The Abandoned Property Rehabilitation Act (APRA), enacted January 8, 2004 includes provisions (section 24) that permit municipalities to hold special tax sales of abandoned properties. This tool offers New Jersey’s municipalities a valuable means by which they can gain control of abandoned properties and restore them to productive use.

**Why Use Special Tax Sale?**

The purpose of holding a special tax sale is to allow municipalities to make sure that the tax sale certificates on abandoned buildings are kept from speculators and are instead acquired by entities that have the capacity and will to reuse the properties in ways that are consistent with the public interest. To that end, the law gives municipalities broad flexibility to establish terms of sale that ensure, to the extent feasible, that the entity acquiring the lien will indeed do so.

**How Does it Work?**

APRA permits municipalities that have established an abandoned property list to hold special tax sales of abandoned buildings whose owners are in tax arrears (C.55:19-101). The following powers are granted to municipalities under Section 24 of the Act:

- Municipalities can remove properties that are on their abandoned property list from a tax sale and set them aside for a special tax sale
- Municipalities can set terms for special tax sale, including limiting eligible bidders to qualified entities, setting performance requirements for bidders, and combining properties into single bid packages
- Municipalities can require that if the successful bidder fails to carry out its obligations under the sale, the liens or the properties revert to the municipality

**The Process of Holding a Special Tax Sale**

The municipality must have created an abandoned property list, and placed properties on the list.

- Each year, when the municipality prepares for tax sale, it may take any or all of the properties eligible for tax sale which also appear on the abandoned property list, and set them aside for a separate, ‘special’ tax sale. The law does not specify when a special tax sale must be held, but good practice would suggest that it be held at approximately the same time as the municipality’s regular tax sale.
- Once the municipality decides to hold a special tax sale of abandoned properties, it must set the terms for the sale. The law gives the municipality considerable flexibility in setting the terms for the sale, including:
  A. The ability to establish qualifications and performance conditions for who may bid at a special tax sale. Criteria explicitly permitted by the law include:
    - Documentation of the bidder’s ability to rehabilitate or otherwise reuse the property appropriately
    - Commitments by the bidder to rehabilitate or otherwise reuse the property
    - Commitments by the bidder to foreclosure on the lien by a specific date.

The law also permits the municipality to impose additional conditions to ensure that the properties sold will be reused in ways consistent with the public interest.
B. Contrary to previous law, the municipality may establish minimum bid requirements that are less than the full amount of taxes, interest and penalties. The amount of the minimum bid is at the sole discretion of the municipality, so that it can ensure that the reuse of the properties is financially feasible.

C. The municipality may combine properties into bid packages, require bidders to bid on the entire package, and reject bids for individual properties that are part of the bid package. The purpose of this section is to permit the municipality to pool abandoned buildings into development packages that will further the revitalization of a neighborhood, or be attractive to a developer or CDC.

D. The municipality can sell the liens subject to a right of reverter. The municipality can impose a condition that if the successful bidder fails to carry out any of the conditions of sale, it can reclaim title to the properties or the liens, as the case may be. In that event, the municipality keeps the amount the bidder paid for the property at the special tax sale.

E. If there is more than one qualified bidder for a property or package, the municipality can designate the second qualified bidder as an eligible purchaser, and – if the successful bidder fails to meet the conditions of sale and the liens or the properties revert to the municipality – the municipality can assign them to the eligible purchaser without having to go through another public sale.

The law requires that the minimum bid provisions for a special tax sale be set consistent with the provisions of C.54:5-114.1(b) of the Tax Sale Law, which deals with public notice requirements. Municipalities conducting special tax sales should be careful to comply with the notice requirements of this section.

Successful bidders for properties at a special tax sale may move immediately to foreclose on the property and exercise their right of entry to the properties as provided in C.54:5-86 of the Tax Sale Law, as amended by APRA.

Municipalities and CDCs, particularly CDCs carrying out neighborhood revitalization strategies, can work together to utilize special tax sales. The municipality can, for example, create a bid package containing all of the abandoned buildings in a particular neighborhood, or one that contains a number of properties that had been identified as impacting the economic vitality of an area. Similarly, the qualifications for bidders, as well as the minimum bids established, can be worked out in conjunction with the CDCs or other developers, which the municipality considers most qualified to reuse the abandoned properties consistent with the public interest and the municipality’s plans.

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<tr>
<th>TOOL</th>
<th>Special Tax Sale</th>
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<tr>
<td>SCENARIO</td>
<td>Abandoned Properties that CDC or developer would like to acquire are eligible for tax sale</td>
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| MUNICIPAL ACTION | 1. Create abandoned property list  
2. Once targeted properties are on list, place properties on list for special tax sale  
3. Set criteria for special tax sale consistent with CDC objectives |
| CDC/DEVELOPER ACTION | 1. Assist city to inventory targeted properties for inclusion on abandoned property list  
2. Work with city to establish criteria for special tax sale  
3. Bid at special tax sale |
| OUTCOME | 1. CDC or developer purchases tax liens at special tax sale and, if owners fail to redeem, takes title to properties through foreclosure  
2. CDC or developer reuses properties as provided in special tax sale criteria |