out a central challenge to Salem's efforts to build homeownership and a stronger housing market: the limited supply of homes that meet the necessary criteria of condition and location. Changing that condition should be a critical part of the city's housing strategy, which will be discussed further in later parts of this report.

We can get a further sense of the homebuyer market by using data from the Home Mortgage Disclosure Act (HMDA) to look at the characteristics of people buying homes in recent years in Salem. The HMDA data provides information on age, race or ethnicity, sex and income level for people receiving mortgages from institutions required to report under the law. The data also allows the user to screen for people who received purchase mortgages to buy homes which they indicated would be their principal residence; that is, owner-occupant homebuyers. During 2020 and 2021, a total of 73 mortgages were made for that purpose. This is almost identical to the number of homebuyers identified through the address match method from the SR1A forms.<sup>8</sup>

<sup>8</sup> It is possible that some investors misrepresented themselves as homebuyers for mortgage purposes, because in some cases, homebuyers may receive either/both lower rates and lower down payment requirements than investors.

**FIGURE 8: Houses bought by homeowners in Salem in 2021 for \$147,000 or more**



The HMDA data allows us to create a profile of Salem homebuyers:

- They are a diverse group reflecting the current mix of homeowners by race and ethnicity in the city, with a slightly growing share of Latino homebuyers.<sup>9</sup> While the majority of Black homebuyers are women, the majority of white or Latino homebuyers are couples.
- They are relatively young, with a median age of 39 compared to a median age of 47 for all homebuyers in the United States. That suggests that the buyers are more likely to be first-time homebuyers and less likely to be “move-up” buyers than is the case in the national homebuying market.
- They are predominately moderate or middle income, with a median of \$47,500, little more than half the national homebuyer median of \$86,000. Nearly two-thirds had incomes between \$35,000 and \$75,000.

<sup>9</sup> Checking for Spanish surnames on the SR1A forms listing real estate transactions suggests that the growth in Latino homebuyers may be greater than indicated in the HMDA data. Such a check found that of 46 likely-homebuyer transactions in 2021, 11 had clearly Spanish surnames, and 2 probably Spanish surnames, making up roughly one-quarter of all homebuyers.

**TABLE 9: Characteristics of Salem homebuyers in 2020 and 2021**

	MALE or JOINT BUYER	FEMALE BUYER	NOT AVAILABLE	TOTAL BUYERS
Black	9	13		22
Non-Latino White	22	7		29
Latino	7	3		10
Asian or Pacific Islander	2	0		2
Native American	0	1		1
Not available	2	1	6	9
	42	25	6	73

AGE DISTRIBUTION		INCOME DISTRIBUTION	
<25	6	0-\$34,999	10
25-34	22	\$35,000-\$49,999	27
35-44	18	\$50,000-\$74,999	16
45-54	10	75,000-\$99,999	8
55-64	7	\$100,000+	7
65-74	5		
75+	1		
MEDIAN	39 years	Median	\$47,500

This suggests that there may be a fairly large pool of potential homebuyers in Salem *under the right conditions*. The buyers profiled in Table 9, however, bought their homes during a period when home purchase mortgage interest rates were exceptionally low, for much of that period under 3 percent, thus making their homes highly affordable. Today, with the typical 30 year fixed rate mortgage carrying an interest rate over 6 percent, with typical Salem taxes,<sup>10</sup> a buyer putting 10 percent down can afford a house price equal to roughly 3 times their gross income. Today's higher interest rates, which may go higher yet over the next year or more, are likely to have two effects, which act in opposite directions:

- Higher mortgage interest rates will make even Salem's houses relatively expensive, and potentially unaffordable, to the lowest 25% to 30% of the current pool of potential homebuyers, households earning under the mid-\$40,000's.
- Higher mortgage interest rates will make houses in towns that compete with Salem for buyers still more expensive, making houses in Salem more attractive for many in the current pool with moderately higher incomes as long as typical prices remain under

<sup>10</sup> In order to estimate the effect of property taxes, we took eight recent sales and calculated the taxes as a percentage of purchase price. We found an unusual pattern, in which taxes on five of the houses were between 2.5% and 2.7% of the price, and on three were between 3.6% and 3.9% of the price. The latter three appear to be in the range of the official tax rate. This suggests that a close look at the assessments of properties in the city might be in order.

around \$200,000.

This suggests a potential opportunity for Salem, *but only if enough homes are made available that meet both property and neighborhood conditions at the right price levels.*

Finally, market conditions in Salem are powerfully reflected in the widespread pattern of property tax arrears in the city. Like most other New Jersey municipalities, Salem is highly dependent on property taxes to cover the municipal and school budgets. The city's tax collection rate of roughly 80 percent is very low, reflecting the fact that a disproportionately large number of city properties are in tax arrears.<sup>11</sup> According to information provided by the city, at the end of summer 2022, tax sale certificates or tax liens were outstanding against 469 properties, nearly one out of four properties in the city. Of these, the great majority were investor-owned properties, but roughly one-quarter (114 properties) were owner-occupied homes. While in some cases this is likely to reflect property owners' financial circumstances and hardship, in other cases it may be an indication of owners' lack of interest in continuing to own the property, maintain it and pay taxes on it.

A further concern, from a market and budget perspective, is the fact that far more tax liens have been struck off to (retained by) the city than purchased by investors. According to city records, out of the 469 properties with tax liens, the city holds the liens on 250 or well over half. In the most recent tax sale, in the fall of 2022, 55 out of 77 properties, or 71% were struck off to the city, and only 29% bought by investors. By comparison, in the city of Trenton, 85% of the properties put up for sale in the 2021 tax sale were bought by investors.

The fact that the city holds these additional tax liens suggests possible opportunities, in that it means that the city can foreclose on these liens and gain control of the properties for future reuse or redevelopment. It also means, however, that the tax lien investor industry, which includes many sophisticated investors, is reluctant to buy tax liens on many Salem properties, a serious negative market signal. It also means that the city is unlikely ever to recover most of the taxes owed by tax delinquent property owners, further increasing the burden on those property owners who *do* pay their taxes.

In the short run, the city is already taking an important step, by significantly increasing the number of properties it is taking through tax foreclosure. That should send a signal to owners that if they don't pay their taxes, they *will* lose their properties. The risk in that strategy is that the city becomes directly responsible for maintaining a growing number of properties that may not have an immediate reuse. In the long run, the only real solution lies in improving market conditions to the point where owners realize that their properties not only have value, but are likely to appreciate over the coming years.

The following sections contain our recommendations for action to improve housing conditions

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<sup>11</sup> A rule of thumb in municipal finance is that the property tax collection rate should be no less than 90% as an absolute minimum, and preferably considerably higher.

and the housing market in Salem. The recommendations cover three areas: (1) increasing homeownership; (2) improving the quality of rental housing; and (3) fostering revitalization and improving the quality of life in Salem's neighborhoods.

## II REBUILD HOMEOWNERSHIP IN SALEM

A reasonably high homeownership rate is a valuable asset to any residential neighborhood, especially those largely made up of single-family homes as in Salem. Research has shown that homeownership, *independent of household income*, tends to foster neighborhood stability, greater property maintenance, and greater neighborhood engagement, as well as positive outcomes for families and children. While homeownership is no guarantee of wealth-building, it often has that outcome, and represents the only realistic path to that goal for many lower and middle-income households. Encouraging homeownership, and supporting both new home buyers and existing homeowners, should be a key element in the city of Salem's housing strategy.

The central challenge for Salem is to increase the share of homebuyers among those buying single-family properties in the city. At present, the great majority of people who buy the homes that come on the market in Salem are investors. Although the investor share of single-family home purchases declined from 81% in 2017-2018 to 71% in 2020-2021, that is still a very high share (compared to 10%-20% nationally), which is leading to continued erosion of the city's already-low homeownership rate.

A closely related challenge is the situation of the city's current homeowners. As we have noted earlier, Salem's homeowners are disproportionately older individuals and couples – one out of three is over 75. The great majority of elderly homeowners in Salem are single individuals living alone. Although Salem's homeowners earn more on average than the city's renters, many have quite low incomes; nearly 300 of Salem's homeowners have annual incomes below \$25,000. Limited financial resources, combined with likely physical limitations among many of the elderly homeowners, are likely to constrain many current homeowners' ability to maintain their homes, many of which are over 100 years old.

Although we do not have specific data on this point, experience elsewhere strongly suggests that many of Salem's owner-occupied houses – over and above those identified as being in need of improvement from the exterior survey – may suffer from deferred maintenance and be in need of extensive interior repairs or improvements, including the likely need to upgrade or replace major systems such as wiring and plumbing. This is a problem in two respects. First, it means that many elderly homeowners may be living in unhealthy or unsafe conditions, and may even be forced to vacate their homes if they become unlivable. Second, it means that at the point when the homeowners move or pass away and their homes come on the market, they



are unlikely to be bought by an owner-occupant buyer, but at best by an investor, who will spend the necessary dollars to make the place habitable but little more. In the worst cases, these homes may find no buyer and may be abandoned. *As a result, the two strategies outlined below, building the market for new homebuyers and sustaining existing homeowners, are closely tied to one another.*

A third challenge must also be addressed. Homebuyers do not just buy a home, they buy a neighborhood. Unlike renters, who tend to move much more often, homebuyers generally buy with the expectation that they will live in the house for an extended period. They are, therefore, far more concerned with the quality of the surroundings of the home they are buying than are investors, for whom a home purchase is purely a financial proposition. Building a stronger homebuying market is not only a matter of making sure that suitable homes are available for purchase, but that their neighborhood setting is also seen as desirable by prospective homebuyers.

That leads to an important point to consider in terms of the strategy. Salem's neighborhoods vary widely in terms of their appeal to potential homebuyers. There are some areas where a homeownership strategy could be highly effective in the immediate or short term, and others where extensive improvements to the neighborhood may be needed before they will be attractive to the typical homebuyer, particularly in terms of vacant properties, public infrastructure, public safety and other features. Thus, *for purposes of the homebuying element of the housing strategy*, it is advisable to begin by identifying key areas that are already close to being homebuyer-ready, where more modest improvements can potentially lead to a significant increase in homebuying.

### **Homeownership Strategy 1: Build a support system for Salem's existing homeowners**

The support system for existing homeowners is designed to further two closely related goals:

- To ensure that existing homeowners, particularly lower-income and elderly owners, can remain safely in their homes and age in place
- To increase the likelihood that, when their homes come on the market, homeowners will realize some equity and that their homes will be bought by new homebuyers rather than investors.

#### **A. *Create a program to make health and safety improvements in homes owned by low-income homeowners***

Many Salem homeowners live in homes in need of repair. Based on the parcel survey, we estimate that only one out of three homeowners lives in a home that needs *no* repair or

enhanced maintenance, although in many cases, the needs are modest. Since the survey was limited to exterior observation, it may well have underestimated the extent of the need. Unaddressed repair needs not only mean that the owner is likely to be living in unsafe or unhealthy conditions, but that the unit will either be bought by an investor or abandoned in the future.

The City of Salem should partner with a qualified organization or organizations with prior experience to establish a scalable program to make critical repairs and improvements in the homes of low-income owner-occupants to enable them to remain in their homes, including:

- Repairs to basic life systems, such as HVAC, electrical wiring and plumbing
- Improvements to ensure accessibility and life safety for elderly owners
- Energy efficiency improvements.

Many funding sources are potentially available for this work, including HUD Community Development Block Grant funds (through Salem County or NJDCA), USDA Section 504 Home Repair Funds, Weatherization Assistance (operated in Salem by Gateway Community Action Partnership), the Board of Public Utilities' Comfort Partners program, and others. In addition, some organizations, such as Habitat for Humanity, carry out home repair and improvement programs for low-income homeowners.<sup>12</sup>

### KEY ACTION STEPS

The partner(s) engaged by the city should help develop the program, secure regular funding sources and administer it citywide, either carrying out repairs themselves or working with private contractors. The city should help secure funds that address all three of the areas above – health and safety, accessibility and weatherization improvements, which should then be integrated into an initiative that is well-targeted and as seamless as possible to the user. Depending on the funding source(s), a program of this sort can either provide outright grants to qualified homeowners, or soft loans which come due only when the house is sold or which 'burn off' over 5 to 10 years.

Despite the many potential sources, it is unlikely that there will ever be enough funds to address all repair needs for all income-qualified homeowners. As a result, it is important to target these resources toward those homeowners with lower incomes and with the most critical repair needs. The city may want to consider working with its partners to secure additional funds for visible but non-critical improvements on blocks targeted for the whole block strategy as discussed below (Homeownership Strategy 2).

<sup>12</sup> It should be noted that programs tend to have different qualifying rules; for example, some programs are available to all low-income owners, while others only to low-income senior citizens. Similarly, income cut-offs may vary from program to program. Experienced housing providers are used to dealing with such complications.

As an adjunct to the larger repair program, the city and its partner(s) should explore creating a small-scale ‘Rapid Repair Response’ program, perhaps in conjunction with the Salem County Career & Technical High School, or the training center being developed by Stand Up for Salem, to make small repairs on request without cost to the homeowner. Such a program could provide benefits to both the homeowners and the trainees at a very modest cost.

The health and safety improvement program should be available on a citywide basis to income-eligible homeowners with critical repair needs. It should be linked to the next program, particularly in key target areas, as discussed below.

**B. *Create a program to increase marketability of existing owner-occupied homes on resale***

The homes of many low-income owners, even if not in need of immediate health and safety repairs, suffer from many years of deferred maintenance and gradual deterioration of facilities and surfaces. Many homes may also be functionally obsolete in terms of the demands of today’s homebuyers; for example, a house with only one bathroom is likely to be of interest only to an investor, not a homebuyer. To address that last issue, one nonprofit developer in Rochester, New York, raised funds to set up a program to install half-bathrooms in houses in their neighborhood to make their homes more appealing to homebuyers.

### **KEY ACTION STEPS**

- (1) Identify a nonprofit partner to establish and conduct a program to assist lower-income and elderly homeowners to make sure that they have clear and marketable title to their homes and valid wills, as well as, where appropriate, living wills and powers of attorney.
- (2) In conjunction with that process, organize outreach to lower income homeowners to increase their awareness of the value of their homes, including workshops on maintenance and increasing their future marketability.
- (3) Identify a flexible source of funds to permit adding a small amount to each repair grant or loan made under Strategy 1.A (perhaps around \$5,000) to be used for small, quality of life and cosmetic improvements to the homes of owners that receive repair assistance. If flexible resources are limited, this element can be offered (1) only to elderly homeowners; and/or (2) only in target areas designated for Homeownership Strategy 2 below.

Impediments to successful reuse of long-term owner-occupied houses go beyond the physical condition of the properties. Many long-term elderly owners may not have valid wills, and many of their homes may have clouds on title, such as unresolved liens dating back many years. Either or both can make a property effectively unmarketable, and at severe risk of ending up abandoned.

It will be more difficult to implement a program to upgrade the homes of lower-income and elderly owners for future marketability than to carry out the proposed program to make life safety and basic systems repairs. Funding is likely to be more difficult to obtain, and the goal of the program is less clear-cut. For that reason, we suggest that it be pursued in a more limited way, with a focus on addressing non-physical issues first, such as title and estate issues, and linking physical improvements to the repair program described above.

## **Homeownership Strategy 2: Establish a targeted program to increase homeownership in Salem**

The larger and more complex task facing the city in this sphere is that of reversing the long-term decline in homeowners in the city of Salem, and rebuilding the city's appeal to prospective homebuyers. It is a complex task, because many things go into individuals' decisions about what homes to buy and where to buy them. A strategy to build demand, therefore, must not just be aimed at properties, but also at changing individuals' market behavior. That is not an easy task, nor is it something that can be achieved through a few short-term, "one-off" activities. It requires a sustained effort over time, and requires the involvement of many key players outside city government, including property owners and the real estate industry.

We strongly believe that such an effort is realistic and worth making. As we noted earlier in this report, there has been a small but perceptible uptick in the number of homebuyers in Salem since 2020 and the prices they are willing to pay for houses (Figure 9).<sup>13</sup> While one should not read too much into these numbers – they are still very low – we believe they support our premise. Our survey of recent homebuyers, although very small (only six responses) offers further support: five out of six recent homebuyers said that they would "definitely" or "probably" recommend to a friend or family member that they buy a home in Salem. At the same time, these homebuyers were realistic about their city. When asked "what would make Salem more attractive for homebuyers?"<sup>14</sup> their answers fell into three categories:

- Improve homebuying options by making more good-quality housing available, providing financial assistance for homebuyers, or helping potential buyers navigate homebuying
- Improve public safety

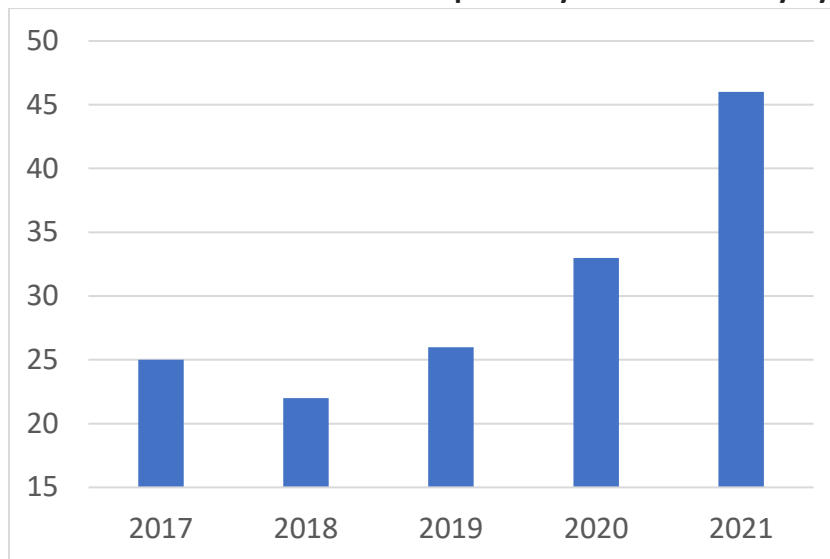
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<sup>13</sup> For data on house prices, see Tables 7 and 9 on pages 17 and 20 of this report.

<sup>14</sup> Respondents could name up to three different things in response to this question.

- Improve downtown, attract more businesses and remove vacant/abandoned properties.

**FIGURE 9: Number of owner-occupant buyers in Salem City by year 2017-2021**



As we discussed earlier, the homes people are buying to live in, as distinct from invest in, are houses that are both in good condition and located in reasonably attractive surroundings. *The central goal of the strategy to rebuild the homebuyer market is to increase the number of houses in Salem that meet those criteria.* Achieving that goal, however, needs to incorporate parallel efforts to both increase potential buyers' awareness of Salem as an option, and to make it easier for them to buy in the city.

We recommend that the city establish a homeownership-building program centering on rehabilitation of vacant, abandoned houses in selected target areas – individual blocks or block clusters – in the city. The bulk of the city's efforts should be targeted initially to a few key blocks or block clusters. From the standpoint of a homebuyer marketing strategy, Salem's blocks fall into three general clusters:

- Clusters where homeownership rates are relatively high, and where houses generally come on the market in good condition and are usually bought by homebuyers rather than investors.
- Clusters where abandoned buildings and vacant lots are widespread, with few homeowners, and most buildings need major repair or upgrading.
- Clusters where houses are mostly in good condition and owned by a mix of homeowners and investors, but with scattered abandoned houses, vacant lots and homes visibly in need of repair.

Clusters in the first group do not really need to be the focus of a targeted strategy, although they will benefit indirectly from any efforts to market the city to prospective homebuyers. Clusters in the second group will require major, large-scale investment before they are likely to



become appealing to any significant number of homebuyers, so that the type of strategy that is realistic at this point would be unlikely to succeed. It is the clusters in the third group which both need intervention and can benefit directly from a targeted homebuyer strategy.

It is also important to start small – but not too small – and concentrate efforts to encourage what might be called “positive spillover.” If enough improvements are made in an area, they tend to foster other improvements – people start fixing up their homes in order to live up to the rising standards being set.

While rehabilitation of vacant, abandoned properties is the core of the program, our recommendation is to go beyond that where possible to embrace what is known as a “whole-block” approach, making the entire block an attractive, desirable place for a family to buy their home and put down roots, as well as a place where existing owners and renters will want to stay. The individual blocks or block clusters where this program is pursued should be designated by the city in conjunction with the city’s revitalization partner(s), but should align with the characteristics in the third bullet above.

#### **KEY ACTION STEPS: IMPROVING STRUCTURES ON THE BLOCK**

- (1) Identify and select qualified partner(s) to administer the core elements of the program, including assembling the vacant properties in the target blocks and organizing the rehabilitation of the properties. (The lead partner(s) should also be responsible for working with residents to identify other physical improvements needed on the target blocks, such as those noted in the next cluster of activities, and working with the city to identify pathways for getting those accomplished.) This could be a major responsibility of the Revitalization Partner, as described in Section IV (p. 61).
- (2) Assemble **all** of the vacant, abandoned structures on the target blocks for rehabilitation, or where necessary, demolition.
- (3) Rehabilitate the vacant structures for homeownership. This can include rehabilitation and sale to homebuyers as well as potential homesteading activities.
- (4) Construct additional new infill housing units for homeownership on vacant lots if determined to be feasible.
- (5) Assist owners of occupied properties in poor condition on target blocks to upgrade their properties, including assistance to homeowners as described in Strategy 1 above, and through a combination of regulatory action and assistance to landlords (see Sec. III.)

Since many blocks in Salem include vacant lots (many owned by the city) as well as vacant houses, the whole-block approach may also include construction of new infill houses, as there are many home buyers who have a strong preference for newly built homes. Wherever new houses are built, however, it is critical that they be designed and sited in ways that enhance the existing character of the block, rather than conflict with it.

### **COMPLEMENTARY ACTION STEPS: PHYSICAL IMPROVEMENTS**

- (1) Improve public realm through activities including street and sidewalk repair and shade tree planting.
- (2) Improve vacant lots, including greening strategies and sale of lots as side lots to adjacent homeowners (see Sec. IV), where not used for infill housing.
- (3) Address public safety concerns (see Sec. IV.)

The program we propose contains a number of elements that would ideally be pulled together and executed simultaneously to be most effective. Those elements can in turn be divided into three broad categories: improving the physical structures on the block, pursuing other physical improvements, and putting in place supportive activities to complement the physical work. All are important. The first category, improving the structures, forms the core of this strategy.

### **SUPPORTIVE ACTION STEPS: MARKET-BUILDING STRATEGIES**

- (1) Provide homebuyer pre-purchase education and counseling, as well as post-purchase support for new homeowners, particularly those of lower income, including ensuring availability of Spanish language information and services.
- (2) Create incentives for owner-occupant buyers of homes both generally in Salem, and specifically for rehabilitated or new properties in target blocks. General incentives should include down payment and closing cost assistance. Incentives should also be available to third-party rehabbers and realtors to sell homes to owner-occupant vs. absentee buyers.
- (3) Work with lenders and USDA Rural Development to ensure that mortgages on good terms are available for homebuyers. Particular effort should be made to facilitate use of the USDA Section 502 Direct Loan Program, which provides mortgages to income-qualified buyers at significantly below-market interest rates.<sup>15</sup>
- (4) Identify tenants in occupied properties which the city owns or on which it holds a tax lien who may be potential candidates to purchase the units they occupy, and assist them to become homeowners.
- (5) Work with supportive Realtors in the Salem area to make them the city's partners in marketing Salem to homebuyers.<sup>16</sup> Marketing partners will provide information on Salem to prospective buyers, and highlight the improvements and homebuyer incentives that the city is offering. The city may want to explore other ways to market the city to potential homebuyers, including use of social media.

At the same time, it is important to think about strategies that help build the market by identifying more potential homebuyers, and ensuring that those buyers have the information

<sup>15</sup> As of October 1 2022, the interest rate on Sec. 502 direct loans was 3.25%.

<sup>16</sup> The city may want to consider becoming an affiliate member of the Gloucester-Salem Board of Realtors in order to participate in Realtor events and activities, and build stronger relationships with the Realtor community.

and support they need not only to buy responsibly, but to be able to sustain their homeownership over time. In that respect, one important area is to ensure that adequate information about homebuying and mortgage access, as well as access to homeownership education and counseling, are available in Spanish, to address the needs of the growing number of present and potential Latino homebuyers in the city (see Supportive Action Steps below).

The city and its partners will have to secure substantial funding for this program. It is likely that as much as \$50,000 to \$100,000 will be needed in gap subsidy for each vacant house rehabilitated or new home built and sold to a new homebuyer, in addition to the many additional costs associated with the other physical improvements and the supportive activities needed. We expect that the principal sources of funds will be Federal agencies (HUD and USDA) and state agencies (DCA, HMFA and EDA).

It is the *first* vacant, abandoned house on a block that does most of the damage to the property values and quality of life of its neighbors – additional vacant houses just add to the damage already done. As a result, to be effective, vacant property strategies need to address not some, but all of the vacant properties on a given block or other area. That, in turn, means that aggressive but selective property acquisition is critical to the success of this program (see Key Action Steps: Property Acquisition below).

### KEY ACTION STEPS: PROPERTY ACQUISITION

- (1) Identify and hold all currently city-owned vacant properties in the selected target blocks and block clusters. Where necessary, stabilize properties to ensure that they are suitable for rehabilitation.
- (2) Identify all properties on which the city holds tax sale certificates in the selected target blocks and block clusters, and begin immediate foreclosure proceedings. Under N.J.S.A. 54:5-86(b), the municipality can initiate foreclosure proceedings on properties meeting the definition of abandoned property under APRA immediately after the tax sale, rather than six months later as with other properties.
- (3) Identify owners of third-party tax liens on vacant or other problem properties in the selected target blocks and block clusters, and try to acquire as many liens as possible at reasonable cost in order to initiate foreclosure proceedings.
- (4) In future tax sales, pull abandoned properties in selected target blocks and block clusters from the regular tax sale and sell in a special tax sale to a qualified rehabilitation entity as provided in N.J.S.A. 55:19-101.<sup>17</sup>
- (5) With respect to any properties that cannot be taken through tax foreclosure, acquire them By use of the spot blight eminent domain provisions of APRA, as provided in N.J.S.A. 55:19-56(c)(2).<sup>18</sup>

<sup>17</sup> Alternatively, the city can require the buyer of a tax lien on an abandoned property to commit to rehabilitate the property and post a bond to guarantee that they will do so, as provided in N.J.S.A. 55:19-56(a).

<sup>18</sup> In order to take properties through spot blight, or put them into a special tax sale, they must first be placed on the city's Abandoned Property List as provided in §86-11 of the city's Code of Ordinances. See Sec. IV, strategy 2.

The elements that will ideally become part of this program are many, and may appear daunting. It can be done, however, and done well. *The key step is to identify partners with the capacity to take on the key areas, and to build a solid operational framework for all the partners to work well together, including clear lines of communication and assignment of responsibilities and accountability.* As part of that process, the city will need to identify an individual or organization that can act as the overall manager and coordinator of these elements, whom we refer to as the Revitalization Partner in Section IV. That entity – which may also be the entity directly responsible for the rehabilitation – should be given overall responsibility for managing the many moving parts of this program.

The city may also want to explore a limited homesteading program, a program in which vacant homes are sold for a nominal sum directly to families who will rehabilitate the house and then live in it as homeowners. This needs to be done very carefully, because many lower income families may find the cost of rehabilitation, even with some public subsidy, and the time and skills involved in managing the rehabilitation – as well as the cost of maintaining a home elsewhere until the new home is habitable – daunting. That said, there may be carefully-screened individual properties and individual families for whom this could be a good approach.

If the city pursues homesteading of vacant properties, we would recommend from a procedural standpoint that they do so through a pass-through entity which has the ability to use the more flexible redevelopment or land banking powers that are available under state law, as discussed in Sec. IV, Strategy 1, rather than relying on either the New Jersey Urban Homesteading Act or the city's Neighborhood Transformation Initiative ordinance.

### III RAISE THE BAR FOR RENTAL HOUSING IN SALEM

As we discussed in the first part of this report, Salem is predominately a city of renters, with nearly two-thirds of the housing stock rented rather than owner-occupied. Of this, slightly less than half is made up of subsidized affordable housing developments, including both public housing and privately-owned projects, and the balance is a mix of private market single family homes and small multifamily buildings. Although it is important to increase homeownership in Salem, it is clear that rental housing is needed to meet the needs of a large part of the city's residents, particularly its lower-income population. The goal of this element of the housing strategy is to ensure – to the extent feasible – that Salem's rental housing stock meets reasonable standards so that it can indeed meet the needs of the city's present and future renters.

The greatest challenge in that respect is the condition of much of the city's rental housing. As Table 10 shows, our parcel survey found that one out of three absentee owned 1 to 4 family properties were either in fair (191 properties) or poor (11 properties) condition, categories indicating that the property was likely to need either major repairs or complete renovation.

Almost all of the other absentee-owned properties showed some signs of needing more limited repairs or better maintenance. Since the survey only looked at the exterior of properties, it is likely that many properties that appeared to be in good condition have interior deficiencies, which we anticipate will be identified as the city's housing inspection program evolves.

**TABLE 10: Condition of occupied 1 to 4 unit rental properties by area**

	Area 1	Area 2	Area 3	Area 4	Area 5	Citywide	Citywide %
<b>Excellent</b>	29	25	29	4	8	95	15%
<b>Good</b>	76	75	90	52	24	317	52%
<b>Fair</b>	23	45	85	27	11	191	31%
<b>Poor</b>	3	0	7	1	0	11	2%
<b>TOTAL</b>	131	145	211	84	43	614	100%

Housing condition, therefore, will be the principal focus of this section, although we will also address more briefly two other issues affecting renters: (1) rent levels and housing affordability and (2) the possible mismatch between the housing supply and the city's demographic trends. The bulk of this section will be devoted to laying out a comprehensive approach to improving the quality of the city's rental housing stock, through a combination of regulation and supportive strategies.

Salem's rental strategies need to be ambitious but realistic. The combination of an older housing stock and a disproportionately poor renter population means that the challenges of upgrading that stock to modern standards are great, and the resources available to landlords to do so are severely limited by the rents they can charge. Yet while there are limits on the extent to which it may be possible to improve some properties, the city's goal should be that *every* rental property provides basic, decent, safe and healthy housing to its tenants, whatever their incomes or condition in life.

### **Rental Strategy 1: Establish a minimum standard of rental housing quality through proactive rental regulation**

Under New Jersey law, municipalities have broad authority to regulate rental housing to ensure the health, safety and general welfare of the tenants of the housing as well as the community as a whole. In order to exercise that authority effectively and responsibly, however, a municipality needs to put in place a well- designed, comprehensive enforcement system involving many different municipal agencies and players. In this section, we will describe the elements of such a strategy to help the city of Salem establish and enforce minimum quality standards for all housing offered for rent in the city. We will then discuss additional affirmative activities that Salem can pursue to further improve the quality of its rental housing stock.



**A. *Adopt a comprehensive rental regulation ordinance to provide a solid legal framework for the city’s rental strategy.***

The city should revise the existing rental ordinances, including Sec. 172 and part of Sec. 163 of the City Code of Ordinances to provide a stronger framework for effective regulation, and to remove language that is inconsistent with or in conflict with state statutes or case law.<sup>19</sup> In particular, the ordinance should provide for regularly scheduled health and safety inspections of all rental properties as a condition of continued occupancy,<sup>20</sup> rather than ‘change of occupancy’ inspections, which have been found to be a much less effective regulatory approach.<sup>21</sup> The ordinance should further provide for the city’s phased transition from a uniform inspection schedule to what is known as a performance-based system, as described further under Rental Strategy 2 below.

**KEY ACTION STEP**

Enact and implement a revised rental regulation ordinance designed to foster a more effective, consistent registration and code enforcement process for the city’s rental housing stock. The text of a proposed revised ordinance is provided as Appendix 1 to this report.

**B. *Create and maintain a comprehensive rental property database, and adopt a data platform which integrates that database with other data resources, including state and city tax, finance and police data.***

“Know your territory” is a basic principle of effective regulation. This means having reliable, updated information about all the rental properties in the city, and tracking their performance over time. We suggest that the database for each property should include:

- Property ownership and key contact and other information from the registration form.
- Date of registration and whether the registration fee has been paid.
- When each property has received a rental certificate, and where applicable, when a

<sup>19</sup> One such feature is the reference to rental ‘licenses’, a practice which was found by the Appellate Division to be inconsistent with state statutes in *Timber Glen Phase III v. Township of Hamilton*, 441 N.J. Super. 514, 120 A.3d 226 (2015).

<sup>20</sup> Even though state statutes do not explicitly provide for regularly scheduled inspections (as distinct from change of occupancy inspections, which are explicitly authorized), the New Jersey courts have consistently held that they are a legitimate exercise of the municipal police power; see *State v. Mill Village Apartments*, No. A-0522-14 (App. Div. Feb. 10, 2016) and *Lake Valley Associates, LLC v. Township Of Pemberton*, 411 N.J. Super. 501 (App. Div. 2010), both cited with approval in *Cona v. Township of Washington*, \_\_ NJ Super \_\_ (2018), cert. den. \_\_ NJ \_\_.

<sup>21</sup> Many ordinances require (on paper) that all rental properties be inspected whenever a unit is vacated before it is re-occupied by a new tenant. While that appears reasonable, it suffers from the fact that there is no way for the municipality to know that an inspection is needed unless the landlord voluntarily calls the municipality to ask for the inspection. This rarely happens, particularly with respect to units that are in poor condition. Evidence from other cities suggests that inspections take place in fewer than 1 out of every 6 changes in occupancy.

certificate has been revoked and when reinstated.

- The date and findings of all regularly scheduled inspections, whether a violation notice was issued, and for what violations;<sup>22</sup>
- The date and findings of all subsequent follow-up re-inspections, and when the violations were corrected.
- The date and nature of any complaint received from tenants or neighbors with respect to the property.
- The date and findings of all inspections in response to complaints, whether a violation notice was issued, and the provisions of the notice.
- The date and findings of all re-inspections subsequent to complaints, and when the violations were corrected.
- The status of property taxes and any other liens, fees and fines associated with the property.
- Rents charged for units in the property, and which utilities (if any) are included in the rent
- Nuisance, criminal or disorderly behavior complaints received about activities on the property.

While a third party contractor is needed to set up the data platform and link it to other city data systems, city staff must take responsibility for regular entry of data into the system<sup>23</sup>.

### KEY ACTION STEPS

The city should take the following steps to create and maintain a comprehensive rental property database:

- (1) Contract with a third party to build and maintain a platform for the database, including links to city tax and public safety data
- (2) Create an online registration process through which registration information will be entered directly into the database
- (3) Adopt an electronic system for entering inspection data via tablet or smartphone directly into the database.

### C. ***Ensure that all landlords are registered, pay appropriate fees and provide the city with the information required by the rental regulation ordinance.***

The threshold step in the regulatory process is to ensure that landlords are registered, pay the fee, and provide the information the city needs, including local contact information for out-of-

<sup>22</sup> All DCA and REAC inspections should also be included in the database.

<sup>23</sup> We are working with the city to identify a firm that could potentially supply these services, and the city is currently exploring such a relationship.

town landlords. While N.J.S.A. 46:8-28 sets forth the basic checklist of information to be provided on the registration form, municipalities may require owners to provide additional information where requiring that information serves a legitimate public purpose.<sup>24</sup> As we will discuss later, we recommend that the city obtain information on rents charged as part of the registration process.

The existing \$100 fee in the city's rental ordinance, which includes the cost of the initial inspection and one reinspection, appears reasonable and should be retained unless the cost of implementing the program, as evaluated over time, indicates otherwise.<sup>25</sup> The proposed revised rental ordinance also specifies additional fees linked to specific activities by the municipality with respect to properties, such as inspections in response to complaints, and hearings on revocation of a landlord's rental certificate for cause. New Jersey law is clear, however, that **all rental housing fees collected under the ordinance *must be used exclusively to defray costs associated with implementing rental regulations.***<sup>26</sup>

The city cannot assume, simply because the city has enacted an ordinance requiring that all landlords register their rental properties, that they will do so. In fact, experience has shown that except for large multifamily projects with professional property managers who track such things, most properties do *not* register unless the city takes steps to get them to do so.

#### KEY ACTION STEP

Upon enactment of the revised rental ordinance, **the city should send a notice to all owners of record of presumed rental properties<sup>27</sup> instructing them that they must complete the rental registration form and return it with the required fee**, or if the property is not actually a rental property, to complete an affidavit provided by the city to that effect.

Subsequently, whenever a sale of residential property is recorded with the county, the city should establish a routine procedure of sending a similar notice to the buyer of that property.

<sup>24</sup> See the Appellate Division ruling in *Cona* (see note 20) where the Court held that "...the fact that an ordinance calls for additional information to be provided for registration than what the State mandates [...] and charges a reasonable, associated fee does not deem the ordinance ultra vires." (at \_\_\_\_).

<sup>25</sup> A \$100 fee charged by the Borough of Paulsboro (which included the initial inspection, but not the reinspection) was upheld in *Cona* (see note 23),

<sup>26</sup> The case law on this point, while clear on the principle, is fuzzy about precisely what can be included under the rubric of rental regulation; that is, is it limited to the actual cost of inspection and related administrative costs, or can it be construed to include steps to address problems identified in the course of regulation, such as making repairs to substandard properties or offering courses to landlords to help them better maintain their properties? We believe a strong case can be made for the latter interpretation.

<sup>27</sup> We have created the list of presumed rental properties by matching the owner's address with the property address on the city MOD 4 file, and then further screening based on properties where the address may be the same, but the owner's name is not a normal human name and surname; e.g., "flip-that-house LLC" or "238 Walnut Corp." and will provide it to the city for purpose of this activity.

That notice, however, should simply ask if the buyer is an owner-occupant or a landlord; if the former, to return a statement to that effect, and if the latter to complete the registration form and return it with the required fee. By so doing, the city will be able to keep the registration data current, and ensure that the great majority of Salem landlords and their properties are in the city's database.

**D. *Establish a proactive rental inspection process ensuring that all rental properties are inspected on a regular timetable***

Regular inspection of all rental properties is the *essential* heart of any strategy designed to establish consistent minimum health and safety standards for the city's rental housing units. The starting point for the process is a systematic *baseline health and safety inspection* of all the city's 1300-1400 rental housing units, with the possible exception of the following:

- Multifamily properties inspected by the New Jersey Department of Community Affairs Bureau of Housing Inspection or subsidized housing properties inspected by an inspector acting on behalf of the Real Estate Assessment Center (REAC) of the U.S. Department of Housing & Urban Development which have received a satisfactory inspection or a finding that all violations have been corrected in full *within six months prior to the proposed inspection date*.<sup>28</sup>
- At the city's option, with respect to large multifamily properties, a sample of (perhaps) 1/4 or 1/3 of the apartments in the property may be inspected initially, with the proviso that if violations are found in any of the sample, all the remaining apartments are to be inspected.

The regular inspection is not intended to be a "soup to nuts" inspection to determine whether the property complies with all codes in all respects, but rather *to ensure that the property is free from any conditions inimical to the health and safety of the residents and their neighbors*. For that purpose we recommend using a standardized property checklist, which should be posted on the city's web site and made readily available to the city's landlords to encourage voluntary compliance. A model checklist is attached to this report as Appendix 2.

While the city should retain a qualified third party inspection firm to conduct the baseline inspections, the city's own inspectors should be responsible for the following inspections:

- All initial inspections of properties newly acquired for or converted to rental use and added to the rental database after completion of the baseline inspection cycle.
- All re-inspections of properties that fail initial inspection to determine whether violations have been corrected, whether the initial inspection is conducted by a city or

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<sup>28</sup> The State Bureau of Housing Inspections, which inspects multifamily properties, only conducts inspections every five years, which is far from often enough, particularly with respect to properties with a history of problems, to be relied on generally. Therefore, only a current inspection should be a basis for waiving the city's right to inspect the property.

- third party inspector.
- All inspections of properties on re-registration.

Alternately, the city may want to consider an annual, renewable, contract with a third-party inspection firm for all or some of these activities.

#### KEY ACTION STEP

The city should retain a qualified third party inspection firm to conduct the baseline inspections, based on a Request for Proposals issued by the city. The key criteria for selection should include:

- Clear qualifications to inspect rental properties, as evidenced by certification by the HUD Real Estate Assessment Center or similar entity;
- Experience in large-scale inspections of rental properties;
- Demonstrated ability to bring enough qualified inspectors to Salem to conduct all the inspections within a short time period, which could be as little as two weeks but no more than one month.
- Familiarity with and ability to enter all inspection findings into the city's database and the data platform created by the city.
- Reasonable fee proposal.<sup>29</sup>

### Rental Strategy 2: Move to a performance based system of rental housing regulation

*The most effective system for rental regulation is one that is based on performance, that is, where the frequency of inspections and other regulatory measures are tied to the condition of the property, as demonstrated by its history of code compliance, including the number of violations and the extent to which those violations are corrected in timely fashion. Such a system not only uses municipal staff resources more efficiently, by enabling inspectors to devote the greater part of their time and energy to the city's "bad apple" landlords, but lightens the burden of regulation on the city's conscientious, responsible landlords.*

From our extensive discussions with city officials, we understand that the City of Salem's goal is to move to a performance-based inspection system. To that end, appropriate language to facilitate that transition has been incorporated in the revised rental regulation ordinance discussed earlier. Under the new ordinance, rental properties would be divided into three tiers based on their performance, with Tier 1 being the best and Tier 3 the worst. Inspections would

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<sup>29</sup> Based on our prior experience, we believe that the fee should be no more than \$50 to \$75 per unit inspected. If it turns out to be significantly higher, the city may have to raise its registration fee.



be scheduled as follows:

- (1) Tier 1: every 3 years
- (2) Tier 2: every 2 years
- (3) Tier 3: every year

The performance based system needs to be solidly data-based. By grounding it in hard data, and in a clearly-defined model based on that data, the city can not only be comfortable with its decisions, but effectively defend against any legal challenges that an aggrieved landlord may bring. To make an orderly and effective transition to a performance based system, the city, with whatever assistance it may need from qualified consultants or advisors, will need to take a series of steps:

- (a) Track data on each rental property's performance for a minimum of one year after the initial baseline inspection. The data that should be tracked for each property is that set forth above in Rental Strategy 1.B.

In addition to the core datasets shown below, we suggest that the city add information such as the number of nuisance or disorderly complaints from the property, and whether the property is current on its financial obligations to the city, including property taxes, fees, and fines.

#### **CORE DATASETS FOR PERFORMANCE-BASED SYSTEM**

- (1) Whether any health and safety violations were found on the initial inspection, and if so, how many
- (2) Whether any health and safety violations were found on the first re-inspection, and if so, how many
- (3) Whether all violations were corrected within six months of the initial inspection, and if not how many were not corrected
- (4) Whether any complaints with regard to conditions on the property were received during the preceding year, and if so, how many
- (5) Whether all complaints were addressed in timely fashion to the satisfaction of the inspector, and if not how many were not addressed.

- (b) Develop a point scoring system for each dataset to be used to rank properties.

We suggest that the scoring be as follows: Each violation, each failure to correct violations, each complaint, etc., is assigned a certain number of points, which are then subtracted from 100 to create a *condition score* for each property.<sup>30</sup> Based on the distribution of property condition

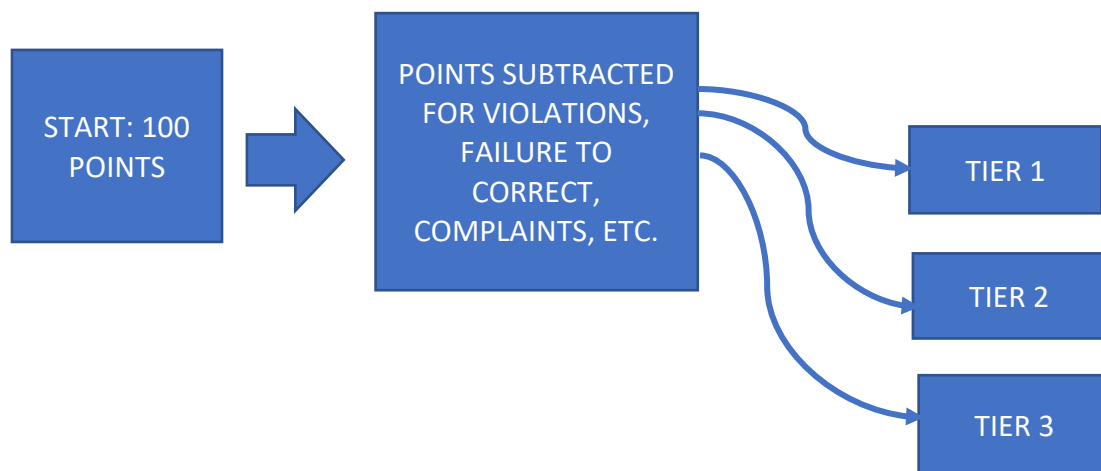
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<sup>30</sup> This can be done in two ways. Either violations can be weighted, with matters of greater health and safety significance being given more points, or all can be assigned the same number of points. The former is more precise, but is also more complicated.

scores, cut-off points are determined for each of the three tiers, as shown in Figure 10. We are not suggesting in this report either specific scores for violations, etc., or where the cut-off points for each tier should be, because we believe that those decisions should only be made once the actual data for each property is available.

- (c) Adopt the scoring system by formal action of City Council and publicize it on the city website
- (d) Calculate the scores for each property and notify the owners and tenants of each property of their property's score, and the tier into which it has been placed. The list of properties by tier should be posted on the city website.

**FIGURE 10: Schematic model of scoring system for placing properties into tiers**



While the principal effect of the performance based system will be to vary the frequency of inspections for each property, other valuable features can also be built into the system:

- Owners of properties in the lowest tier (Tier 3) can be required to participate in landlord training sessions, or take other steps to improve their performance<sup>31</sup>
- Certain benefits, such as access to buy city-owned properties, or participate in loan or grant programs, can be limited to owners of Tier 1 or Tiers 1 and 2 properties
- “Plus points” can also be built into the system; for example, an owner who carries out a

<sup>31</sup> It is customary in similar systems elsewhere to structure the fee system so that it weighs more heavily on the worst properties. In Minneapolis, for example, which also has a three-tier system, the fee to the owner of a Tier One three-family property is \$170/year, a Tier Two three-family property \$365/year, and a Tier Three three-family property \$785/year. Part of the fee for Tier Two and Tier Three properties is a “supplemental fee” based on the tier they are in. Given the effect of problem properties on the health and safety of the tenants and neighbors, and the associated impact on the city’s services, and the absence of any state statute to the contrary, we believe that such differential fees clearly fall into the legitimate use of the municipal police power and would withstand legal challenge.

major upgrade during a year, or who hires a professional property manager to manage their building,<sup>32</sup> could be given positive points in the scoring system to offset any points lost on other grounds.

The city should explore whether good-quality landlord training programs are available within the region to which they can refer landlords. If not, the city can require landlords to take one or more existing online or in-person courses offered by national or regional organizations.<sup>33</sup>

### **Rental Strategy 3: Provide landlords with support to make necessary repairs and upgrade their properties**

A major challenge to improving the quality of Salem’s rental housing is the reality that many of the properties need extensive and therefore costly repairs, but it is likely that many landlords do not have an adequate financial cushion to enable them to make these repairs. Moreover, the ability of landlords to increase rents is severely constrained by the very low incomes of most Salem tenants, most of whom already spend excessive amounts relative to their incomes for their homes despite rents that are modest by state or regional standards.

#### **KEY ACTION STEP**

The city should seek funds to establish a program of low-interest loans and grants to landlords to make health and safety improvements to their properties as well as exterior improvements that help reduce neighborhood blight. Any grant assistance over a certain level (\$25,000 may be reasonable) should require that the unit remain affordable to a household earning no more than 50% of the Area Median Income for the appropriate family size as defined by HUD for a minimum of 10 years.

In contrast to homeowner repair funds, which are available from a number of sources, there is no formal state or federal program that directly provides funds for landlord repairs, although HUD’s CDBG funds can be used for that purpose. The city should reach out to state agencies, particularly DCA and HMFA, to see if any funds might be available. While DCA does not at present provide funds for this purpose from the Affordable Housing Trust Fund, there is nothing in the statute preventing it, and DCA has done so in the past. Indeed, use of the Trust Fund for moderate rehabilitation of small rental properties is clearly contemplated in the statute.<sup>34</sup>

<sup>32</sup> The city could limit this option to landlords who select a property manager from a list of firms and individuals certified by the city.

<sup>33</sup> Among the many such courses offered are CHAM, Asset Management Professional Certification Program offered by NeighborWorks America; online certification programs offered by the University of Massachusetts and Cornell; and courses in property management offered by the National Apartment Association.

<sup>34</sup> See N.J.S.A.52:27D-320(f), which reads in large part that DCA “shall not require that tenants be certified as low or moderate income or that contractual guarantees or deed restrictions be in place to ensure continued low and

### **Rental Strategy 4: Provide other supports to landlords including incentives for responsible rental property owners.**

The regulatory system described above is a stick: it is an effective way of setting clear minimum health and safety standards and ensuring to the extent possible that all rental properties meet those standards. A good way to move beyond that level is to offer carrots as well, in the form of incentives for good landlords, both as a way of recognizing responsible owners and to motivate other landlords to step up their game.

The city may want to defer implementing any extensive program of landlord incentives to that point when the core inspection program is well-established, and the city is ready to implement the performance based inspection system.

In the short term, however, the city should consider making two services available to all landlords across the board, in advance of rolling-out a larger landlord incentive program, as shown in the text box. The first can provide immediate and tangible benefits in terms of the city's larger efforts to address crime, while the second can help to immediately improve relationships between city government and landlords, can support the rollout of the performance based system, and can be implemented without cost.

#### **INITIAL ACTION STEPS**

Designate a police officer as a landlord liaison, to assist not only in crime-free or Crime Prevention Through Environmental Design (CPTED) programs (see Sec. IV), but to advise on specific problems or concerns.

Hold regular forums between key municipal officials and landlords to discuss both municipal and landlord concerns informally and openly.

Once the city is ready to move forward with a landlord incentive program, the incentives can be provided either individually or bundled together in the form of a *good landlord program*, under which landlords would qualify for them as a package. As with the performance based inspection system, incentives can be tiered, with Tier Two landlords eligible for some incentives, and Tier One landlords eligible for those and more. There are many incentives that can be offered; examples from existing programs in the United States and the United Kingdom (where such

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moderate income occupancy as a condition of providing housing assistance from any program administered by the department, when that assistance is provided for a project of moderate rehabilitation if the project (1) contains 30 or fewer rental units and (2) is located in a census tract in which the median household income is 60 percent or less of the median income for the housing region in which the census tract is located." All of Salem south of Broadway would clearly qualify by this standard.

programs are widely used) gives a sense of their variety:

- Provide fast-track approval of permits for property improvements.
- Provide access to free one-on-one technical help with specific management or maintenance problems. The municipality can line up a small group of experienced property managers, lawyers, and the like, who agree to offer a modest amount of time to the program.
- Offer free advertising of available rentals on the municipal website and in local media.
- Negotiate discounts on goods and services from area merchants and contractors.
- Provide free or low-cost equipment such as smoke or carbon monoxide detectors, security locks, etc.
- Provide free radon testing
- Make good landlords eligible to buy city-owned properties at nominal rates<sup>35</sup>
- Allow good landlords to have re-registration inspections done by qualified third-party inspectors

### **Rental Strategy 5: Monitor rent levels in the city's rental housing stock to address affordability concerns**

Typical rents in Salem are low by regional or national standards, but are nonetheless high for many if not most Salem renter households. According to the 2016-2020 American Community Survey, the only comprehensive data source available, 69% of all Salem households spent 30% or more of their income for rent, and 46% spent 50% or more. In Area 3, 81% spend 30% or more for rent, and 54% spent 50% or more. By comparison, 31% of Salem County renters, and 24% of New Jersey renters spent 50% or more for rent.

This disproportionately high cost burden is not primarily a product of high rents, however, but of very low incomes. Rents in Salem are low by regional and state standards. In 2020, according to the American Community Survey (ACS), the median rent in Salem City was \$824, in Salem County \$1024, and in New Jersey \$1368. Data from the ACS indicates that rents, after rising between 2010 and 2015, have been fairly stable, perhaps even declining slightly, since 2015. ACS data lags real time, however, and given national and regional patterns of rental increases since 2020, this number may well be higher today.<sup>36</sup>

Landlords in Salem are not likely to be making great profits. In Table 12 we estimate the annual before-tax return to a landlord who buys a house for \$30,000, spends \$10,000 fixing it up, and

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<sup>35</sup> It is not clear whether this can be done within the framework of the Local Lands and Buildings Law, but it is clear that it can be done when the sale is taking place through a redevelopment or land bank entity.

<sup>36</sup> The ACS data is based on aggregating five years of data, and then plugging in an inflation factor to bring it up to the current year; thus, the 2020 ACS figure is based on data from 2016 through 2020, and may not fully reflect more recent increases. An on-line search was not able to identify an alternative data source with enough rental properties in Salem City to make possible any comparison.



rents it for the city median rent of \$824, while providing a modest level of maintenance. The annual before-tax return on the property is barely 4%. That is not much in light of the time and effort involved in owning and managing a rental property.<sup>37</sup>

**TABLE 12: Estimated rental income for a house in Salem**

CATEGORY	DETAILS	ANNUAL AMOUNT
EXPENSES	Property taxes at 6% of purchase price	\$ 2,400
	Operations, maintenance and reserves @ \$200/month	\$ 2,400
	Water & Sewer fees	\$ 886
	Insurance	\$ 1,600
	TOTAL EXPENSES	\$ 7,286
INCOME	Gross income @ \$824/month	\$ 9,888
	(less 10% vacancy & collection loss)	(\$ 989)
	NET INCOME BEFORE EXPENSES	\$ 8,899
NET INCOME AFTER EXPENSES		\$ 1,613
ACQUISITION COST	\$30,000	
IMPROVEMENTS	\$10,000	
TOTAL COST BASIS		\$40,000
ANNUAL RETURN ON EQUITY		4.0%

This information suggests that, despite the severe affordability problems affecting Salem renters, there may not be a compelling justification to enact a rent control ordinance at this time. If and when the city chooses to consider that option, we have created a checklist of features that should be addressed, which is attached to this report as Appendix 3. That said, given the severity of the affordability problem for the city's renters, *it is important for the city to (1) get a more detailed picture of actual rents in the city, relative to location, housing size and housing quality than is available from the American Community Survey; and (2) keep track of how rents are changing over time, to be able to reconsider the issue of rent control if rents start rising rapidly in the future.*

The city can easily obtain and track this data by asking for this information as part of the rental registration process, as suggested in Rental Strategy 1 above. As noted earlier, no legal issues appear to arise with respect to the city taking that step. Many New Jersey municipalities already gather this information to help manage their rent control programs.

<sup>37</sup> The cost of a professional property manager would be in addition to those costs shown in the table, and is likely to run 8% to 10% of the rent. That would eat up half or more of the owner's net income from the property.

## Rental Strategy 6: Explore potential mismatch between rental housing stock and future rental housing needs

One observation made by some city officials was that there appears to be a mismatch between the character of the rental housing stock and the present and potential need for rental housing; specifically, that in a city with a growing number of one and two person households there are relatively few small apartments available to rent. This is supported by the data. The share of such households in the city's population has gone from 60% in 2000 to 71% in 2020, while only 25% of the rental units in the city are either studio or one bedroom units. Many of the city's lower income 1 and 2 person households are elderly, and yet only 14% of the city's affordable housing inventory is made up of senior citizen housing.<sup>38</sup> A large number of the city's elderly homeowners are likely to meet the income qualifications for subsidized senior citizens housing.

A review of the waiting list maintained by the Salem Housing Authority supports this argument. Almost half of the households on the waiting list are 1 and 2 person households looking for studio or one bedroom units. While the great majority of these households are not elderly, many are households containing non-elderly disabled individuals. The breakdown is shown in Table 13.

**TABLE 13: Characteristics of small households on housing authority waiting list**

Unit Type	Elderly (including elderly disabled)	Non-Elderly disabled	Non-elderly not disabled	Total
Studio	22	50	101	173
1 Bedroom	26	134	335	495
Total	48	184	436	668

In light of the urgency of so many other housing and development issues for the city of Salem, and the constraints on both technical and financial resources, we are not recommending any immediate actions to further development of additional rental housing for small households. Such housing options, however, should be seen as serious possibilities for future planning, including as an appropriate use for vacant land along or close to Broadway.

The city may also want to consider a home-sharing program to match homeowners with potential tenants with whom they could share their home. Such programs have been used successfully elsewhere to both help lower income/senior citizen homeowners earn rental income to help maintain their homes, and provide single individuals or couples with affordable rental options. Tenants can also help senior citizen owners with simple home repairs and other needs. Carried out under the auspices of a qualified organization that screens potential owners

<sup>38</sup> This appears to be an unusual reversal of the usual problem in New Jersey municipalities, particularly suburban communities, where too often municipalities build affordable senior citizens housing, but avoid building affordable housing for families, whose needs are greater. It should be noted that many of the occupants of the one bedroom units in projects like Harvest Point, while not restricted to senior citizens, may be older people.

and tenants, and remains available to address potential problems that may arise, this could help address some of Salem's housing mismatch.

## IV FURTHER REVITALIZATION AND IMPROVE THE QUALITY OF LIFE IN SALEM

The strategies in the two preceding sections deal with specific housing issues – how to sustain existing homeowners and draw new ones, and how to improve the city's rental housing stock and make it better serve the renter population. Homes, however, are embedded in neighborhoods, and housing quality is as much a function of what the neighborhood has to offer as the structure itself. Many things go into the quality of a neighborhood that are beyond the scope of this report, which focuses on housing and the physical environment. But one central element in all neighborhoods is how land and buildings are used to create quality places, both today and in the future. That question not only bears strongly on housing issues, but relates directly to the city's many roles vis a vis land and buildings: as regulator, as property owner, and as promoter of change.

The City of Salem presently owns approximately 200 properties, over and above those buildings and lands actively used for municipal purposes. In addition, the city holds over 400 more tax liens, some of which are already the subject of municipal foreclosure proceedings. We also estimate that there are some 100 additional vacant properties potentially eligible for taking under the provisions of New Jersey's Abandoned Property Rehabilitation law (APRA).<sup>39</sup> In total, this amounts to roughly one-third of the city's tax parcels. While a disproportionate share of these properties are located in Area 3, there are some in every part of the city. Properties which the city owns or on which it holds tax liens are shown in Figure 12. How to maintain this inventory, and how to use it to build stronger prospects for Salem's future, are two critical questions facing the city.

### **Revitalization Strategy 1: Develop formal strategies and procedures for acquiring and disposing of city-owned property**

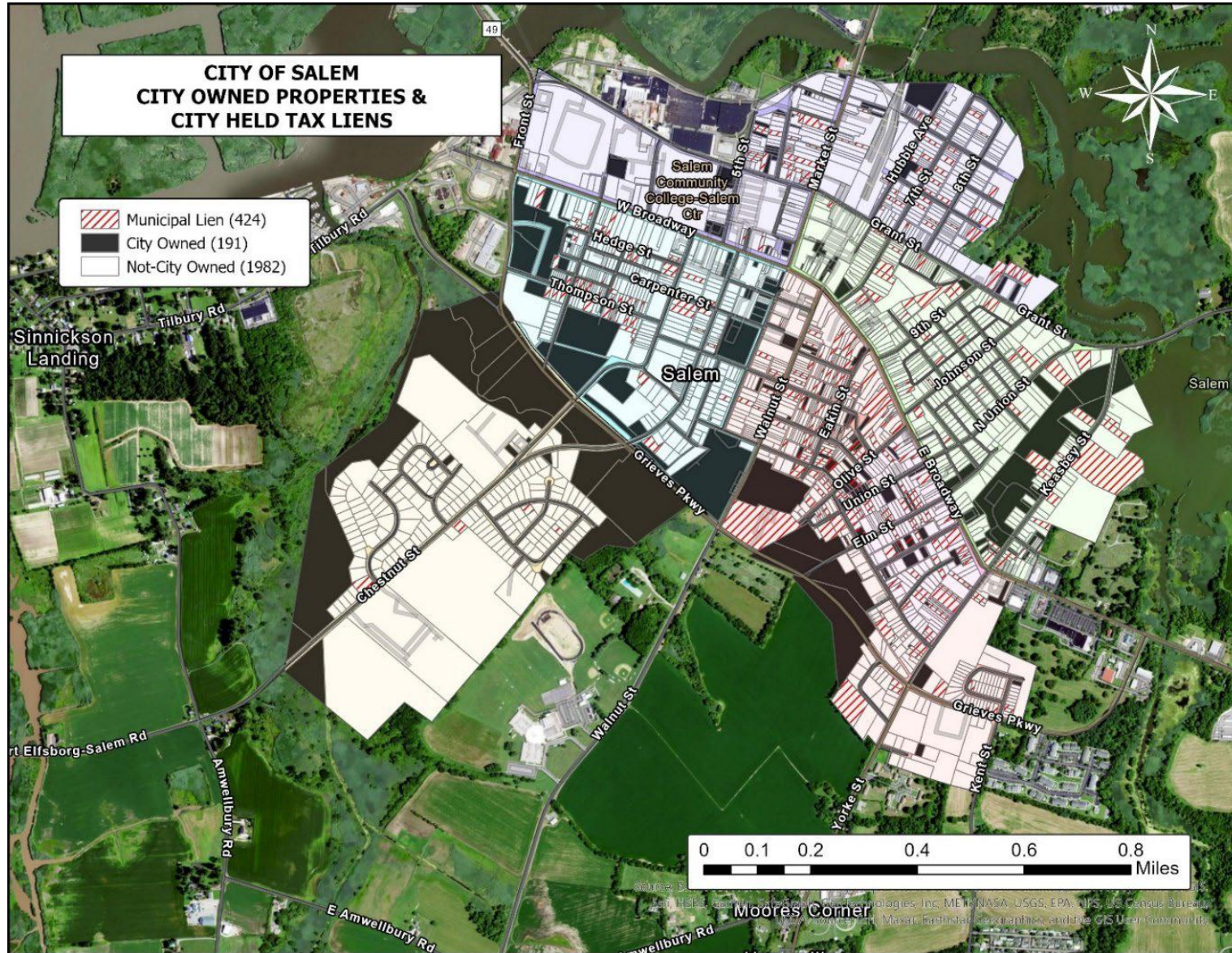
*Every time the city acquires or disposes of a property, in whatever manner, that action creates both opportunities, and obligations and risks.* By acquiring property, the local government puts itself in a position to influence its future by making land available for redevelopment or reuse. At the same time, it incurs the responsibility of maintaining that property until it is sold or leased to another entity, something that may not happen for many years. Whenever the city sells or leases property, however careful it may be, it is taking a gamble on the property's future. Will the purchaser redevelop the property as planned, and will they maintain it for the long run? Or will the property remain vacant, and will the city be able (or want) to take it back?

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<sup>39</sup> We present these as approximate numbers because there are some discrepancies between different information sources.



FIGURE 11: City-owned properties and city-held tax liens



Nothing can guarantee successful outcomes in all cases, but a well-designed strategy, along with carefully thought out procedures and protocols, can significantly increase the likelihood of success, and help the city manage its obligations. In this recommendation, we address issues of acquisition and disposition. In the following one, we address questions of ongoing property management and maintenance.

**A. *Adopt formal policies to guide use of tax foreclosure as well as APRA tools such as spot blight eminent domain to bring properties with redevelopment or reuse potential into the city property inventory.***

The city should adopt formal, written policies to guide future property acquisition. Those policies should focus on ensuring (1) that there is an affirmative reason for each acquisition, such as a desirable redevelopment opportunity (2) that the city has determined that it can maintain the property during the interim, and/or (3) that the acquisition is needed to prevent some negative outcome, such as further property degradation. The policies should guide not only when to move tax liens to tax foreclosure, but when to use spot blight taking as permitted by APRA, or when to acquire properties by purchase or gift.<sup>40</sup>

One approach that can help the city implement those policies is to create a *property acquisition working group*, which could include elected officials, city staff, consultants and key partners. Immediately after each tax sale, the working group would convene to review each property on which the city had acquired the tax lien against the city's acquisition criteria to help determine:

- Which properties to move to tax foreclosure and acquisition
- Which properties to hold the liens
- Which properties to be willing to assign the liens for, should a prospective buyer appear.

At the same time, using the city's property database and abandoned property list (see Strategy 2 below), the working group would identify key parcels eligible for spot blight eminent domain taking that would complement newly-acquired tax lien properties, and which should be acquired at the same time.<sup>41</sup>

The product of this convening process is to arrive at an acquisition game plan for the coming year. Other acquisitions could take place during the year as changing circumstances dictated,

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<sup>40</sup> The city may want to consider establishing a 'gift property' program, in which owners of properties which the city wants for some purpose are encouraged to give the city the property, rather than allow it to fall into disrepair, and ultimately be taken through tax foreclosure. It can be attractive to property owners, since they can take a tax deduction for the value of the property. At the same time, the city must be careful to limit the properties to those that (a) fit the city's acquisition criteria; and (b) are free of any liens other than municipal ones, since the gift process, unlike the foreclosure process, does not extinguish any liens. Such a program was in effect in Trenton in the 1990s, which led to roughly 50 gift properties being accepted by the city.

<sup>41</sup> This recommendation is based on a practice that was adopted by the city of Rochester in the early 2000s (it is not known whether they still follow the practice). The annual post-tax sale meeting was not a matter of an hour or two, but usually of at least two full days.



but should not take place without the working group meeting and concluding that the acquisition met the criteria established by the city.

***B. Adopt formal policies to guide disposition of city-owned properties.***

A critical step for the city of Salem is to decide on the process(es) by which it will dispose of city-owned properties. New Jersey law offers a variety of paths for this. While the Local Lands and Buildings Law, N.J.S.A.40A:12-1 et seq. contemplates that most city-owned properties will be sold at public auction, it does provide flexible pathways for cities to lease property to a wide variety of entities for up to 50 years on a negotiated basis (N.J.S.A.40A:12-15), and more limited options for cities to sell property on a negotiated basis (N.J.S.A.40A:12-21).

**1. Designate one or more entities to dispose of properties for redevelopment and reuse**

Although the provisions of the Local Lands and Buildings Law are used by many New Jersey municipalities to dispose of city-owned property, when cities in New Jersey plan to use public property for redevelopment, they generally convey the property to a redevelopment entity which has the ability to convey properties it controls to third parties on a negotiated basis without the constraints of the Local Lands and Buildings Law. Under the Local Redevelopment and Housing Law, N.J.S.A.40A:12A-1 et seq. a municipality can establish or designate a redevelopment entity in one of five ways:

- By creating a separate redevelopment agency as an independent authority of the municipality
- By designating an existing housing authority to exercise redevelopment powers
- By designating an existing parking authority to exercise redevelopment powers
- By designating a county improvement authority to exercise redevelopment powers.
- By designating the city as its own redevelopment entity, with City Council playing a role equivalent to that of the board of the redevelopment agency.

Once the city has established or designated the redevelopment entity, that entity can then convey properties to developers or others on a negotiated basis as long as the property is within a part of the city that has been designated an area in need of redevelopment or an area in need of rehabilitation by City Council, as is the case with Salem City, and an approved redevelopment plan is in place.

A further option is provided by the New Jersey Land Bank Law (N.J.S.A.40A:12A-74 et seq.), which authorizes the city to enter into a land banking agreement with a qualified public or nonprofit entity, under which that entity operates as the city's land bank entity. That entity can then hold properties in trust on behalf of the municipality, and dispose of them on a negotiated basis consistent with the provisions of the land banking agreement. A land bank entity can be any of the entities listed immediately above other than a parking authority, or it can be a non-profit corporation designated by the city. It should be noted, however, that the Land Bank Law does not grant the land bank entity any additional powers that do not exist under other

options. The pros and cons of Salem using the Land Bank Law are discussed further below.

While it is appropriate to use the provisions of the Local Lands and Buildings Law, such as “all-comers” auctions, where they further the city’s goals, there are many cases where they do not. The city should establish a clear process, using one of the administrative models for disposition described above, to carry out property disposition, along with pricing policies designed to promote redevelopment for desired uses and place properties back on the tax rolls. That process should include the following elements:

### KEY ACTION STEPS

1. Utilize the Redevelopment and Housing Law, N.J.S.A.40A:12A-1 et seq. to carry out disposition of city-owned property for redevelopment or reuse consistent with the city’s disposition policies and revitalization goals, and designate one or more eligible entities under the Law to act on the city’s behalf.
2. Adopt design standards to govern buildings constructed on land sold, leased or donated by the city.
3. Establish a side lot program to convey city-owned vacant lots to qualified adjacent homeowners.

*The actual choice of the option should have more to do with which entity will bring strong capabilities to the job than with the relatively insignificant legal differences between them.*

Except when properties are being conveyed to a public agency such as a county improvement authority, or to an individual resident under the side lot program or for homesteading, all property disposition should take place by means of a competitive process that looks at the proposer’s qualifications and the proposed outcomes more than price,<sup>42</sup> such as a Request for Proposal (RFP), Request for Qualifications (RFQ) or Request for Expressions of Interest (REOI) procedure. *In order to use these procedures most effectively, the city will need to retain consultants or advisors with strong substantive expertise with respect to both preparation of the bidding documents and review of the submissions.*

There are some reasons why the city of Salem may want to consider using (or creating) a land bank entity to act as its agent in disposing of city-owned property, as well as potentially acquiring properties and maintaining them. The statute gives the land bank entity great flexibility in carrying out those duties, subject to the land banking agreement with the city. Moreover, there can be great benefit in having those activities carried out by an entity specifically dedicated to that purpose.

*The catch is that it is not having a land bank entity in itself that gets results, but the capacity*

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<sup>42</sup> The long-term difference in municipal revenues and property values resulting from a higher-quality development is likely to vastly exceed any small difference in land sale price up front.

*and fiscal strength of the entity.* While the statute grants the entity a variety of powers, it provides no funding for the entity except for revenues from the sale of properties or as properties it sells are developed and generate tax revenues. Those revenues are likely to be very modest, and in any event, will not accrue until many years down the road. Thus, Salem City Council could create a land bank entity, but without the resources to hire capable staff, maintain properties, etc., it would add little value.

Thus, the critical question is *whether a public or non-profit entity is available that has enough fiscal and technical capacity already in place to serve as the city of Salem's land bank entity.* If such an entity is available and willing to undertake land banking responsibilities, this option may be worth pursuing as the principal vehicle through which Salem can conduct its property acquisition and disposition activities. If, however, the city either creates a land bank entity, or designates an existing entity that lacks the fiscal and technical capacity to serve as its land bank, the city may find that it has added a layer of administrative complexity to its land transactions, while gaining little offsetting benefit.

In this case the better alternative may be to develop a relationship with an experienced redevelopment agency such as The Authority, which is already carrying out many of the functions of a land bank in several communities in South Jersey, to act as a pass-through entity for disposition of city-owned properties.

Finally, over and above its relationship with a qualified third-party redevelopment entity, the city should consider a simple amendment to the powers of City Council as set forth in Chapter 3 of the City Code of Ordinances authorizing Council to exercise the powers of a redevelopment entity as provided in N.J.S.A. 40A:12A-4(c). When the city is taking small-scale disposition steps which nonetheless are appropriately done through negotiation rather than an auction, such as selling a city-owned house to a tenant or a city-owned lot to an adjacent homeowner, that step would allow it to do so directly rather than through an intermediary.

## 2. Adopt design standards

Salem is one of New Jersey's most historic communities, and despite the economic difficulties it has experienced in recent decades, has retained much of its historic character. As the city encourages redevelopment in the future, including new construction on vacant land, it has a responsibility to see that that redevelopment maintains and enhances its character, and does not undermine it.

The city should engage an architect with strong historic preservation experience to prepare a body of design standards for new development on properties sold by or receiving benefits from the city that will ensure that new buildings are compatible with the city's historic fabric, while not requiring literal imitation of older models or costly replication of historic features or details.

At this point, the city lacks legal authority to require historically-compatible development in general, with the exception of the small historic district covering the mixed residential/

commercial area of Broadway and Market Street. We believe, however, that much of the rest of the city, especially in Areas 3 and 4, would also qualify as a historic district. We suggest that the city, through the Historic Preservation Commission, explore the possibility of significantly expanding the scope of the city's historic districts.<sup>43</sup>

### 3. Adopt a side lot sale program

Side lot programs have become justifiably popular in American cities. They enable homeowners to expand their often narrow yards and add amenities to their homes, while enabling the city to dispose of a vacant lot which otherwise would not have a productive use. That said, they can be problematic. A program that simply hands out lots to adjacent owners without setting standards or vetting prospective buyers can end up being a revolving door, with the same lots showing up in subsequent years' tax sales.

To ensure that the side lot program yields positive long-term results, we recommend that it be structured as follows:

- The program should only be offered to owner-occupants, rather than all property owners.
- The city should determine which lots will be made available as side lots, post the list on the city's website and notify adjacent homeowners. This should not include lots that are part of a larger vacant area with future development potential or lots that appear appropriate for infill development.
- Any owners who want an adjacent lot should be given a one year lease with an option to buy at the end of the year if they maintain and improve the property. At a minimum the property must be fenced and maintained as clean green space.
- At the end of the year, if the owners have maintained the property, they can buy the property from the city for a nominal amount.

Although the Local Lands and Buildings Law contains provisions allowing private sale of side lots, we suggest that it is better to have properties conveyed by an entity operating under the redevelopment or land bank statutes because of restrictive provisions in the Local Lands and Buildings Law.<sup>44</sup>

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<sup>43</sup> On a related issue, it is not clear when the most recent master plan was adopted, or whether the zoning ordinance itself has been significantly evaluated and overhauled in recent decades. We understand, however, that it is anticipated that Local Planning Services in the New Jersey Department of Community Affairs will work with the city on a master plan re-examination report, while the city has issued an RFP for a planning firm to assist it in this process, all of which are expected to begin early in 2023.

<sup>44</sup> Specifically, N.J.S.A.40A:12-13(b)(5), which allows side lot sales, limits them to properties that are "less than the minimum size required for development under the municipal zoning ordinance", and requires that the sale not be for less than the fair market value of the property.

## **Revitalization Strategy 2: Amend and enforce the city’s vacant property ordinances and create an updated abandoned property list**

The city’s vacant property ordinances are the city’s most powerful tool in both dealing with the ongoing condition of privately-owned vacant properties and, through the Abandoned Property List procedure provided in the Abandoned Property Rehabilitation Act, laying the groundwork for strategic acquisition of vacant properties for revitalization. To that end, we recommend the following steps:

- A. *Review and amend the provisions of Chapter 86 of the City of Salem Code of Ordinances, particularly Article II Abandoned Buildings, Article IV Vacant Property Registration, maintenance and fees, and Article V Property Maintenance Standards for Foreclosing Creditors.***

The purpose of these amendments is to make sure that the ordinances are as effective as possible, as well as consistent with recent changes to state law governing vacant properties in foreclosure.<sup>45</sup>

### **KEY ACTION STEP**

Enact and implement revisions to Chapter 86 of the City Code of Ordinances, in order to further more effective regulation of vacant properties in the city. A revised Chapter 86 that we have proposed appears as Appendix 4 to this report.

- B. *Prepare and adopt an Abandoned Property List to support the city’s property acquisition strategy***

Adoption of an Abandoned Property List following the procedures set forth in the Abandoned Property Rehabilitation Act is a legal condition that must be met before the city or its designee can conduct special tax sales or exercise the power of spot blight eminent domain with respect to vacant properties. Since the law does not require that such a list cover all the qualifying properties in the municipality, the city may want to initially create a list for properties in certain key target areas that meet the definition of abandoned under the statute, for example those within the target areas identified for the homeownership strategy in Sec. II.<sup>46</sup>

<sup>45</sup> Chapter 444, P.L. 2021 made extensive changes to the laws governing vacant properties where a creditor has initiated foreclosure proceedings that appear to also affect other properties.

<sup>46</sup> A potential positive by-product of creating an Abandoned Property List is that some owners of vacant properties, perceiving their properties to be on the city’s radar, may move to rehabilitate them rather than risk losing them. This was found to be the case when Newark adopted its first list roughly 15 years ago, and has been true in a number of other municipalities since.

**KEY ACTION STEP**

Adopt and maintain an Abandoned Property List as provided in the Abandoned Property Rehabilitation Act.

### **Revitalization Strategy 3: Improve maintenance of city-owned and other vacant properties**

The condition and maintenance of vacant properties determines how those properties affect their surroundings. A vacant lot that is overgrown and full of debris has a very different effect from one that is maintained, with grass, a tree or two, and a simple but attractive fence. Such vacant lot treatments have been shown to reduce both crime and the fear of crime in the areas where they have been used. A vacant, abandoned house is a more difficult problem, but even there, a variety of boarding and securing models have been used to reduce the negative effect of such houses on their neighbors.

While the sheer number of vacant properties on many blocks in Salem, particularly in Area 3 and the QIZ zone, is the basic problem, it is made much worse by the low level of maintenance of many of those properties. In contrast to the long-term goals of eliminating vacant properties and rebuilding these neighborhoods, this is a short-term, immediate but ongoing challenge.

The maps below show the location of vacant lots and vacant buildings in the city. As the map shows, many of these properties are owned by the city of Salem, but many are privately owned. They form a checkerboard; on any given block, one vacant house may be owned by the city, while the one next door may be privately owned, and so forth. From the standpoint of maintenance and their effect on their neighbors, of course, it makes little difference who owns the property.

While the city of Salem may have a *legal* obligation to maintain the properties it owns, its residents look to the city to foster the quality of life in the community as a whole. That suggests that the city has a *moral* obligation to maintain and secure vacant and abandoned properties, whomever the owner may be. The level of maintenance of vacant properties sends a powerful signal, one way or the other, to the city's residents and to those who might move there or invest there.







**FIGURE 12: Vacant lots and structures by ownership category: QIZ and vicinity**



**A. *Develop clear policies and procedures for planting, cleaning and maintaining vacant lots and securing – and where appropriate stabilizing – vacant buildings.***

Lot and building maintenance by their nature demand a systematic, proactive approach, rather than a complaint or crisis-driven response. The city should have a detailed body of procedures and guidelines, based on a regularly updated inventory of vacant properties, for their maintenance activities, including but not limited to:

- The treatment for each type of property, including the specific vacant lot treatments and how individual buildings should be secured. A variety of treatments have been developed for securing vacant buildings that are preferable to the conventional use of plywood boards for that purpose.
- The frequency of treatment; e.g., how often a vacant lot should be mowed, or how often vacant buildings should be checked to determine whether re-boardings is needed.
- Assignment of responsibility for each building and lot.

Maintenance can be carried out by the city directly or through third-party contracts, as well as with the assistance of the community. We discuss this further below.

In addition to carrying out ongoing routine maintenance, the city should establish formal procedures to determine when individual buildings should be either stabilized or demolished, along the following general lines:

- *Stabilization*, which typically includes fixing or replacing a roof to make the building water-tight but may include other actions as well, is appropriate when a building is suitable for rehabilitation by virtue of its location and architectural or historical character, but is at risk of further deterioration to the point where it may no longer be salvageable by the time rehabilitation is possible. For example, a historically significant house on Broadway would be a good candidate for stabilization if it cannot be immediately rehabilitated.
- *Demolition* is appropriate when a building is not suitable for rehabilitation, by virtue of its condition, its location, or its features. For example, a very small house in poor condition on a block which is largely vacant would be a good candidate for demolition.

As noted above, the city should plan not only to maintain its inventory of city-owned vacant lots, but should be prepared to take action with respect to privately owned lots, where the owners have allowed them to become a public nuisance.<sup>47</sup>

### KEY ACTION STEPS

The city should establish a comprehensive program to address the condition of vacant lots and vacant buildings, including the following:

1. Develop clear policies and procedures for planting, cleaning and maintaining vacant lots and securing – and where appropriate stabilizing – vacant buildings.
2. Build the capacity to better maintain vacant lots and buildings
3. Pursue both interim and long-term green reuse of vacant land.

### ***B. Build capacity for ongoing maintenance of vacant lots and buildings***

This is easier said than done, but it is essential. None of the steps described above can happen unless there are individuals ready and able to carry them out. That includes people who can clean and mow vacant lots and yards, and clean out and secure vacant buildings, as well as contractors for building stabilization or demolition, and someone with the responsibility and capacity to manage the process. As we discuss below, it also includes requires having capable legal services available at key points in the process.

<sup>47</sup> While the legal authority of the city to maintain its own properties is self-evident, it should be noted that the power to abate nuisances on private properties is established in both the New Jersey Health Code, N.J.S.A. 26:3 and under the code enforcement power, N.J.S.A.40:48-2.12f. Many New Jersey municipalities have specific provisions to govern nuisance abatement in their municipal codes; e.g., Chapter 134 of the Code of the City of Absecon.

At present, any vacant lot maintenance by the city appears to be done by the Department of Public Works, but only to the extent that personnel are not needed for activities given higher priority. The city has no provisions in place to secure and board vacant structures. In order to place these activities on a firmer basis, the city should create a core property maintenance operation within municipal government. The cost of this operation would be defrayed in part by lien and fee revenue collected from vacant property registration fees and violations of problem property ordinances, but would require in all likelihood additional funds, or non-funded personnel such as Americorps volunteers. This operation should include a supervisor, who has a combination of field skills and experience with the technical background to use databases and run computerized management and scheduling systems, 2-4 work crew members, and the necessary equipment and supplies to do the job. The work of the core property maintenance team can then be supplemented by mobilizing the energy of neighborhood residents and by building a roster of contractors for specialized tasks. The property maintenance supervisor's responsibilities should include oversight over third-party contractor and resident activities.

Since the city should be actively taking steps to maintain privately-owned as well as city-owned properties, as discussed above, the program will need access to legal services in order to

- Prosecute property owners who have allowed their property to become a public nuisance and fail to correct the nuisance after being cited by municipal officials.
- Obtain court orders when necessary to enter private property in order to carry out maintenance activities.
- Place liens on properties where maintenance activities are conducted as well as issue citations for violations of the city's vacant property registration ordinance.
- Take other legal steps to collect costs incurred in maintenance activities.<sup>48</sup>

In addition to basic maintenance of vacant lots, however, the city should explore opportunities for both interim and permanent green reuses of those properties.

### ***C. Pursue both interim and permanent green reuse of vacant land***

A large part of the land area within the city of Salem is vacant. While some of this land is located in flood plains, particularly along Grieves Parkway, much of it has been created through the demolition of older houses, particularly in Area 3, and is interspersed between both vacant and occupied structures. While we expect some of this land to be redeveloped in the coming years, the city most likely contains considerably more vacant land than will be needed for redevelopment over the next decade, especially since the inventory of vacant land will probably increase further as a result of future demolitions. Even where redevelopment is feasible, it may not take place for 3 to 5 years or longer. There is a need to identify interim uses for parcels that

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<sup>48</sup> Under N.J.S.A.55:19-100, municipalities have the authority to try to collect costs against "any asset of the owner of the property," including individual members of partnerships, LLCs or corporations.

are likely to be redeveloped, and long-term or permanent green uses for those that are not.

- (1) The city should evaluate the vacant land inventory to prepare an inventory of vacant parcels considered suitable for long term green reuse rather than redevelopment, and identify appropriate uses for them.

Salem has three community gardens, which are an asset to the community. More gardens would be desirable, but experience suggests that the level of volunteer commitment needed to make a community garden succeed limits their number. Other options that could be considered include the idea of a community farm, which would be professionally managed under the auspices of a non-profit organization. Such a facility should contain at least 2 acres of land, on which it would both grow food for local consumption and serve as an educational program for children, youths and young adults. Other possible uses for vacant land include playgrounds and miniparks, including passive uses as well as active recreational areas.

- (2) The city should explore the LandCare model as an interim use strategy for vacant parcels

Where the city anticipates future redevelopment, or where no attractive permanent green reuse is currently an option, the city should consider adopting an initiative based on a program known as LandCare, initiated and run by the Pennsylvania Horticultural Society (PHS) in Philadelphia. Under LandCare, PHS takes over vacant lots, cleans them up, and provides a simple landscape treatment: grass, a split-rail fence, and a handful of trees, as can be seen in Figure 13. The results have brought measurable improvement to the quality of life in the neighborhoods where the LandCare program has been applied. A number of separate research studies, many conducted under the auspices of the public health program at the University of Pennsylvania, have all found that the program has had measurable effects on crime, mental health and property values in the vicinity of LandCare lots. PHS currently maintains 12,000 lots

**FIGURE 13: LandCare treatment in Philadelphia: Before and after**



SOURCE: Pennsylvania Horticultural Society

under contract with the city of Philadelphia. We suggest that the city or one of its partners reach out to PHS to see if they would be interested in working with the city to initiate a similar program in Salem.

In addition to LandCare, the city should see if there are organizations, such as arts or civic groups interested in creating ‘pop-up’ improvements on vacant lots. Pop-up improvements, sometimes characterized as tactical urbanism, can include arts installations, recreational amenities<sup>49</sup> and other features, designed to enhance neighborhood life but with no intent to be permanent. If interest is there, the city could create a program to provide such groups with leases on city-owned lots as well as identify sources of mini-grants to support their efforts.

#### **D. Build the capacity to manage occupied city-owned properties**

While the great majority of the properties in the city’s inventory are vacant lots or vacant buildings, when we matched the list of city-owned properties with the results of the parcel survey, we found that a small number (between 10 and 20) appear to still be occupied by tenants or former homeowners. Others may be occupied by squatters. *Whatever their prior status, however, those households are now the city’s tenants, and as such are entitled to the same rights as any tenant.* Moreover, a much larger number of the properties on which the city holds tax liens but to which it has not taken title are occupied by tenants or homeowners.

As a general proposition, there are good reasons why the city should take occupied properties when available through the tax foreclosure process.

- There is a substantial risk if the city does not take the properties they will continue to deteriorate, and before long join the ranks of the city’s vacant and abandoned properties.
- Since the city can collect a reasonable rent from the tenant, and has no obligation to pay either mortgages or property taxes, it should be able to cover its costs from the rental income. In some cases there may be enough rental income to pay for property improvements as well as ongoing maintenance.<sup>50</sup>

The city should take the following steps to both address the needs of any existing tenants and those of tenants in properties they may take in the future, as well as preserve the value of these properties:

- Create or obtain the capacity to manage occupied rental properties. This can be done in-house, but in view of the small number of properties it is probably better accomplished

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<sup>49</sup> A number of cities have trucked sand into city parks or other spaces, added some chairs and other furniture, and created temporary “beaches” as summertime amenities.

<sup>50</sup> If we look at the estimated rental costs and income shown on page 43, it indicates that if no property taxes are due, the net income after maintenance, insurance and water and sewer fees is approximately \$4000/year, which is enough to cover the principal and interest on a 10 year, 6 percent loan for \$30,000.



through a contract with a competent property management firm.

- Take necessary steps to take possession of rental properties on which the city holds a tax lien under the provisions of N.J.S.A. 54:5-53.1 in order to collect the rent from those properties, to be used to pay bills and make repairs.
- Establish and collect rent from tenants. The rent should reflect realistic ability to pay rather than be based solely on market rent.
- Dedicate *all* rent proceeds to cover the cost of property management and to make repairs or upgrades on the properties. Only if all such costs are fully covered (a highly unlikely event) should any of these funds pass through to the city's general fund.

Finally, where any one of the city's tenants has demonstrated the ability to pay their rent on a regular basis and adequately maintain the property, the city should seriously consider selling them the house for a modest sum. This should only be done where a careful assessment of the condition of the house and the tenant's financial situation finds that the prospects for sustainable homeownership are good.

#### **Revitalization Strategy 4: Improve public safety through use of Crime Prevention Through Environmental Design strategies.**

As has been widely noted, crime and fear of crime are major concerns in Salem, affecting residents' quality of life and discouraging positive investment. While the city of Salem is taking steps to address this problem, we suggest an additional resource for the city to explore, which has proved effective in many circumstances.

Crime Prevention Through Environmental Design, or CPTED, is a multidisciplinary approach for reducing both crime and the fear of crime. As the International CPTED Association puts it:

CPTED strategies aim to reduce victimization, deter offender decisions that precede criminal acts, and build a sense of community among inhabitants so they can gain territorial control of areas to reduce crime opportunities. CPTED uses architecture, urban planning, and facility management. It also addresses the social environment by building a sense of community in areas thereby reducing the motivations for crime.<sup>51</sup>

In a nutshell, CPTED is a strategy for using changes to the built environment to build safer neighborhoods.<sup>52</sup>

Many of the areas we have discussed above, including maintenance of vacant properties, greening reuse, etc., are common elements of the CPTED framework, but CPTED offers a comprehensive approach to working with the built environment that is likely to be more effective than separate, unrelated or piecemeal approaches. In addition to dealing with vacant

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<sup>51</sup> International CPTED Association, CPTED in Brief, <https://www.cpted.net/Primer-in-CPTED>

<sup>52</sup> A manual on CPTED strategies, published by the city of Chandler, Arizona, can be downloaded at <https://chandlerazpd.gov/wp-content/uploads/2010/12/CPTED-Handbook-v4-20170627.pdf>.

properties and public spaces, it provides a series of practical tools that can be used by private property owners to reduce criminal activity and foster positive interactions.

We recommend that the city of Salem, including both the Police Department and non-police officials, explore the potential of using CPTED strategies in the city. If they feel this has the potential to boost the city's efforts to foster greater public safety, the next step could be to find a qualified CPTED organization to guide the city in conducting a CPTED audit and develop an implementation strategy with residents, property owners, businesses and other stakeholders. Ideally a leadership group including one or more police officers would be trained in CPTED to carry out the city's strategy.

## **Revitalization Strategy 5: Build core capacity to effectively execute multiple housing and revitalization activities**

### **A. *Building Core Capacity***

One overriding issue affects all of the strategies that we have recommended up to this point, which is the issue of *capacity*. No strategy is effective unless it can be implemented successfully. Although the mix varies from activity to activity, *all* strategies require some combination of financial resources and operating capacity. The tasks described in our recommendations will call for developers, contractors and subcontractors to improve existing properties, rehabilitate vacant properties in some cases and in others demolish or stabilize them, and construct new homes on vacant lots. They will need individuals and firms to manage properties, and maintain vacant buildings and vacant lots. They will need organizations or individuals to provide counseling to prospective homeowners, and to work with neighborhood residents and others to create new uses for vacant lots. All of these activities, and more, will require ongoing management and coordination.

There are two key roles that we consider instrumental in providing the necessary leadership and organizational support to advance these strategies. One is a position for an individual who can provide ongoing hands-on management and direction for the many city-centered tasks associated with maintaining and improving the existing housing stock and addressing the city's vacant properties. Maintaining rental registration and vacant property registration systems, overseeing regular rental inspections and responses to complaints, maintaining the abandoned property list, cleaning vacant lots and securing vacant buildings, and supervising management of occupied city-owned properties are all nuts and bolts responsibilities that need active, full-time, attention and hands-on management. Without that level of management, they are unlikely to be effective.

That individual will provide direct supervision of all city responsibilities related to the regulation and maintenance of the existing housing stock, with particular focus on rental regulation and

### KEY ACTION STEP

We recommend that the city amend Chapter 39 of its code of ordinances dealing with the Department of Inspections and Permits to expand its responsibilities to include the areas described above in addition to its present responsibilities, rename it the Department of Housing and Neighborhood Services to reflect its broader mission, and establish the position of Director separate from the construction code official.

Once that has taken place, the city should recruit a full-time, highly-qualified housing professional to be director of the department.

regulation and maintenance of vacant buildings and lots.<sup>53</sup> As the department takes on these additional responsibilities, we suggest that it be renamed to reflect its expanded mission, perhaps as the department of housing services, or neighborhood services and permitting.

At the same time, to carry out the many other activities outlined in these pages that collectively add up to the housing strategy, or even a significant number of them, the city will also have to seek out capable outside partners to act as its agents in implementing programs, and work with those partners and others to assemble the resources needed to make the programs happen. Salem's partners are likely to include sister governmental entities, like The Authority, professional consultants providing ongoing services, or contractors carrying out specific projects or tasks. Without strong partnerships, little is likely to happen. While many partners may be involved, one should be selected to be the city's central **revitalization partner**. That individual or firm should be charged with managing the many elements involved in implementing the city's homeownership, market building and revitalization efforts.

### KEY ACTION STEP

The city should identify and retain a single trusted **Revitalization Partner** in the form of an organization with the ability to manage the many players, funds and moving parts involved in the housing strategy, including housing rehabilitation programs and the whole-block strategy recommended as a vehicle for building a stronger housing market. That partner organization should possess strong capacity in the majority of areas addressed in the strategy, and be able to assign a highly-skilled individual to devote a significant part of his or her time to Salem.

These two positions are not the only areas in which capacity is needed, and by hiring two

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<sup>53</sup> More specifically, we suggest that the department have responsibility for the activities described in Sec. III, recommendations 1, 2 and 4, and Sec. IV, recommendations 1, 2 and 3.

housing inspectors, the city has already taken an important step in increasing capacity. Two more key near-term steps we recommend are:

- Contracting with a qualified firm to create Salem’s property data base and maintain an ongoing platform for the database, an essential component in managing the city’s rental and vacant property regulation activities; and
- Creating a small (2-3 person) full time property maintenance crew within the revamped department of inspections and permits, to maintain both city-owned and, as necessary, privately-owned vacant lots and buildings.

#### ***B. Financing capacity: an investment in Salem’s future***

Salem, as a small city with limited resources, is severely constrained in its ability either to allocate financial resources to housing activities or to build in-house operating capacity for large-scale, complex programs. While many of the activities described in this report can be supported by outside grants or financing programs, the capacities described immediately above – with the exception of the revitalization partner – have been or will have to be incorporated into the municipal budget.

In that light, it is important to see them as an investment in the future of the city, rather than a “pay as you go” proposition. Building a strong housing market in Salem, and transforming the quality of life the city offers its residents will have a direct and positive effect on the city’s economic and fiscal conditions, over and above the revenues likely to be realized directly as a result of the activities described above.

In the next few paragraphs we will outline the probable future fiscal benefits from building capacity in the near term, as described here, as well as from implementing the overall housing and revitalization strategy over time. This is not a formal fiscal analysis, but an effort to highlight specific numbers where it is possible to do so.

##### **(1) Fee income**

Salem ordinances require that fees be paid as part of both rental and vacant property registration. In addition, the newly adopted rental regulation ordinance imposes fees for re-inspections, inspections in response to complaints, and hearings on revocation of rental certification. These fees have not been consistently collected until recently, when a major effort has been initiated to get rental property owners to pay registration fees. While it is impossible to know what percent of owners will ultimately comply, and how many additional fees will be collected, it is possible to make reasonable estimates for the first full year of comprehensive enforcement of the ordinances, which appear in Table 14.

Our expectation that the great majority of the owners of rental properties will register and pay the fee has been confirmed by the city's experience since resuming inspections. We do not expect private owners of most of the vacant properties to register, because it is likely that many of them have already stopped paying property taxes (The city holds tax liens on many of them, and may take title to them in the future). Experience in other cities, however, shows that most banks that own or are foreclosing on vacant properties will pay registration fees. The revenues from fees for other inspections and hearings shown in the table are ballpark estimates.

**TABLE 14: Projected annual revenue from rental and vacant property registration**

FEE	ASSUMPTIONS	NUMBER OF PROPERTIES	FEE AMOUNT	TOTAL
<b>Rental registration A</b>	90% of properties will be registered	630	\$100	\$63,000
<b>Rental registration B (note 1)</b>	50% will pay full fee and 50% reduced fee	300	\$100	\$30,000
		300	\$25	\$ 7,500
<b>Re-inspections and complaint inspections</b>	200 per year	NA	\$50	\$10,000
<b>Emergency inspections</b>	50 per year	NA	\$75	\$ 3,750
<b>Revocation hearings</b>	10 per year	NA	\$100	\$ 1,000
<b>Vacant property registration</b>	One-third of properties will be registered	100	\$500	\$50,000
<b>TOTAL</b>				\$165,000

(1) Properties subject to REAC inspection, and exempt from city inspection if REAC is within previous six months. We assume that half of these properties will be exempt, and half will be inspected by the city.

Fee revenue will vary over time. The vacant property registration fee increases with each year that properties remain vacant, but while the per property fee may go up, the number of properties registering may go down. Similarly, when Salem makes its transition to performance-based inspections, fee income should go down in parallel with the decline in the need for inspections.

## (2) Property tax revenues

Although more difficult to estimate with any accuracy, over time the growth in property tax revenues resulting from a stronger housing market is likely to far outstrip the fee revenues that Salem will realize. The growth in property tax revenues will result from three separate, but closely related, expected outcomes:

- Additional property tax revenues will flow from vacant houses rehabilitated and sold to homebuyers.

Based on recent market sales in Salem, we believe that these houses could be marketed for an initial average price of around \$140,000. A small number may come on line in the second full year after implementation of the program, with larger numbers in subsequent years. In light of the economic development activities taking place in the area, we believe that as many as 20 houses per year could be rehabilitated and put into the homebuyer market without affecting the demand in the rest of the city. Based on a municipal purposes equalized tax rate of 3.1%, and assuming a gradual ramping up of production from years 2 through 5, and modest increases in sales prices from year to year, we can estimate the additional municipal purpose tax revenues from the homebuyer strategy as shown in Table 15. The table suggests that within five years, Salem could realize a total of over \$250,000 in net incremental property tax revenues compared to today, or 5% to 6% of current tax collections.

**TABLE 15: Projected municipal tax revenues from rehabilitation of vacant houses**

YEAR	NUMBER OF HOUSES	SALES PRICE	TAX RATE	TOTAL ADDED VALUE	ADDED TAX REVENUES	CUMULATIVE ADDED TAX REVENUES
2	5	\$140,000	3.1%	\$ 700,000	\$ 22,600	\$ 22,600
3	12	\$147,000	3.1%	\$1,764,000	\$ 54,700	\$ 77,300
4	16	\$155,000	3.1%	\$2,480,000	\$ 76,900	\$ 154,200
5	20	\$165,000	3.1%	\$3,300,000	\$106,500	\$ 260,700

- Both the direct effect of rehabilitation on the value of adjacent properties, as well as the overall market-lifting effect of the strategy should expand the city's rateable base, possibly significantly. A body of research has found that the presence of one or more vacant buildings on a city block reduces the value of adjacent properties by up to 20%.

We have not attempted to measure this effect. While the likely increase in property tax revenues could be significant, estimating the increase is both complicated and subject to considerable margin of error. In addition, changes in property values do not necessarily translate into increases in tax revenue, depending on local government policies, the frequency of reassessment, and other factors.



- Finally, improvement in housing market conditions should increase Salem's tax collection rate, which currently sits at an unduly low 80% rate.

As property owners realize that their properties' value is rising, they will be more likely to pay their taxes rather than risk losing what has become an appreciating asset through tax foreclosure.<sup>54</sup> An increase in the tax collection rate from the current 80% level to 90% over the next 5 to 8 years would increase total tax collections by \$800,000 to \$900,000, of which roughly half will flow to the city general fund, with the rest going to the school district and the county.

In the final analysis, we cannot say definitively that the investments we recommend in this report will fully "pay for themselves", and if so, over how many years. What we can say with confidence is that they will lead to a significant improvement in Salem's financial resources, over and above their direct effect on the city's housing market and quality of life. We believe that that is something worth investing in.

## CLOSING NOTE

Salem's housing challenges are daunting, but they are not unsolvable. That said, the process of addressing and ultimately solving them is a complicated, long-term process containing many moving parts and demanding energy and expertise in many different realms, as well as a significant infusion of public and private resources. Simply to coordinate the many elements involved, and keep them moving in tandem, is a significant task. To succeed, the city must assemble much greater capacity than it currently has, including city staff, consultants and other partners.

Yet the rewards of success are significant:

- A thriving, attractive city with a better quality of life for its residents.
- A stronger housing market, and new investment in the city's housing stock.
- An infusion of new homeowners, and better conditions for the city's current homeowners.
- Healthier, safer conditions for the city's renters, and asset appreciation for the city's landlords.
- Higher property values, new private-market development, and a stronger property tax base generating more municipal revenues.

Salem is in a better position today than it has been in many years to move forward with an ambitious, yet realistic, housing strategy. The last few years have shown new, albeit modest, vitality in the city's housing market. New economic development initiatives, both in the city and

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<sup>54</sup> The city's increasingly aggressive approach to tax foreclosure is also likely to influence property owners' decisions going forward.

nearby, are further building housing demand and increasing the city's visibility. Support from the state Department of Community Affairs and Economic Development Authority are giving the city a much-needed boost. Above all, an energetic, committed Mayor and City Council, along with a small core of dedicated municipal employees, appear ready to take on the city's challenges.

We are confident that the city and its public and private partners will rise to the occasion and commit to an ambitious housing strategy for the city's future. This report has been written to move that process forward. It is not meant to be cast in stone, but rather as a starting point, with recommendations that should be constantly adapted and tailored to the city's changing needs as they move forward.

A summary table of strategies and recommendations appears on the following pages.

TABLE 13: SUMMARY OF STRATEGIES AND RECOMMENDATIONS

<b>II REBUILD HOMEOWNERSHIP</b>	<b>PRIORITY</b>	<b>COST</b>
<b>1 Build a support system for existing homeowners</b>		
A. Make health and safety improvements for lower income homeowners	Short	
B. Increase marketability of homes on resale	Medium term	
<b>2. Establish a targeted program to increase homeownership</b>		
1. Rehabilitate vacant houses for sale to owner-occupants	Short	
2. Initiate a whole-block approach on key target blocks	Medium	
3. Build a support strategy through partnerships, education and incentives	Medium	
4. Pursue aggressive vacant property acquisition on target blocks	Medium	
<b>III RAISE THE BAR FOR RENTAL HOUSING</b>		
<b>1. Ensure a minimum standard of housing quality through proactive regulation</b>		
A. Adopt a comprehensive rental regulation ordinance	Short	
B. Create a comprehensive rental property database	Short	
C. Ensure all landlords are registered	Short	
D. Establish a regular inspection schedule	Short	
E. Move rental regulation to a performance based system	Medium	
<b>2. Provide landlords with support to upgrade their properties</b>	Medium	
<b>3. Establish good landlord incentives</b>	Medium	
<b>4. Monitor rent levels</b>	Short	
<b>5. Explore potential housing size mismatch</b>	Long	
<b>IV FURTHER REVITALIZATION AND IMPROVE THE QUALITY OF LIFE</b>		
<b>1. Develop strategies for acquisition and disposition of city property</b>		
A. Adopt formal policies to govern bringing properties into city inventory	Short	
B. Adopt formal policies for disposition of city-owned properties		

1) Adopt a redevelopment or land bank option to permit flexible disposition strategies	Short	
2) Adopt design standards for new development on formerly city-owned land	Medium	
3) Establish a side lot program for adjacent homeowners	Medium	
<b>2. Amend vacant property ordinances and adopt an Abandoned Property List</b>		
A. Review and amend the provisions of Chapter 86 of the City Code	Short	
B. Prepare and adopt an Abandoned Property List	Medium	
<b>3. Improve maintenance of vacant properties</b>		
A. Develop policies and procedures for maintaining vacant lots and buildings	Medium	
B. Build capacity for lot and building maintenance	Medium	
C. Pursue both interim and permanent green reuse of vacant land	Medium	
D. Build capacity to manage occupied properties	Medium	
<b>4. Improve public safety through CPTED strategies.</b>	Medium	

## KEY

	HIGH PRIORITY	HIGH COST
	MEDIUM PRIORITY OR DEFERRED	MEDIUM COST
	LOW PRIORITY	LOW OR NO COST

## APPENDIX 1

### Proposed rental regulation ordinance

## **CITY OF SALEM, NEW JERSEY**

### **AN ORDINANCE GOVERNING RENTAL HOUSING REGISTRATION AND THE ISSUANCE OF RENTAL CERTIFICATES AND PROVIDING FOR PERIODIC INSPECTION OF RENTAL PROPERTIES**

- 1. Section 172 of the Code of Ordinances of the City of Salem, New Jersey is hereby repealed in its entirety, and replaced by the following section.**

#### **§ 172-1. Definitions.**

As used in this chapter, the following terms shall have the meanings indicated:

**AGENT** — Any person designated by the record owner as being authorized to perform any duty imposed upon the record owner by this chapter. The term does not necessarily mean a licensed real estate broker or salesman of the State of New Jersey as those terms are defined by N.J.S.A. 45:15-3; however, such term may include a licensed real estate broker or salesman of the State of New Jersey if such person designated by the record owner as his agent is so licensed .

**BOARDINGHOUSE** — See N.J.S.A. 55:13B-3.

**CONSIDERATION** — Money or anything of value.

**HOTEL** — See N.J.S.A. 55:13A-3.

**CERTIFICATE** — The certificate issued by the City attesting that the rental unit has been properly registered in accordance with this chapter and may be occupied for rental purposes.

**CERTIFICATE HOLDER** — The person to whom the certificate is issued pursuant to this chapter. The term includes within its definition the term "agent" where applicable.

**DEPARTMENT** — The Department of Inspections and Permits of the City of Salem, except where otherwise specified. The head of the Department or their designee shall be deemed the municipal public officer as set forth in N.J.S.A. 40:48-2.4.

**MOTEL** — See N.J.S.A. 55:13A-3.

**MULTIPLE DWELLING** — See N.J.S.A. 55:13A-3.

**PERSON** — Any individual, partnership, limited partnership, corporation, limited liability company, trust, estate or other entity, or combination thereof, but shall exclude the City of Salem Housing Authority.

**RECORD OWNER** — Any person who holds record or other legal title ownership of land upon which a rental unit is located.

**RENTAL UNIT** — Each and every individual dwelling within a building or structure, or any separate apartment, unit, room or other space within any building or structure which is rented, leased, provided or otherwise made available for residential living, dwelling or sleeping space, by or through the record owner, for consideration, except as provided below. For example, if a single-family house is leased to two tenants, the house is the rental unit. If a person owns a duplex which is leased out to tenants, each side or section is a separate rental unit, and the owner must obtain two rental unit certificates. Each apartment in an apartment complex is a separate rental unit. Except that, if a person owns a bed and breakfast, guest



house or similar facility where the owner lives in the structure and provides other rooms therein which do not have a separate entrance/exit to the outside of the structure for rent, the structure is considered the rental unit, and only one certificate need be obtained. In a hotel, motel or rooming or boarding house, registered with the state, the structure or structures containing the unit or units is the rental unit, and only one certificate need be obtained. In a multiple dwelling, each unit therein is considered a rental unit.

**RENTAL UNIT PREMISES** — The land, specifically the tax lot, upon which a rental unit is situated.

**ROOMING HOUSE** — See N.J.S.A. 55:13B-3.

**§ 172-2. Rental unit certificate required.**

No person shall rent, lease, provide or make available any rental unit to any person unless and until that rental unit has received a certificate from the City of Salem in accordance with this chapter.

**§ 172-3. Certificate; time for application.**

The record owner, or authorized agent of the record owner, of every rental unit shall apply for a certificate for each rental unit:

- A. The initial application for existing rental units shall be filed no less than six months from the date of adoption of this ordinance.
- B. Thereafter, a new application for each existing rental unit shall be filed by the 1<sup>st</sup> day of July of each year.
- C. Following July 1, 2023, the record owner, or authorized agent for the record owner, shall apply for a certificate for each rental unit no later than the time of occupancy by the first tenant in any newly constructed, reconstructed or other newly created rental unit, including any existing unit converted from owner-occupancy to rental occupancy.
- D. Upon the change of record ownership of a rental unit premises, the new record owner shall apply for a new certificate for any rental unit within 60 days.
- E. Certificates issued prior to adoption of this ordinance shall be renewed not later than the 1<sup>st</sup> day of July following adoption of the ordinance. For every full month less than twelve that the certificate was in effect, certificate holders shall be entitled to a 1/12 credit on the base registration fee due on renewal.

**§ 172-4. Term of certificate.**

- A. Unless timely application for renewal of the certificate has been made, each rental unit certificate shall expire and be void on July 1 of the calendar year following the calendar year in which the certificate was issued.
- B. Each rental unit certificate shall expire and be void upon the change of record

ownership of the rental unit premises.

- C. A rental unit certificate shall become void, in the same manner as if it expired, upon revocation of the certificate in accordance with § 172-7 of this chapter.

**§ 172-5. Requirements for certificate; registration certificate; fee; payment of taxes.**

- A. No rental unit certificate shall be issued for any rental unit until the record owner of the rental unit shall pay the fee set forth in the schedule in §172-11 of this Chapter and shall file or cause to be filed a registration certificate on forms provided by the City with the Department for said rental unit, which shall include the following information:
  - (1) The name, address and photo ID of the record owner or owners of the rental unit premises and the record owner or owners of the rental business if not the same persons. In the case of a partnership, the names, addresses and email addresses of all general partners shall be provided, together with the telephone numbers for each of such individuals indicating where such individual may be reached both during the day and evening hours. If the record owner is a corporation, the name and address of the registered agent and corporate officers of said corporation shall be provided, together with the telephone numbers and email addresses for each of such individuals indicating where such individual may be reached both during the day and evening hours.
  - (2) If a corporation, limited partnership or LLC, a copy of the Certificate of Formation.
  - (3) If the address of any record owner is not located in Salem County, the name and address including the email address of a person who resides in Salem County and who is authorized to accept notices from a tenant and to issue receipts therefor and to accept service of process on behalf of the record owner.
  - (4) The name, address, telephone and email address of the agent of the rental unit premises, if any.
  - (5) The name and address, including the dwelling unit number, of the superintendent, janitor, custodian or other individual employed by the owner or agent to provide regular maintenance service, if any.
  - (6) The name, address and telephone numbers, including cell phone number, of an individual representative of the owner or agent who may be reached or contacted at any time in the event of an emergency affecting the rental unit, including such emergencies as the failure of any essential service or system, and who has the authority to make emergency decisions concerning the rental unit premises and any repair thereof or expenditure in connection therewith.
  - (7) The name and address of every holder of a recorded mortgage on the rental unit premises.
  - (8) If fuel oil is used to heat the rental unit and the landlord furnishes the heat in

the building, the name and address of the fuel oil dealer servicing the building and the grade of fuel oil used.

- (9) The number of sleeping rooms contained in the rental unit, the rent charged for the unit, and the utilities if any contained in the rent.
  - (10) The number, names and mailing address of all tenants authorized to occupy the rental unit if the same is then currently occupied.
  - (11) Such other information as may be required by N.J.S.A. 46:8-28, as amended or supplemented, so that the registration certificate contains all information required to be disclosed thereby.
  - (12) Evidence of insurance coverage on the property
  - (13) Such other information as may be prescribed by the Department.
- B. Every person required to file a registration certificate pursuant to this chapter shall file an amended registration certificate within 20 days after any change in the information required to be included thereon. No fee shall be required for the filing of an amendment except where the ownership of the rental unit premises is changed. Except that an amendment for the sole reason of change in ownership shall not be applicable to rental units in motels, hotels, bed and breakfasts or rooming or boarding houses:
- (1) If the rental thereof is based upon a daily or weekly basis to transient or temporary renters; and
  - (2) The rental unit property is registered with the State of New Jersey.
- ~~C.~~ Every landlord shall provide the occupant or tenant occupying a rental unit with a copy of the registration certificate required by this chapter. If there is an amended certificate, if filed, the landlord shall furnish each occupant or tenant with a copy of the amended certificate within seven days of the filing thereof. This particular provision shall not apply to any hotel, motel or rooming or boarding house registered with the State of New Jersey.
- D. The Department on behalf of the City Clerk shall index and file the registration certificate in a manner consistent with the mandates of N.J.S.A. 46:8-28.1, as amended and supplemented, so that the filing of the registration certificate will simultaneously satisfy the registration requirements of N.J.S.A. 46:8-28 to the extent that it applies to the property being registered and will also satisfy the registration requirements of this chapter. No rental unit certificate shall be issued for any rental unit unless:
- (1) (a) The rental unit has been inspected and a certificate has been issued for that rental unit by the Department in accordance with this section; except as set forth in Sec. 172-10 of this ordinance. The inspection shall cover a checklist of features essential to the health, safety and well-being of the tenants and

neighborhoods of the rental property. The checklist shall be posted on the city website.

**(b)** If a rental unit has failed inspection, but the continued occupancy of the unit does not impair the health and safety of the occupants, the city shall issue an interim certificate to occupy for a period of no more than 90 days, which shall be void if the owner fails to make necessary repairs within that time.

**(c)** The Department may waive the inspection requirement at its sole discretion upon submission by the rental unit owner of documentation that the unit is subject to regular inspection by the New Jersey Department of Community Affairs (DCA) pursuant to the New Jersey Hotel and Multiple Dwelling Law (N.J.S.A. 55:13A-1 et seq.) or on behalf of the Real Estate Assessment Center (REAC) of the U.S. Department of Housing & Urban Development and the property was inspected and found to be without violations by either DCA or REAC no more than six months prior to the date of inspection under this section or the rental unit owner shows documentation that any violations were subsequently corrected. In such event, the fee shall be as set forth in Sec. 172-11 of this ordinance.

**(d)** Subsequent to adoption of this ordinance, the Department may at its discretion reinspect any rental unit which received a certificate prior to adoption of this ordinance.

- (2) If the rental unit is a hotel, motel or rooming or boarding house, registered with the State of New Jersey, the rental unit has been inspected by the state and a validated certificate of registration for the rental unit has been issued by the state.

**E. Certificate fee; failure to pay; exemption for senior citizens.**

- (1) No initial or renewal rental unit certificate shall be issued for any rental unit unless the application is accompanied by a fee as set forth in the schedule in §172-11 of this Ordinance.. Failure to apply for a rental certificate on any occupied unit, by the required date, will be a violation of this code. The penalty will be \$100 payable to the Department of Inspections and Permits for each day the unit is in violation.
- (2) If the record owner of the rental unit premises is a senior citizen who resides in the rental unit premises and rents out the remaining rental unit(s), and would otherwise qualify under the State of New Jersey property tax deduction under N.J.S.A. 54:4-8.41, there shall be no fee.

**F. No rental unit certificate shall be issued unless the real estate taxes, water and sewer charges and/or other municipal assessments or charges due to the City of Salem associated with the rental unit premises are paid current in accordance with Chapter 135, Certificates and Permits, of this Code.**

**§ 172-6. Issuance of certificate.**

Upon due compliance with all of the foregoing requirements for a rental unit certificate,

the Department shall issue a certificate for that rental unit.

**§ 172-7. Revocation or suspension of certificate; procedure.**

A. In addition to any other penalty prescribed herein, a rental unit certificate granted under this chapter may be subject to revocation, suspension, imposition of fines and/or special conditions, including but not limited to the installation or implementation of appropriate security measures, and including a requirement to post a bond, letter of credit or other adequate security to ensure performance of any condition of the certificate issued hereunder, in the event of one or more of the following:

- (1) A finding that there was any misstatement of material fact in the registration certificate upon which the certificate was issued.
- (2) The occurrence of any fact which, had it occurred and been known before issuance of the certificate, would have resulted in the denial of the application.
- (3) Failure to comply with an order to correct a violation clearly inimical to the health or safety of the tenants or neighbors of the property after notice and where reinspection after reasonable opportunity to do so establishes that the violation remains uncorrected.
- (4) Revocation by the New Jersey Department of Community Affairs of the operator's license or other authorization to operate, if the rental unit is a hotel, multiple dwelling or rooming or boarding house regulated by the State of New Jersey.
- (5) Failure or refusal to comply with any lawful regulation or order of the city.
- (6) Conviction of a violation of this chapter in the municipal court or any other court of competent jurisdiction.
- (7) Determination of a violation of this chapter at a hearing held pursuant to Subsection (C) hereafter following.
- (8) Failure to take appropriate action in response to criminal convictions or civil liability findings as set forth in Subsection (B) below.
- (9) Where the rental unit(s) or premises of which the rental unit(s) are a part have required over the preceding 12 months repeated law enforcement response/intervention and/or been the location of more than one serious crime incident, failure to install or implement reasonable security measures as instructed by the Salem police department. Such measures may include landscaping, lighting, gating and similar measures; or in the case of multifamily housing, compliance with the provisions of §172-12 of this ordinance.

B. Action in response to criminal convictions

- (1) Upon finding that at least two ~~such~~ convictions of criminal offenses or findings of civil liability on or about the rental property for activity that materially affects the peace and quiet of the occupants or other people living in said house or neighborhood have taken place within a twelve-month period, the city may serve a Notice to Evict on the landlord ordering them to evict the tenants, at which time the landlord shall forthwith issue the tenant a Notice to Quit and file for eviction.
- (1) A landlord or tenant may appeal a notice under this subsection as provided in Subsection (C) below.
- (2) The provisions of a Notice to Evict shall not apply to any tenants in the building who have been victims of any of the criminal actions that have resulted in the city issuing the notice to the landlord.
- (3) Nothing in this ordinance shall require or authorize any landlord to use prior criminal convictions as a basis for refusing to rent a rental unit to an otherwise qualified tenant or taking any action inconsistent with the New Jersey Fair Chance in Housing Law, N.J.S.A. 46:8-52 et seq.

C. Procedure; complaints; hearings.

- (1) A complaint seeking the revocation or suspension of a certificate may be filed by any person interested in the matter, or initiated directly by the Department of Inspections and Permits. In the event that the complaint is initiated by a person other than the Department, the complaint shall be referred to the Department, who shall promptly review and investigate the matter. In the event that the Department's investigation indicates that there is not sufficient evidence or probable cause to justify further proceedings, the Department shall notify the complainant of such conclusion and the reasons therefor in writing, and the matter shall be concluded. In the event that the complaint is initiated directly by the Department, or in the event that a third party complaint is investigated and the Department determines that sufficient evident or probable cause exists, and therefore further proceedings are warranted, the Department shall promptly consult with the City Attorney and provide the City Attorney with a copy of the complaint and all materials associated therewith. If the City Attorney concurs with the Department that further proceedings are justified, the Department shall file a complaint with the City Clerk. The complaint shall be sufficiently specific to inform the certificate holder of the basis for bringing the complaint and the potential action that may be taken. The complaint may be filed on the basis of information and belief and the complainant need not rely on personal knowledge or information.
- (2) Upon filing of such complaint with the City Clerk, a date for a hearing shall be scheduled which shall be no sooner than 10 days nor more than 30 days thereafter. The City Clerk shall forward a copy of the complaint and a notice as to the date of the hearing to the certificate holder and the agent, if any, at



the address indicated on the registration certificate by certified mail. Service upon the agent shall be sufficient. Upon request by the certificate holder, the city will agree to one but only one rescheduling of the hearing.

- (3) If the certificate holder or the agent, acting on behalf of the certificate holder, waives their right to a hearing, fails to respond to the notice, or fails to appear at a scheduled or rescheduled hearing, the hearing officer shall make findings and recommendations on the basis of a review of the evidence without a formal hearing.
- (4) Hearings required by this section shall be held by a hearing officer or officers who shall be appointed by the Council. Following the hearing or review, the hearing officer shall make findings and a recommendation, either dismissing the complaint, revoking or suspending the certificate, determining that the certificate shall not be renewed or reissued for one or more subsequent certificate years, or suspending or revoking the certificate unless the certificate holder pays a specified fine, posts financial security to reasonably ensure future compliance or abatement of the problem, or fulfills other requirements imposed as are appropriate under the circumstances. Within 15 days of the conclusion of the hearing or review, the hearing officer shall transmit their findings and their recommendation to the City Council and to the certificate holder.
- (5) The Council may accept, reject or modify the recommendations of the hearing officer based on the officer's findings and the hearing record at the next regularly scheduled meeting of Council following receipt of the findings and recommendations of the hearing officer. Unless Council explicitly provides to the contrary, the recommendations of the hearing officer as they may be modified by Council shall be effective immediately and shall be implemented by the Department of Inspections and Permits forthwith. In the event Council fails to act at that meeting, the recommendations of the hearing officer shall be deemed final and shall be effective immediately.
- (6) At the hearing, witnesses shall be sworn prior to testifying. The strict rules of evidence shall not apply, and the evidential rules and burden of proof shall be ~~that~~ those which generally control administrative hearings.
- (7) The City Attorney or their designee shall appear and prosecute on behalf of the complainant in all hearings conducted pursuant to this section.
- (8) The City Clerk shall provide notice to the certificate holder and to all tenants of the property immediately upon the final decision on the matter taking place as set forth herein.

#### D. Action upon revocation of certificate

- (1) Upon revocation of a rental certificate on a property, the Department shall post a notice on the front door or other prominent location of any property for which the rental certificate has been revoked reading as follows:

**RENTAL CERTIFICATE REVOKED. If vacated, this property may not legally be re-rented or leased without the written permission of the public officer of the City of Salem.**

Removal of said notice by a landlord prior to restoration of the rental certificate shall be a violation of this ordinance.

- (2) If the property is vacant or becomes vacant while the certificate is still revoked, the landlord shall not re-rent the property without approval of the city.
- (3) Revocation of the rental certificate shall not be grounds for vacating an occupied rental unit unless the Department has determined in writing that continued occupancy of the property is hazardous to the health and safety of the occupants.
- (4) As provided by law, the city may seek a judgment from a court of appropriate jurisdiction appointing the public officer or their designee as receiver of rents for the property in order to pay bills and make necessary repairs to the property.
- (5) The provisions of this subsection shall also apply to any property for which the landlord has failed to renew its registration within six months of expiration of the prior registration of the property.

**§ 172-8. Violations and penalties**

- A. Any person violating this chapter shall, upon conviction, be subject to a fine of not less than \$100 nor more than \$2000.
- B. Any person who is convicted of violating this chapter by failing to correct a condition dangerous to the health and safety of the tenants of the property after notice by the municipality and reasonable time to correct the violations, in addition to a fine of up to \$2,000; may be subject to imprisonment in the county jail for a term not exceeding 90 days or by a period of community service not exceeding 90 days.

**§ 172-9. Annual Review**

- A. The Department of Inspections and Permits shall maintain a database of all rental certificates issued, and all inspections and re-inspections conducted of rental properties subject to this ordinance. The database shall include but not be limited to the following information:
  - (1) When each property has received a rental certificate, and where applicable, when a certificate has been revoked and when reinstated.
  - (2) The date and findings of all regularly scheduled inspections, and whether a violation notice was issued, and the provisions of the notice;
  - (3) The date and findings of all subsequent follow-up re-inspections, and when the violations were corrected.
  - (4) The date and nature of any complaint received with respect to the property.
  - (5) The date and findings of all inspections in response to complaints, whether a

violation notice was issued, and the provisions of the notice.

(6) The date and findings of all re-inspections subsequent to complaints, and when the violations were corrected.

(7) Such other matters that may be determined to be appropriate and material by the Department, or that may be requested to be added by Council.

B. The Department of Inspections and Permits shall perform an annual review of the process regulated by this chapter. A written report shall be submitted to the Council Committee which shall include, but not be limited to, the following information:

(1) Number of landlords registered.

(2) Compliance with this chapter, as further set forth in Sec. 172-10(A) 1 of this ordinance.

(3) Suggestions for improvement and/or modifications of the regulations.

## § 172-10. Performance-Based Inspections

### A. Statement of intent.

(1) It is the intent of the city that rental housing inspections be performance-based; that is, that the frequency of property inspections under this ordinance be determined by the track record or history of the condition of the property and the performance of its owners. Properties with more code violations, or with a history of failing to correct violations in timely fashion, should be inspected more often, while properties with few or no violations should be inspected less often. By so doing, the city will be able to focus most on those properties and landlords which lead to the greatest problems for tenants and neighbors, while using its resources most effectively.

(2) To that end, the city plans to place each property into one of three tiers, which can be generally described as follows:

a. Tier 1. Properties in generally good or excellent condition, with few or no violations, which are corrected in timely fashion, and few or no complaints.

b. Tier 2. Properties in fair condition, with larger numbers of violations and complaints, which often require repeated re-inspections before being corrected.

c. Tier 3. Properties in poor condition, with multiple violations and/or frequent complaints, and which are often not corrected or recur even after repeated re-inspections.

(3) The city recognizes that in order to establish such a performance-based system in a way that is objective and not arbitrary it must be based on comprehensive data about the extent of violations on each property, and the extent to which they were corrected in timely fashion, as well as other salient information that

is directly relevant to the property, and that such data is not available to the city at this time.

- (4) Therefore, as soon as practicable upon adoption of this ordinance, the city will establish a database as set forth in §172-9, and at such point that that database contains adequate data on the city's rental properties, will use it as set forth in this section to establish a point system on the basis of which properties will be classified for purposes of establishing the frequency of inspections as well as such other provisions that the city may determine to be appropriate.

B. (1) No later than 18 months following completion of the initial inspection of all rental properties required under §172-5(E), the Department of Inspections and Permits shall compile the initial annual review required under §172-9(B), and submit the ranking system set forth under Subsection C(4) below, to City Council. The review shall include the following information for each inspected property:

- a. Whether any health and safety violations were found on the initial inspection, and if so, how many
- b. Whether any health and safety violations were found on the first re-inspection, and if so, how many
- c. Whether all violations were corrected within six months of the initial inspection, and if not how many were not corrected
- d. Whether any complaints with regard to conditions on the property were received during the preceding year, and if so, how many
- e. Whether all complaints were addressed in timely fashion to the satisfaction of the inspector, and if not how many were not addressed.
- f. Such other information as the Department, in consultation with the Police Department and other agencies of city government, may determine to be germane to evaluating the quality of rental housing and the performance of rental landlords.

(2) The review shall be provided to City Council and will be posted on the City of Salem website.

- C. (1) The Department of Inspections and Permits shall utilize the information from the initial annual review to establish a point system that will be used to classify all rental properties into three tiers. Points shall be established for each item on the health and safety checklist used for inspections under this ordinance, as well as for the other elements set forth in §172-10(B).

(2) Using the database, the Department shall tabulate the number of points for each property during the preceding 12 month period, and shall subtract that number from 100. The resulting number shall be the property's Condition Score.

- (3) The actual minimum and maximum Condition Scores that will be used to determine the tier into which each individual property will be placed will be established at that time, in order to ensure that it is based on sound data and is not arbitrary, and that no one tier includes a disproportionate share of the city's rental properties.
- (4) Upon completion of the review and analysis as set forth above, the Department shall submit the ranking system to be used to place properties into tiers and the minimum and maximum Condition Scores for each tier to City Council, which system shall become effective when adopted by Council as an amendment to this ordinance.
- (5) Upon the effective date of the amendatory ordinance, the Department shall determine the tier for each property based on its Condition Score, shall notify the owner and tenants of the property of the tier, and shall post the list of properties by tier on the city website.
- D. Subsequent to the initial determination of the tier for each property, the Department of Inspections and Permits shall review the status of each property based on the annual review. Each year, where the review shows that a property's performance has significantly changed in the past year from previous years consistent with the schedule adopted under Subsection B(2) of this ordinance, the Department shall move such properties from one tier to another as appropriate.
- E. Regular inspections of rental properties shall take place on the following schedule:
- (1) Tier 1: every 3 years
  - (2) Tier 2: every 2 years
  - (3) Tier 3: annually
- F. The Department at its discretion may require as a condition of receiving a rental unit certificate that any owner of any Tier 3 property participate in such training or related programs as are made reasonably available and may help improve, in the judgement of the Department, the quality of the landlord's property. The city can require such training as a condition of reinstatement of a certificate per §172-7(C) 5.

#### **§172-11 Fee Schedule**

- A. Fees shall be due and payable to the city as set forth in the following schedule:

##### **BASE REGISTRATION FEE**

	PRESENT FEE	FEE AFTER ADOPTION OF PROVISIONS OF §172-10		
		TIER I	TIER 2	TIER 3
Initial registration	\$100	\$100	\$100	\$100

Renewal in years when inspection is due (see note)	\$100	\$100 every third year	\$100 every other year	\$100 every year
Renewal in years when inspection is not due		\$25	\$25	Not applicable
Registration or renewal when inspection waived per §172-5(D)1(c)	\$25	\$25	\$25	\$25

NOTE: registration fee includes cost of initial inspection and first re-inspection. All fees are per rental unit.

#### ADDITIONAL CHARGES

Re-inspections (after first re-inspection)	\$50
Inspections resulting from complaint if one or more violations are cited	\$50
Re-inspections after initial complaint inspection	\$50
Emergency inspection after normal business hours	\$75
Hearing on revocation or suspension of rental certificate	\$100

NOTE: All fees except hearing fees are per inspection per rental unit. The hearing fee is payable in full if the hearing is scheduled and adequate notice given whether or not the certificate holder appears at the hearing.

- B. The total fee payable for renewal of the rental unit certificate shall be the sum of the Base Registration Fee and any Additional Charges accrued with respect to the property during the preceding twelve month period.
- C. All additional charges pending shall be paid prior to the city issuing a Certificate to Occupy as provided in Sec. 163-5 of the City of Salem Code of Ordinance with respect to any property subject to the provisions of this section.
- D. City Council may amend this schedule by ordinance at any time, but not more often than once in any twelve month period.

### **§ 172-12. Inspections in response to complaints**

- A. Notwithstanding any other provision of this section, the Department shall investigate and as appropriate conduct inspections of rental properties in response to all complaints received with respect to those properties.
- B. Whenever an inspection takes place in response to a complaint, the inspector, in addition to inspecting the matter that is the subject of the complaint, shall conduct an expedited inspection of key health and safety features of the rental property.



- C. In the event that said inspection establishes more than one material health and safety violation in addition to the matter that is the subject of the complaint, the Department shall forthwith schedule a formal inspection of the property as provided in §172-5(D)(1).

**§ 172-13. Security at multiple-unit dwellings.**

- A. All residential dwelling units of three or more units, and hotels as defined in N.J.S.A. 55:13A-3(k), including condominium complexes of more than 25 dwelling units shall provide for the installation and maintenance of security cameras in accordance with a plan to be approved by the Construction Official.
  - B. Any such security cameras shall be installed so as to maintain continuous surveillance of the public streets, parking lots, public walkways, sidewalks, grassy areas, playground areas and trash collection areas adjacent to such buildings. Multiple security cameras may be required to satisfy this section.
  - C. Recordings from the surveillance cameras required by this section shall be capable of storing and maintaining all footage for a period of 180 days unless instructed by law enforcement. Recordings from surveillance shall be made available to members of the police department in the event the recordings are needed for a criminal investigation.
  - D. It shall be the responsibility of the owner to install, maintain and operate the security camera.
  - E. This section shall be effective immediately in accordance with the law; however, enforcement of the section shall take place within 60 days following its adoption in order to allow time for the applicable businesses to comply with the provisions herein.
  - F. Penalties. Any person violating this section shall, upon conviction, be subject to a fine of not less than \$100 nor more than \$2,000; or imprisonment in the county jail for a term not exceeding 90 days or by a period of community service not exceeding 90 days. Any person who is convicted of violating this section within one year of the date of a previous violation of the same ordinance and who was fined for the previous violation, shall be sentenced by a court to an additional fine as a repeat offender. The additional fine imposed by a court upon a person for a repeated offense shall not be less than the minimum or exceed the maximum fine fixed for a violation of the ordinance, but shall be calculated separately from the fine imposed for the violation of the ordinance.
2. Section 163-5 of the Code of Ordinances of the City of Salem, New Jersey is hereby amended to read as follows:
- A. No person or entity shall hereafter rent, lease, let or allow to be occupied, whether for consideration or not, or occupy himself any dwelling, dwelling unit, hotel, rooming house or rooming unit, unless a certificate to occupy or a rental unit certificate as required under §172 of this Code shall first have been obtained from the Department

of Inspections and Permits. A new certificate to occupy or rental unit certificate shall be obtained each time there is a change of ~~occupancy~~ ownership of any unit of dwelling space in any dwelling, dwelling unit, hotel, rooming house or rooming unit. The ~~Said~~ owner of any unit other than those requiring a rental unit certificate shall make application on forms to be provided by the Department of Inspections and Permits for said certificate to occupy, paying a fee of \$40 to the City of Salem therefor. ~~Said~~ The certificate to occupy shall certify that the building or unit is fit for human habitation and complies with the requirements of all ordinances of the City of Salem which relate to housing.

**B.** ~~No tenant or occupant shall sublease, sublet or permit use of the dwelling or dwelling units without following the above procedures. Should an applicant apply for a certificate to occupy and pay the forty-dollar fee, and thereafter require a reinspection, a reinspection fee of \$25, per reinspection, shall be charged for any reinspections which occur within 60 days of the initial inspection. Following the end of said sixty-day period, a new application accompanied by the forty-dollar fee shall be required.~~

## APPENDIX 2

### Model health and safety inspection checklist (City of Bellingham, Washington)



## Rental Registration & Safety Inspection Program City of Bellingham

### Rental Property Safety Inspection Checklist

The intent of this checklist is to provide a reasonable level of predictability for owners, residents and inspection personnel. No checklist can encompass every possible scenario and not all apparent violations present a threat to the health or safety of tenants. Accordingly, inspectors are required to use a significant amount of professional judgement. The severity of the violation along with the willingness of the building owner to abate inspection findings will weigh heavily into the course of action taken by inspectors.

The safety inspection is designed to acknowledge the standards that were in place at the time of the property's construction, provided those standards do not threaten life-safety. It is not the intent of the program to bring Bellingham rental properties into compliance with current building code. The example below details a situation in which non-compliance with current code could be allowed.

**EXAMPLE:** All bedrooms in buildings four stories or less require emergency egress windows. The current building code would require a window of 5.7 sq. ft. net openable area and with opening dimensions no less than 20" wide and 24" tall. Egress windows on the first floor may be 5.0 sq. ft. under the current building code.

**Buildings constructed under old codes or constructed before there was an adopted building code would need to meet whatever the egress window size was when the building was originally built.** The international Property Maintenance Code typically requires that each habitable room have a window sized to be at least 8% of the room's floor area. This can be accomplished by multiple smaller windows but typically in bedrooms is a single window. The bedroom window is required to have an openable area of at least 45% the total window size or current code requirements, whichever is smaller.

The need to upgrade egress windows is anticipated to be extremely rare, usually isolated to locations where other rooms have been illegally converted to bedrooms.

**A checked box denotes a deficiency or an aspect of the property which needs corrective attention.**

<b>Attention:</b> <i>Please print clearly when completing this form</i>	
Inspector:	Inspection Date (mm/dd/yyyy):
Rental Property Address:	Registration Number:
Rental Property Type: <input type="checkbox"/> Single Family <input type="checkbox"/> Multi-family <input type="checkbox"/> Condo <input type="checkbox"/> Detached Independent Unit	
Rental Property Contact Name & Phone Number:	

## 1. Exterior: Structure, Shelter, and Maintenance

Roof, chimney, foundation, stairs, and decks are reasonably free of decay (e.g. severe cracks, soft spots, loose pieces, deterioration, or other indications that repair is needed); maintained in a safe, sound, and sanitary condition; and capable of withstanding normal loads and forces. The building and its components, including windows, should be reasonably weather-proof and damp-free.

<b>1.1) Address numbers</b> are plainly legible and visible from the street or road fronting the property.	<input type="checkbox"/> a. Address numbers are missing or concealed from view
	<input type="checkbox"/> b. Unit numbers are not on or adjacent to primary entrance of each dwelling
<i>Notes:</i>	

<b>1.2) Roof must be maintained in a safe and sound condition and in good repair based on visual inspection.</b>	<input type="checkbox"/> a. Roof has holes and/or structural member is broken or significantly decayed
	<input type="checkbox"/> b. Roof is not weather-proof or has clear evidence of leaking
<b>Notes:</b>	

<b>1.3) Chimney</b> is maintained in a safe and sound condition and in good repair with no major damage based on visual inspection (does not pose imminent danger).	<input type="checkbox"/> a. Loose bricks at the top and/or masonry requires repointing at top
	<input type="checkbox"/> b. Loose or missing bricks or masonry in middle or at chimney base
	<input type="checkbox"/> c. Pulling away from structure, unstable, or otherwise at risk of falling
<i>Notes:</i>	

1.4) <b>Foundation</b> is weather-proof, maintained, and structurally sound.	<input type="checkbox"/> a. Foundation is failing: leaning, crumbling, missing pieces, broken, or deflected
	<input type="checkbox"/> b. Openings in foundation are larger than 1/4" (potential for insect infestation)
Notes:	

1.5) <b>Exterior walkways</b> are free from hazardous conditions.	<input type="checkbox"/> a. Cracks are larger than 3/8" in height differential
	<input type="checkbox"/> b. Walkway is leaning more than 2% side slope
Notes:	

1.6) <b>Exterior stairs and decks</b> are safe, structurally sound, and in good repair.	<input type="checkbox"/> a. Structural members are leaning, significantly decayed, or detached
	<input type="checkbox"/> b. Exterior decks or other platforms are broken, loose, decayed, or missing pieces
	<input type="checkbox"/> c. Exterior stairs are broken, loose, decayed, or missing pieces
	<input type="checkbox"/> d. Guardrails/intermediate rails on any landing, deck, or platform that are 30 inches or more above grade or other surfaces are missing, loose, or broken
	<input type="checkbox"/> e. Handrails/intermediate rails on any flight with more than three risers (two or more risers that serve two or more dwelling units) are missing, loose, or broken
Notes:	

1.7) <b>Door and window components and assemblies</b> are weatherproof, safe, secure, and maintained in good condition.	<input type="checkbox"/> a. Weather stripping is missing or allowing air to enter
	<input type="checkbox"/> b. Sills or frames have significantly decayed wood or separated joints
	<input type="checkbox"/> c. Windows or doors have missing pieces or are cracked and allowing weather or water to get inside
Notes: CITY OF SALEM, NEW JERSEY AN ORDINANCE GOVERNING RENTAL HOUSING REGISTRATION AND THE ISSUANCE OF RENTAL CERTIFICATES AND PROVIDING FOR PERIODIC INSPECTION OF RENTAL PROPERTIES § 1. Section 172 of the Code of Ordinances	

1.8) <b>Exterior walls</b> are reasonably weather-tight and watertight, structurally sound, rodent proof, and kept in a safe and sound condition	<input type="checkbox"/> a. Exterior walls allow water or weather penetration (e.g., seeping, leaking, coming in through a crack or hole)
	<input type="checkbox"/> b. Exterior wall is failing: leaning, crumbling, missing pieces, broken, or deflected
Notes:	



## 2. Interior: Structure, Shelter, and Maintenance

Walls, floors, stairs, and other structural components are reasonably free of decay, maintained in a safe and sound condition, and capable of withstanding normal loads and forces. Natural and mechanical lighting and ventilation is adequate and maintained in good working order for each habitable room in the unit.

<b>2.1) Ventilation:</b> all habitable rooms, bathrooms, and laundry rooms have openable windows, or passive or mechanical ventilation in good working order and vented to the exterior.	<input type="checkbox"/> a. Any habitable room, bathroom, or laundry room does not have an openable window or other approved ventilation <input type="checkbox"/> b. Kitchen fan, if used in place of openable windows, is not operable or pulling air <input type="checkbox"/> c. Bathroom and laundry room fan, if used in place of openable windows or operable passive ventilation, is not operable, pulling air, or vented to exterior
<i>Notes:</i>	
<b>2.2) Structural components</b> such as walls and floors are maintained in a safe and sound condition and in good repair. Wall, floor, and ceiling coverings must be dry and free of moisture.	<input type="checkbox"/> a. Wall, floor, or ceiling coverings are broken such that framing members are visually exposed <input type="checkbox"/> b. Walls, floors, or ceilings are soft, spongy, or wet to the touch <input type="checkbox"/> c. Interior load-bearing walls are not maintained in a safe and sound condition <input type="checkbox"/> d. Floors are not maintained in a safe and sound condition
<i>Notes:</i>	
<b>2.3) Interior stairs and landings</b> must be maintained in a safe and sound condition and in good repair	<input type="checkbox"/> a. Joists or posts are leaning, decayed, or detached <input type="checkbox"/> b. Landings or other platforms are broken, loose, decayed, or missing pieces <input type="checkbox"/> c. Interior stairs are loose, broken, decayed, or missing pieces <input type="checkbox"/> d. Floors are not maintained in a safe and sound condition <input type="checkbox"/> e. Handrails/intermediate rails on any flight with more than three risers (two or more risers that serve two or more dwelling units) are missing, loose, or broken
<i>Notes:</i>	
<b>2.4) Fire-resistance-rated assemblies</b> (including opening protective) must be intact, properly maintained, and in operable condition.	<input type="checkbox"/> a. Fire-resistance-rated assemblies (including opening protective) are not intact, properly maintained, or in operable condition.
<i>Notes:</i>	

### 3. Emergency Escape Windows and Doors

Every sleeping room built or permitted after July 1<sup>st</sup>, 1974 must have an emergency escape window or door with at least 5.7 square feet openable area with a minimum dimension of at least 24 inches high and at least 20 inches wide. Sleeping rooms in older buildings must have one window or door of openable area at least 3.5 square feet. Emergency escape windows must open to the exterior and must not exceed a maximum sill height of 44 inches from the floor (*buildings built or permitted prior to 1964 are not subject to the sill height requirement*).

- ☐ **3.1) Emergency escape window or door** is missing, blocked, or inaccessible.

Notes:

- ☐ **3.2) Emergency escape windows** do not meet size or sill height requirements.

Notes:

### 4. Room Size and Condition

All rooms used as living or sleeping rooms must meet minimum requirements for square footage and must not have dirt floors.

- ☐ **4.1) Dwelling unit** does not have at least one habitable room that is 120 square feet, with all other habitable rooms at least 70 square feet (kitchens and bathrooms are not considered habitable rooms. Studio units (efficiency dwelling units) require 200 square feet minimum in a single room.)

Notes:

- ☐ **4.2) Any habitable room** except the kitchen measures less than seven (7) feet in any floor dimension.

Notes:

- ☐ **4.3) Any sleeping room** measures smaller than 70 square feet in size.

Notes:

- ☐ **4.4) Dirt floor** is present in any room used as a living area.

Notes:

## 5. Heating System

Every bathroom and habitable room must have a functioning, properly ventilated, and permanently-installed heat source. If heat is not permanently installed in every habitable room and bathroom, then the heating system must be capable of maintaining a temperature of at least 68°F measured 3 feet above the floor in each room when the outside temperature is 29°F or higher.

<b>5.1) Heat source</b> in the unit is permanent, working, and in good repair.	<input type="checkbox"/> a. Required permanently-installed heating equipment/device is defective or missing in any habitable room or bathroom
Notes:	
<b>5.2) Temperature</b> can be maintained at a minimum of 68°F (measured 3ft above the floor and 3ft from exterior walls) when exterior temperature is 29°F or higher.	<input type="checkbox"/> a. Permanently-installed heater is not capable of maintaining required temperature in any habitable room or bathroom
Notes:	
<b>5.3) Fuel-burning appliances</b> , where allowed, must be of an approved type, properly installed, and maintained in good working order.	<input type="checkbox"/> a. Unvented portable fuel-burning heater is present in a sleeping room or bathroom
	<input type="checkbox"/> b. Any gas, wood, or fuel-burning heat source lacks proper ventilation
Notes:	

## 6. Electrical Standards

All electrical equipment and wiring must be approved and maintained in safe and sound condition and in good working order.

<input type="checkbox"/>	<b>6.1) Exposed unprotected wiring</b> is evident in any room.
Notes:	
<input type="checkbox"/>	<b>6.2) Dwelling unit is not served</b> by 3-wire 120/240 volt single phase electric service of at least 60 amperes.
Notes:	
<input type="checkbox"/>	<b>6.3) Any electrical equipment</b> (meter bays, service panel, subpanels, shutoff) is improperly installed or connected, tampered with, or unsafe.
Notes:	
<input type="checkbox"/>	<b>6.4) Any habitable room, including kitchen</b> , does not have either an operable light fixture and an electrical outlet, or two electrical outlets.
Notes:	

<input type="checkbox"/>	<b>6.5) Any bathroom, laundry room, utility room, common hallway, stairway, or porch</b> does not have an operable light fixture.
Notes:	

<input type="checkbox"/>	<b>6.6) Receptacle at clothes washer</b> not grounded.
Notes:	

## 7. Plumbing and Hot Water

Plumbing systems must be properly installed, functional, sanitary, and maintained in good condition. Water temperature reaches at least 110°F after running water for two minutes

<input type="checkbox"/>	<b>7.1) Running water temperature</b> is below 110°F.
Notes:	

<input type="checkbox"/>	<b>7.2) Any individual unit water heater</b> is set above 120°F.
Notes:	

<input type="checkbox"/>	<b>7.3) Evidence that plumbing is not connected</b> to an approved sewer or not functioning properly. Evidence includes, for example: strong sewer gas smell in the basement or outside of unit, major leaking of basement plumbing pipes, numerous clogged or very slow drains.
Notes:	

## 8. Sanitation Standards: Bathrooms

Every unit has at least one directly accessible bathroom (primary bathroom) that includes an operable toilet, sink, and tub or shower, all in safe and sound condition and sanitary working order. Does not apply to a legally established rooming house/boarding house that does not have a bathroom, although any associated common or shared bathroom must meet these standards.

<input type="checkbox"/>	<b>8.1) No fully functional or properly functioning bathroom</b> (must include sink, toilet, and tub or shower).
Notes:	

<input type="checkbox"/>	<b>8.2) The only access from a bedroom</b> to the only bathroom is through another bedroom.
Notes:	

<input type="checkbox"/>	<b>8.3) Tight-fitting door</b> missing if bathroom is in a food preparation area.	
Notes:		
<input type="checkbox"/>	<b>8.4) Toilet</b> does not flush, is broken, leaks at the base, or is not secure to the floor	
Notes:		
<b>8.5) Sink is functional</b> , not leaking, and does not have sharp edges or concealed places for bacteria growth.	<input type="checkbox"/>	a. Dripping faucets, significantly cracked or chipped porcelain, or broken but operable handles or knobs
	<input type="checkbox"/>	b. Is not operable, such as cracked through, faucet cannot turn on, or no hot and cold water
	<input type="checkbox"/>	c. Under sink plumbing pipes or connectors are leaking
Notes:		
<b>8.6) Shower or bathtub is functional</b> , not leaking, and does not have sharp edges or concealed places for bacteria growth.	<input type="checkbox"/>	a. Dripping faucets, significantly cracked or chipped porcelain, or broken but operable handles or knobs
	<input type="checkbox"/>	b. Is not operable, such as cracked through, faucet cannot turn on, or no hot and cold water
	<input type="checkbox"/>	c. Plumbing pipes or connectors are leaking
Notes:		
<input type="checkbox"/>	<b>8.7) Bathroom counter</b> is missing tile, pieces are broken, is made of a porous material, or is pulling away from the wall.	
Notes:		
<b>8.8) Wall, floor, or ceiling coverings:</b>	<input type="checkbox"/>	a. Broken such that floor, wall, or ceiling studs or joists are visually exposed
	<input type="checkbox"/>	b. Soft, spongy, or wet to the touch
Notes:		

**9. Sanitation Standards: Kitchen**

Every unit has a kitchen with a sink, counter, cabinets, cooking appliance, and refrigerator maintained in safe, sound, and sanitary condition. This does not apply to units comprised of a single habitable room such as a rooming house/boarding house, when the unit does not have a kitchen. Common kitchen must meet these standards.

<input type="checkbox"/>	<b>9.1) Dwelling unit does not have a kitchen</b> (must include sink, counter, cabinets, cooking appliance, and refrigerator).
Notes:	
<input type="checkbox"/>	<b>9.2) Counter</b> is missing tile, pieces are broken, is made of a porous material, or is pulling away from the wall
Notes:	
<b>9.3) Refrigerator/freezer</b> (if provided by landlord):	<input type="checkbox"/> a. Missing a handle or seal is compromised <input type="checkbox"/> b. Is inoperable or not in good working condition
Notes:	
<b>9.4) Cooking appliance</b> (if provided by landlord):	<input type="checkbox"/> a. One or more parts are inoperable or missing but appliance still has food cooking capability <input type="checkbox"/> b. Not rated for indoor use or entire appliance is inoperable
Notes:	
<b>9.5) Sink is functional</b> , not leaking, and does not have sharp edges or concealed places for bacteria growth	<input type="checkbox"/> a. Dripping faucets, significantly cracked or chipped porcelain, slow drain, or broken but operable handles or knobs <input type="checkbox"/> b. Is not operable, such as cracked through, faucet cannot turn on, or no hot and cold water <input type="checkbox"/> c. Under sink plumbing assemblies including any piping, faucet risers, traps, or sink connectors are leaking
Notes:	
<b>9.6) Gas piping:</b>	<input type="checkbox"/> a. Gas piping is leaking, kinked, crushed, or pulling away from the wall (NOTE: if leak detected, evacuate and call 911 immediately) <input type="checkbox"/> b. Gas shutoff valve not located within 3 feet of appliance
Notes:	



9.7) Wall, floor, or ceiling coverings:	<input type="checkbox"/> a. Broken such that floor, wall or ceiling studs or joists are visually exposed
	<input type="checkbox"/> b. Soft, spongy, or wet to the touch
Notes:	

## 10. Owners' Obligations

Property owners are responsible for ensuring that the property is free of excess trash; insects and rodents have been exterminated; unit and building doors lock with a deadbolt or dead-latch; and working smoke detectors are installed outside sleeping rooms.

<input type="checkbox"/>	10.1) Garbage/rubbish is accumulated outside of trash receptacles.
Notes:	

<input type="checkbox"/>	10.2) Visible evidence of rodents or insects such as bedbugs, ants, cockroaches, or silverfish.
Notes:	

10.3) Door locks, frames, or jambs allow unit or building doors to close and lock securely.	<input type="checkbox"/> a. Door locks, frames, or jambs are broken or do not close and lock securely
	<input type="checkbox"/> b. Exterior doors are not capable of being locked from the inside without the use of a key
Notes:	

<input type="checkbox"/>	10.4) Smoke alarms missing, not functional, or not located in correct places (as determined by alarm type)
a. Hardwired: <i>will automatically have correct placement, if installed per building code</i>	
b. Battery operated: <i>one on each floor</i>	
c. No smoke alarms or evidence of previous installation: <i>one on each floor, one centrally located in hallway outside sleeping rooms, and one in each room used for sleeping.</i>	
Notes:	

<input type="checkbox"/>	10.5) Carbon monoxide alarms missing, not functional, or not centrally located in hallways outside sleeping rooms.
Notes:	

Inspection Result		
<input type="checkbox"/> Pass	<input type="checkbox"/> Corrections Needed	<input type="checkbox"/> Unit Uninhabitable
<input type="checkbox"/> Re-inspection Not Required		<input type="checkbox"/> Re-inspection Required By <div style="text-align: center;">_____</div> <div style="text-align: center;"><i>(date)</i></div>

*Inspector Notes:*

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Inspector Signature \_\_\_\_\_

Date \_\_\_\_\_

## APPENDIX 3

### Rent Control Ordinance Elements Worksheet

## RENT CONTROL ORDINANCE ELEMENTS WORKSHEET

SUBJECT	DISCUSSION	RECOMMENDATIONS
Which properties should be covered	Municipalities may legally impose rent control on all rental units except for newly constructed multifamily (4 units or more) properties. Some municipalities exempt certain properties, such as rental units in owner-occupied two family properties.	We recommend that the ordinance should apply to all rental units except for those in owner-occupied two family homes, hotels or federally-subsidized housing.
Substantial rehabilitation exemption	Some municipalities provide an exemption for some number of years to formerly vacant properties that have undergone substantial rehabilitation.	We recommend that this not be included in the ordinance. Rehabbers will be free to set the initial rent as they consider appropriate, but from that point onward their properties should be governed by the ordinance.
Composition and staff for rent control board	The ordinance must establish a rent control board to hear requests for other than regular rent increases, tenant complaints and related matters. It needs to specify who constitutes the membership of the board, and who provides staff services to the board, as well as the ability of the board to secure professional services if necessary to review landlord submissions.	We recommend a mix of one public official, and one or more representatives of landlords, tenants and the general public. A municipal employee should be designed as staff to the board.
Establishment of base rent & maximum annual rent increase.	Ordinances usually establish a base rent upon which to base future rent increases, which is usually the rent that is in effect on a particular date set in the ordinance. The ordinance must set the maximum allowable annual rent increase. Some ordinances provide a set percentage, while others tie the increase to the change in the Consumer Price Index (CPI), often with a maximum percentage to	We recommend that CPI be used to set maximum rent increases with an upper limit of 5%.

	<p>protect tenants during periods of high inflation. Some ordinances set a lower allowable increase for units whose tenants pay their own utilities and/or for those occupied by senior citizens.</p>	
<p>Link rent increase to code compliance &amp; maintaining standards of service</p>	<p>Some ordinances require the landlord to certify that the unit is in compliance with code requirements (which can be the health and safety checklist) in order to be allowed to increase the rent, and that there has been no diminishment of services.</p> <p>Some ordinances also provide that in the event a landlord reduces services (either eliminates a service or requires the tenant to pay for services previously included in the rent) the tenant can file a complaint with the Board, which can order the rent reduced.</p>	<p>We recommend that all of these provisions be included in the ordinance.</p>
<p>Hardship rent increases</p>	<p>Ordinances generally allow a landlord to request a further rent increase from the board in cases of hardship, or where the landlord is not getting a 'fair return' on investment, as defined in the ordinance. Hardship is usually defined as a showing that the landlord's return after expenses is less than some set percentage of the their equity investment (such as 5%), or that operating costs are more than a set percentage of the rent (which different ordinances set at between 57.5% and 75%) based on documentation of the income and expenses associated with the property. Ordinances generally require certification of code compliance as a condition of receiving a hardship increase.</p>	

Pass through of additional taxes or utility costs	Some ordinances allow landlords to pass additional taxes or utility costs to tenants over and above the allowable annual rent increase. Others do not, and allow such increases only if the landlord qualifies for an increase on the basis of hardship.	We recommend that this not be allowed separate from the hardship increase.
Rent increases for major capital improvement or additional services	Ordinances generally allow a landlord to request a further rent surcharge or increase from the board for major capital improvements or major service improvements. Ordinances generally require certification of code compliance as a condition of receiving a capital improvement or major service increase.	We recommend allowing increases for capital improvements and major service expansion. Capital improvement surcharges should not be added to the base rent, and should be set so they expire after the cost of the improvement has been fully amortized or the useful life of the improvement has been reached, whichever is less.
Overall rent increase cap	Some ordinances set a cap on the maximum total annual increase allowable, including any increases granted for hardship, capital improvements, additional services, or utility pass-throughs.	We recommend that the ordinance provide a cap on the total rent increase. A cap of 15% would appear reasonable. If the landlord is reasonably entitled to a greater increase, the increase can be phased over two or more years, so that the annual increase does not exceed the cap.
Vacancy decontrol	Many ordinances allow for greater flexibility when a unit is vacated and the rent is set for the new tenant. Some have no limits, while others may set either/both (1) a maximum percentage increase; or (2) limit vacancy increases to no more often than once every X years.	We recommend that the ordinance allow rents to be increased by a limited amount when a vacancy incurs, specifically no more than the allowable (CPI-based) increase + 10%.
Non-Waivability Clause	Some leases or rental agreements contain provisions under which tenants agree to waive their rights under the rent control ordinance.	We recommend that the ordinance include a provision barring waivability in leases.



<p>Other provisions</p>	<p>Other provisions often found in rent control ordinances include</p> <ul style="list-style-type: none"><li>(1) Anti-harassment provisions</li><li>(2) Notice to tenant requirements</li><li>(3) Fee schedules</li><li>(4) Enforcement/Penalties for violation of ordinance provisions</li></ul>	<p>We recommend that the ordinance include all of these provisions.</p> <p>Tenants should be given 30 day notice of all increases or landlord requests for increases, as well as notification of Board actions.</p> <p>The board should adopt fee schedules for matters such as hardship requests, which may require both legal and accounting review.</p> <p>Penalties for violations should include authority to award reimbursement or damages to tenants affected by landlord actions in violation of the ordinance, such as illegal rent increases.</p>
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## APPENDIX 4

### Vacant and Abandoned Properties: Proposed Revisions to Chapter 86

Articles II, IV and V of Section 86 of the Code of the City of Salem are hereby repealed, and replaced with the following:

## Article II Vacant and **Abandoned Buildings**

### § 86-11 Definitions.

For purposes of this article, the following terms are defined as set forth herein:

VACANT AND ABANDONED PROPERTY shall mean any property meeting the criteria set forth in either N.J.S.A. 55:19-82 or N.S.J.A 2A:50-73, as more fully set forth herein.

ABANDONED PROPERTY LIST shall mean a list of abandoned properties in the city that has been prepared and adopted as set forth in N.J.S.A. 55:19-81-82.

AVAILABLE FOR RENT TO A TENANT(S) shall mean a dwelling unit that is fit for habitation as defined by the statutes of the State of New Jersey, and the codes and ordinances of the City of Salem.

BUILDING shall mean any building or structure or part thereof, whether used for human habitation or otherwise, and includes any accessory buildings and appurtenances belonging thereto and usually enjoyed therewith.

CITY shall mean the City of Salem.

DAYS shall mean consecutive calendar days.

DEED IN LIEU OF FORECLOSURE shall mean a recorded document that transfers ownership of a property from the fee owner to a mortgagor, lien holder, or beneficiary of the deed of trust.

DEED OF TRUST shall mean an instrument by which title to real estate is transferred to a third party trustee as security for a real estate loan; definition applies to any and all subsequent deeds of trust i.e., second trust deed, third deed, etc.

DWELLING UNIT shall mean a building or structure or any portion thereof used or intended to be used for residential occupancy by one or more individuals or households.

FORECLOSURE shall mean the process by which property, placed as security for a real estate loan, is prepared for sale to satisfy the debt if the borrower defaults.

INITIATION OF THE FORECLOSURE PROCESS shall mean any of the following actions taken by a mortgagee against the borrower or mortgagor of a property:

- A. Taking possession of the property;
- B. Delivering a mortgagee's notice of intention to foreclose to the borrower;
- C. Commencing a foreclosure action or filing a lis pendens in the Superior Court of New Jersey.

INTERESTED PARTY shall mean any person, co-partnership, association, corporation, or fiduciary authorized by the owner of record to act in the owner's behalf.

MORTGAGE shall mean a lien against real estate granted to serve an obligation, including a deed of trust.

MORTGAGEE shall mean an individual, individuals or business entity to which a property is mortgaged, including but not limited to the creditor, service companies, lenders in a mortgage agreement and any agent, servant or employee of the mortgagee, or any successor in interest and/or assignee of the mortgagee's rights, interests or obligations under the mortgage agreement.

MORTGAGOR shall mean the person who has borrowed money and pledged his/her real property as security for the debt, i.e., granted a mortgage or gives property as security.

MUNICIPAL OFFICER shall mean the Department of Inspections and Permits or a representative or officer thereof, or shall include such other departments or officers thereof of the city of Salem as may be designated by the Mayor and Council. Where used in this article, the terms "municipal officer," "public officer", and "enforcement authority" shall have the same meaning.

NOTICE OF DEFAULT shall mean a recorded notice that a default has occurred under a mortgage or deed of trust and that the mortgagee or beneficiary intends to proceed with a foreclosure proceeding.

OWNER for purposes of this ordinance, the term "owner" shall encompass every owner of record, mortgagor, mortgagee, foreclosing entity subject to the provisions of N.J.S.A. 46:10B-51, trustee, or any agent, real estate agency, property manager or other interested party acting on behalf of itself or any of the foregoing, which alone or severally with others:

- A. Has legal or equitable title to any dwelling, dwelling unit, mobile dwelling unit or parcel of land, vacant or otherwise, except for entities of state, county or municipal government; or
- B. Has care, charge or control of any dwelling, dwelling unit or parcel of land, vacant or otherwise, in any capacity, including but not limited to agent, executor, executrix, administrator, administratrix, trustee or guardian of the estate of the holder of legal title; or
- C. Is a mortgagee in possession of any such property; or

D. Is an agent, trustee or other person appointed by the courts and vested with possession or control of any such property; or

E. Is an officer or trustee of the association of unit owners of a condominium.

Each such person is bound to comply as if he or she were the owner. However, this article shall not apply to any condominium association or co-op that forecloses or initiates the foreclosure process for unpaid assessments due or owing the association; or

F. Operates a rooming house; or

G. Is a trustee who holds, owns or controls mortgage loans for mortgage-backed securities transactions and has initiated the foreclosure process, or

H. any other entity determined by the municipal officer of the City of Salem to have authority to act with respect to the property.

OWNER OF RECORD shall mean the person having recorded title to the property at any given point in time as set forth in the records recorded with the Registrar of Deeds of Salem County.

PROPERTY shall mean any unimproved or improved real property, real estate, residential property, commercial property or portion thereof located in the City of Salem, including buildings or structures situated on the property regardless of condition. For the purposes of this article only, property does not include property owned or subject to the control of the City or any of its governmental bodies or agencies, including, but not limited to, property owned or controlled by the Federal Department of Housing and Urban Development.

RESIDENTIAL PROPERTY shall mean any property that contains one or more dwelling units used, intended or designed to be occupied for living purposes.

TRUSTEE shall mean the person, firm or corporation holding a deed of trust on a property.

TRUSTOR shall mean a borrower under a deed of trust, who deeds property to a trustee as security for the payment of a debt.

## § 86-12 Abandoned property list

A. The City Council may direct the public officer to identify abandoned buildings for the purpose of establishing an abandoned property list throughout the City or within those parts of the City as the Council may designate. Each item of abandoned property as identified shall include the tax block and lot number, the name of the owner of record, if known, and the street address of the lot and the basis for determining that it meets the definition of abandoned property. The public officer shall follow the procedures set forth in N.J.S.A 55:19-55 to create the list.

B. Any property that has not been legally occupied for a period of six months and which meets any one of the following additional criteria may be deemed to be abandoned

property and placed on the abandoned property list upon a determination by the Public Officer that:

1. The property is in need of rehabilitation in the reasonable judgment of the Public Officer, and no rehabilitation has taken place during that six-month period;
2. Construction was initiated on the property and was discontinued prior to completion, leaving the building unsuitable for occupancy, and no construction has taken place for at least six months as of the date of a determination by the Public Officer pursuant to this section;
3. At least one installment of property tax remains unpaid and delinquent on that property in accordance with Chapter 4 of Title 54 of the Revised Statutes (see N.J.S.A. 54:4-1 et seq.) as of the date of a determination by the Public Officer pursuant to this section; or
4. The property has been determined to be a nuisance by the public officer in accordance with Section 5 of P.L. 2003, c. 210 (N.J.S.A. 55:19-82).

### § 86-13 Remedies.

(A) The Council may, at its option, require that the sale of a tax sale certificate or any subsequent assignment in transfer of a tax sale certificate held by the City related to any property on the abandoned property list be subject to the express condition that the purchaser or assignee shall be obligated to perform and conclude rehabilitation or repairs necessary to remove the property from the abandoned property list in accordance with N.J.S.A. 55:19-56.

(B) The Council may authorize the institution of any action with respect to a property on the abandoned property list or meeting the criteria for inclusion on such list, whether or not it is on an abandoned property list, as applicable, that is authorized by the Abandoned Property Rehabilitation Act, P.L. 2003, c. 210, as amended, which shall include but not be limited to special tax sales in accordance with N.J.S.A. 55:19-101 and taking of abandoned property through eminent domain in accordance with N.J.S.A. 55:19-56(c) 2, and 55:19-102.

### § 86-14 Properties subject to vacant property registration

All properties meeting the definition of abandoned property as set forth above; or meeting the definition of vacant and abandoned residential property set forth in N.J.S.A.2A:50-73, shall be required to be registered with the city and comply with the provisions of §86-15 through 22 herein. All properties subject to P.L.2014, c.35, known as the Creditor Responsibility Law, shall also comply with the provisions of §86-23 through 27 herein. Any unoccupied property being offered for sale or rent shall also be required to register with the city and comply with said provisions if it has been determined not to be habitable in its present condition as a result of inspection by the municipal officer.

### § 86-15 Registration requirements

A. Any entity meeting the definition of “owner” as set forth in this ordinance of a vacant property located within the City of Salem and found by the owner or determined by the



city to be vacant and abandoned as set forth above must register the property, within 30 days of that finding with the Department of Inspections and Permits on forms provided by the City. The absence of any notice by the city shall not reduce the responsibility of the owner to register the property. Each property having a separate tax block and lot number shall be registered separately.

B. The registration shall include a certification that the owner has inspected the property and that it is vacant at the time of filing.

C. The registration shall state the name, including the name of a responsible individual, the phone number, mailing address and email address of all parties responsible for the security, maintenance and marketing of the property, The mailing address may not be a post office box.

D. The registration shall include the insurance certificate required under §86-17 defined herein, as well as any additional information that the city may reasonably require.

E. Owners shall re-register their properties and follow the security and maintenance standards of §86-16 as long as any such property is vacant on January 1 of each subsequent year.

F. The registration shall include the registration fee as set forth in §86-20. The fee and registration shall be valid for the calendar year, or remaining portion of the calendar year in which the registration was initially required. All re-registration forms and fees shall be due and payable no later than January 31 of each subsequent year. All fees are nonrefundable.

G. If a vacant property is occupied and has received a certificate of occupancy from the city on or before September 30 of any year in which it was registered as a vacant property, upon request the city will refund the pro-rated portion of their registration fee.

H. Properties owned by governmental agencies are not required to pay the annual registration fee, but shall comply with all other provisions of this ordinance.

I. The registration statement shall be deemed prima facie evidence of the statements therein contained in any administrative enforcement proceeding or court proceeding instituted by the City against the owner or owners of the property.

## § 86-16 Maintenance requirements for vacant properties.

Properties subject to the requirements of this article must be maintained in accordance with all applicable federal, state and local laws, rules and regulations, including but not limited to:.

A. Properties shall be kept free of weeds, dry brush, dead vegetation, trash, junk, debris, building materials, unregistered vehicles, internal combustion engine vehicles, any accumulation of newspapers, circulars, flyers, notices, (except those posted in accordance with provisions of federal, state or local law), discarded personal items, including but not limited to furniture, clothing, large and small appliances, printed material or any other items indicating that the property may be vacant.

B. Properties shall be maintained free of graffiti, tagging or similar markings by removal or painting over with an exterior grade paint that matches the color of the exterior of the structure.

C. Properties shall be kept free of hazards to the safety of pedestrians and other persons having access to the premises, including but not limited to the following:

- (1) Refuse: brush, weeds, broken glass, stumps, roots, obnoxious growths, filth, garbage, trash, rubbish, refuse and debris of any description.
- (2) Natural growth: dead and dying trees and other natural growth which, by reason of rotting or deteriorating conditions or storm damage, are or may be dangerous to persons in the vicinity thereof. Trees shall be kept pruned and trimmed to prevent such conditions.
- (3) Loose, overhanging and projecting objects and accumulations of ice and snow which, by reason of location above ground level, constitute dangers to persons in the vicinity thereof.
- (4) Ground surface and unsanitary conditions, including holes, excavations, breaks, projections, recurring accumulations of stormwater, obstructions and excretion of pets or other animals on paths, sidewalks, walks, driveways, parking lots and parking areas and other parts of the exterior of the premises to which any persons may have access.
- (6) Sources of infestation.
- (7) Foundation walls shall be kept structurally sound, free from defects and damage and capable of bearing imposed loads safely.
- (8) Chimneys, flues and vent attachments thereto shall be maintained structurally sound, safe, durable, smoke-tight and capable of withstanding the action of flue gases.
- (9) Exterior porches, landings, balconies, stairs and fire escapes. Exterior porches, landings, balconies, stairs and fire escapes shall be provided with banisters or railings properly designed and maintained structurally sound, in good repair, well painted or otherwise provided with a protective treatment to prevent deterioration, and free from defects.

D. Front, rear and side yards shall be landscaped and subject to regular maintenance,

- (1) Landscaping may include, but is not limited to, grass, ground covers, bushes, shrubs, hedges or similar plantings.
- (2) Maintenance includes, but is not limited to, the removal or repair of paving or hardscape material, plastic sheeting, mulch, indoor-outdoor carpet or any similar material, in addition to regular watering, irrigation, cutting, pruning and mowing and removal of all trimmings.

E. Pools and spas shall be kept in working order so the water remains clear and free of pollutants and debris, or drained, kept dry and regularly cleaned. In either case, properties with pools and/or spas must comply with the minimum security fencing requirements of the City.

F. The exterior of any structure shall be maintained such that the appearance thereof shall not constitute a blighting effect upon neighboring properties, including the following:

- (1) The exterior of every building shall be maintained in good repair, and all exterior surfaces thereof shall kept painted or otherwise provided with a protective treatment where necessary for purposes of preservation and appearance.
- (2) All exterior surfaces thereof shall be maintained free from broken glass, loose shingles or siding, crumbling masonry, excessively peeling paint or other condition reflective of deterioration or inadequate maintenance.

## § 86-17 Insurance requirements for vacant properties.

The owner of any vacant property shall acquire or otherwise maintain liability insurance in an amount of not less than \$300,000 for buildings designated primarily for use as residential units and not less than \$1,000,000 for any other building, including, but not limited to, buildings designated for manufacturing, industrial, storage or commercial uses, covering any damage to any person or any property caused by any physical condition of or in the building. Any insurance policy acquired or renewed after the building has become vacant shall provide for written notice to the Municipal Officer within 30 days of any lapse, cancellation or change in coverage. The owner shall attach evidence of the insurance to the owner's registration statement. Any registration form submitted that does not include such evidence shall not be deemed to be a valid registration

## § 86-18 Security requirements for vacant properties.

- A. Properties subject to this section shall be maintained in a secure manner so as to render the property inaccessible to unauthorized persons, including but not limited to the repairing or replacement of fences and walls, chaining/pad locking of gates, the repair, replacement or boarding of door, window and/or other openings.
- B. All windows, doors, gates and any other opening that may allow a child to access the interior of the property or structure shall be closed and locked at all times. Any broken window shall be immediately reglazed or boarded.
- C. Boarding shall be completed to a minimum of the current HUD securing standards at the time the boarding is completed or required.
- D. If the property is owned by a corporation and/or by an owner located outside Salem County, such owner shall retain a local property management company or individual to inspect the property no less than every two weeks to ensure that the requirements of this section and any other applicable laws are being met.
- E. The property shall be posted with a sign as follows:

THIS PROPERTY IS MANAGED BY:

[enter name, including a named person, for a local owner, agent or property management company responsible for the property]

TO REPORT PROBLEMS OR CONCERNS CONTACT:

[enter twenty-four-hour contact phone number and email address for the local owner, agent or property management company named above]

The sign shall be at least 8.5 inches by 11 inches, constructed of and printed with weather-resistant materials, The sign shall be placed so it is visible from the street, either on the interior of a window facing the street or secured to the exterior of the building/structure facing the street. If no such area exists, it shall be erected on a post of sufficient size to support the sign in a location in the front of the property and visible from the street but not readily accessible to vandals.

## § 86-19 Application of other requirements.

Compliance with §86-15 through 17 does not relieve the mortgagor, mortgagee, real estate agency, trustee, owner, agent, property manager or other interested party of any obligation imposed by any law of the State of New Jersey, any applicable regulation of any state agency having jurisdiction, the Code of the City of Salem, and any legal covenants, conditions and restrictions set forth in any deed, and/or homeowners' association rules and regulations which may apply to the property.

## § 86-20 Registration Fee.

A. Registration fees shall be as shown in the following schedule.

TERM	FEE	NOTES
Initial registration	\$500	For registrations made after February 1, the fee shall be reduced by \$41.66 for every subsequent full month.
First renewal	\$1000	Properties receiving a certificate of occupancy and occupied during any calendar year shall receive upon request a pro-rated refund of fees paid at the beginning of that year.
Second renewal	\$2000	
All subsequent renewals	\$3000	

B. Registration fees collected under this section may be used for the following purposes, including but not limited to:

- 1) To administer the city's vacant property registration program
- 2) To abate conditions on properties that have become neglected, deteriorated, and have become a nuisance;
- 3 To carry out façade, landscaping and similar projects to preserve property values and discourage future abandonment in the city, and
- 4.To support other City activities to reduce the number of vacant properties by putting properties back to use and discouraging future abandonment of properties in the city.
5. No more than 20 percent of vacant property registration fee collections may be used for general governmental purposes.

## § 86-21 Authority of city to require additional remedies.

In addition to the enforcement remedies established herein, the municipal officer or his or her designee shall have the authority to require any mortgagor, mortgagee, trustee, owner and/or owner of record of any property affected by this section to implement additional maintenance and/or security measures, including but not limited to securing any or all doors, windows or other openings, installing security lighting, increasing on-site inspection frequency, employment of on-site security guard or other measures as may be reasonably required to arrest the decline of the property and protect its neighbors.

## § 86-22 Inspection by city; enforcement; violation of ordinance.

A. The owner of any vacant property shall allow the municipal officer access to conduct exterior and interior inspections of the property to determine the condition of the property and the owners' compliance with this and other applicable municipal ordinances, on reasonable notice to the owner or other interested party.

B. The Department of Inspections and Permits and any other City officials empowered by the City Code or general law to take enforcement action under the provisions of the City Code are hereby authorized to enforce this article and issue summons for violations of any section of this article.

C. Any owner who fails to register a vacant property under the provisions of this article shall be deemed to consent to receive, by posting at the building and mailing to the last known address of the owner of record, any and all notices of violations of any part of the City Code and any procedures in any administrative proceeding brought to enforce such violations concerning the property.

D. Any person who shall violate any of the provisions of this article shall, upon conviction, be punished by a fine of not less than \$300 and not more than \$1,000 for each offense or be subject to imprisonment in the county jail for a period of 90 days or by a period of community service not exceeding 90 days. Every day that a violation continues shall constitute a separate and distinct offense. Fines assessed under this chapter shall be recoverable from the owner and shall become a lien on the property.

E. Where conditions on a vacant property have become potentially hazardous to the health, safety and welfare of the neighbors as a result of an owner failing to maintain the vacant property as required by §86-16 herein, the city may at its discretion enter upon the property to take such action as may be needed to protect the health, safety and welfare of the neighbors and the community. Any costs incurred by the city shall be billed to the owner and shall become a lien against the property.

F. Any fine(s) or cost(s) arising from enforcement of subsections D. or E. of this section that remain uncollected after 60 days shall become a lien upon the property, which lien shall hereafter form part of the taxes next to be collected and enforced by the same officers and in the same manner as taxes in accordance with the provisions of N.J.S.A. 40:48-2.14 and Chapter 200, Taxation, of the Code of the City of Salem.

## § 86-23 Responsibility of creditor for vacant and abandoned residential property in foreclosure.

Pursuant to the provisions of N.J.S.A.40:48-2.12s and 46:10B-51, any and all creditors filing a summons and complaint in an action to foreclose shall be responsible for the care, maintenance, security, and upkeep of the exterior of the vacant and abandoned residential property as set forth herein, for providing timely notice to the municipal clerk, and if located out of state, shall be responsible for appointing an in-state representative or agent to act for the foreclosing creditor.

## § 86-24 Issuance of notice to creditor.

A public officer appointed pursuant to P.L. 1942, c. 112 (N.J.S.A. 40:48-2.3 et seq.) or any other local official responsible for administration of any property maintenance or public nuisance code may issue a notice to the creditor filing the summons and complaint in an action to foreclose, if the public officer or other authorized municipal official determines that the creditor has violated any provisions of this article by failing to provide for the care, maintenance, security, and upkeep of the exterior of the property. Such notice shall require the person or entity to correct the violation within 30 days of receipt of the notice, or within 10 days of receipt of the notice if the violation presents an imminent threat to public health and safety. The issuance of a notice pursuant to this section shall constitute clear and convincing evidence proof that a property is "vacant and abandoned" for the purposes of Subsection a of Section 1 of P.L. 2012, c. 70 (N.J.S.A. 2A:50-73).

#### § 86-25 Establishment of in-state representative or agent.

Any and all out-of-state creditors subject to this article shall include the full name and contact information of the in-state representative or agent in the notice required to be provided pursuant to Paragraph (1) of Subsection a of Section 17 of P.L. 2008, c. 127 (N.J.S.A. 46:10B-51).

#### § 86-26 Failure to appoint in-state representative or agent.

Any out-of-state creditor subject to this article and found to be in violation of the requirement to appoint an in-state representative or agent pursuant to this article shall be subject to a fine of \$2,500 for each day of the violation. Any fines imposed on a creditor for the failure to appoint an in-state representative or agent shall commence on the day after the ten-day period set forth in Paragraph (1) of Subsection A of Section 17 of P.L. 2008, c. 127 (N.J.S.A. 46:10B-51) for providing notice to the municipal clerk that a summons and complaint in an action to foreclose on a mortgage has been served.

#### § 86-27 Violation of requirement to maintain, repair and secure premises.

Any creditor subject to this article found to be in violation of the requirement to correct a care, maintenance, security, or upkeep violation cited in a notice issued pursuant to the article shall be subject to a fine of \$1,500 for each day of the violation. Any fines imposed pursuant to this section shall commence 31 days following receipt of the notice, except if the violation presents an imminent risk to public health and safety, in which case any fines shall commence 11 days following receipt of the notice.

#### § 86-28 Allocation of fines.

No less than 20% of any money collected pursuant to subsections 26 and 27 of this article shall be utilized by the City of Salem for municipal code enforcement purposes.

#### § 86-29 Issuance of rules and regulations.



The municipal officer may issue rules and regulations for the administration of the provisions of this article, which shall be approved by resolution of city council.

§ 86-30 Severability.

Should any provision, section, paragraph, sentence or word of this article be determined or declared invalid by any final court action in a court of competent jurisdiction or by reason of any preemptive legislation, the remaining provisions, sections, paragraphs, sentences or words of this article shall remain in full force and effect.