
NJ Enacts Legislation Amending Capital Reserve Funding Requirements for Planned Real Estate Developments

5 messages

Greenbaum, Rowe, Smith & Davis LLP <news@greenbaumlaw.com>
Reply-To: news@greenbaumlaw.com
To: judi.scofibt@gmail.com

Mon, Oct 6, 2025 at 1:51 PM

[View as Webpage](#)



New Jersey Enacts Legislation to Amend Capital Reserve Funding Requirements for Planned Real Estate Developments

October 6, 2025

On August 21, 2025, legislation was signed into law by New Jersey Governor Phil Murphy that modifies the requirements for capital reserve studies, requirements for capital reserves, and disclosure requirements for planned real estate developments. S3992 amends and clarifies the requirements previously set forth in S2760, the Structural Integrity and Reserve Funding legislation signed into law in January of 2024. The following is a summary of those amendments and clarifications.

Clarification of the Term “Adequacy”

In order to clarify the previously undefined terms “adequate” and “adequacy,” S3992 defines “adequate” or “adequacy” as a sum of money held by an association that is sufficient to balance the association’s reserve fund. This sum must ensure that the association’s reserve fund is never projected to fall below zero dollars in the association’s 30-year capital reserve funding plan.

Reserve Studies Must Be Updated Every Five Years

Prior to the enactment of S3992, the law previously only required covered building owners to obtain a capital reserve study conducted by a licensed architect, engineer, or credentialed reserve specialist at a minimum of once every five years. The new law

amends such language, changing the phrase “covered building owners” to “an association of a planned real estate development.” This provides associations with accurate and updated projections of their financial status.

Zero Dollar Balance Plan Inclusion

The law previously required that an association only obtain a 30-year funding plan. The amended law requires the inclusion of a zero-dollar plan with all capital reserve funding plans. This plan must show a 30-year funding plan that permits the reserve fund to reach zero dollars. There are no limitations on how often the plan hits the zero-dollar mark, however it is not allowed to fall below it. There is no limit on the number of capital funding plans produced, such that additional plans can provide balances greater than zero.

Funding Options for Current Associations: Utilize Most Recent Study or Fund at 85%

Lawmakers recognized the challenges for associations to fund their capital reserve fund, with some associations well-funded and others inadequately funded. The amended law provides some relief for associations existing as of January 8, 2024. Such associations can either fund their capital reserve according to their most recent capital reserve study or are allowed to fund their capital reserve at 85% of the capital reserve recommended plan. If funded at 85% of the recommended plan, the association must provide notice to all unit owners of the residential development. This notice must be in 20-point bold font and must describe that the association’s executive board is funding the capital reserve fund at 85% of what the association’s 30-year plan recommended. The notice must also include the year in which the special assessment or loan is anticipated due to the reduced funding and the amount the board anticipates needing because of this reduction.

Buyer Disclosure Requirements

Previously, the law did not mandate notice requirements. Sellers in planned real estate developments did not have to provide disclosures related to capital reserve funding. Under the amended law, before a buyer completes the sale of a unit within the development, the seller must provide the buyer with the most recent notice to unit owners regarding the reduced capital reserve funding plan.

Five-Year Limit on 85% Funding

Previously, the law prohibited funding reserves at 85% of the study plan. Under S3992, associations are permitted to fund their capital reserve fund at 85% of the proposed plan. When doing so, however, the association is only permitted to fund it in this manner for five fiscal years, after which the association must transition to a plan that satisfies the zero-dollar requirement.

Removal of Special Assessment and Loan Language

Previously, the law provided that an association had authority to impose a special assessment or obtain a loan if a capital asset reached the end of its useful life sooner than projected in the reserve study. Under the amended law, that language has been removed.

The changes outlined in this Alert are intended to provide clarity to the existing law while also providing relief for associations that have been historically underfunded. Please contact the authors of this Alert with questions concerning capital reserve funding or to discuss your association’s specific circumstances.

Steven G. Mlenak

Partner & Co-Chair, Redevelopment & Land Use
smlenak@greenbaumlaw.com



732.476.2526



Justine A. DelVecchio

Associate, Real Estate and Redevelopment & Land Use

jdelvecchio@greenbaumlaw.com

973.577.1830



Thomas A. McGowan

Law Clerk (Bar Admission Pending)

tmcgowan@greenbaumlaw.com

973.577.1910

To access a printer-friendly PDF version, view this [Client Alert on our website](#).

Iselin | Roseland | Red Bank | New York

greenbaumlaw.com

STAY CONNECTED



The information in this Client Alert is provided solely for information purposes. It should not be construed as legal advice on any specific matter and is not intended to create an attorney-client relationship. The information provided herein may not be applicable in all situations and should not be acted upon without specific legal advice based upon particular circumstances. Each legal matter is unique, and prior results do not guarantee a similar outcome.

ATTORNEY ADVERTISING © 2025 Greenbaum Rowe Smith & Davis LLP. All rights reserved.

Greenbaum, Rowe, Smith & Davis LLP | [99 Wood Avenue](#) South, 4th Fl. | Iselin, NJ 08830 US

[Unsubscribe](#) | [Constant Contact Data Notice](#)



Try email marketing for free today!

To: MIKE SIGNORILE <MIKE.SCofBT@gmail.com>, JUDI PAKAY <JudiPakay@gmail.com>, VINCE DE CHIARO <vince.scofbt@gmail.com>

[Quoted text hidden]

--



Judi Pakay
Secretary/Treasurer
CAI ADR Mediator
Senior Coalition of Berkeley Township
Cell: 732-687-7546 ** Fax: 848-480-2302
Judi.ScofBt@gmail.com Website: SCofBT.org

"This email is for use by members of the Senior Coalition of Berkeley Township - there should be no distribution outside the Coalition without prior approval of the Officers"

Judith Pakay <judi.scofbt@gmail.com>

Mon, Oct 6, 2025 at 4:30 PM

To: MIKE SIGNORILE <MIKE.SCofBT@gmail.com>, Judith Pakay <Judi.ScofBt@gmail.com>, VINCE DE CHIARO <vince.scofbt@gmail.com>, JUDI PAKAY <JudiPakay@gmail.com>

[Quoted text hidden]

Judi Pakay <judipakay@gmail.com>

Tue, Oct 7, 2025 at 7:45 PM

To: Judith Pakay <judi.scofbt@gmail.com>

Cc: MIKE SIGNORILE <MIKE.SCofBT@gmail.com>, VINCE DE CHIARO <vince.scofbt@gmail.com>

Mike:
Should I send this to everyone?
Judi

[Quoted text hidden]

Mike Signorile <mike.scofbt@gmail.com>

Tue, Oct 7, 2025 at 9:55 PM

To: Judi Pakay <judipakay@gmail.com>

Cc: Judith Pakay <judi.scofbt@gmail.com>, VINCE DE CHIARO <vince.scofbt@gmail.com>

Yup - send it



Mike Signorile

President, Senior Coalition of Berkeley Township

Councilman, 3rd Ward, Berkeley Township

Member, Ocean County Senior Advisory Council

mike.scofibt@gmail.com

[web page: SCofBT.org](http://SCofBT.org)

[Quoted text hidden]