

State of New Jersey

# NJLRC

New Jersey Law Revision Commission

## ANNUAL REPORT

1996

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#### I. MEMBERS AND STAFF OF THE COMMISSION IN 1996

The members:

Albert Burstein, Chairman, Attorney-at-Law

**Roger I. Abrams**, Dean, Rutgers Law School - Newark, Ex officio, Represented by **Robert Carter**, Professor of Law

Peter Buchsbaum, Attorney-at-Law

**Bernard Chazen**, Attorney-at-Law (to 11\96)

**Roger Dennis**, Dean, Rutgers Law School - Camden, Ex officio, Represented by **Grace Bertone**, Attorney-at-Law

**Vito A. Gagliardi, Jr.,** Attorney-at-Law (from 11\96)

William L. Gormley, Chairman, Senate Judiciary Committee, Ex officio

**Hugo M. Pfaltz, Jr.**, Attorney-at-Law

**Ronald J. Riccio**, Dean, Seton Hall Law School, Ex officio, Represented by **Ahmed Bulbulia**, Professor of Law

**David C. Russo**, Chairman, Assembly Judiciary, Law and Public Safety Committee, Ex officio

The staff:

John M. Cannel, Executive Director Maureen E. Garde, Counsel John J. A. Burke, Associate Counsel Judith Ungar, Associate Counsel Leland J. White, Associate Counsel

#### II. HISTORY AND PURPOSE OF THE COMMISSION

In 1985, the Legislature enacted a statute creating the Law Revision Commission.¹ The Commission conducts a continuous review of New Jersey's statutes to identify subjects that require statutory revision. This review covers the correction of statutes that conflict, are obsolete or redundant, or require comprehensive revision. The Commission also considers recommendations from the American Law Institute, the National Conference of Commissioners on Uniform State Laws, and other learned bodies and public officers. The Commission's objective is to simplify, clarify and modernize New Jersey statutes.

The Commission opened its office in 1987. Since then, it has filed 35 reports with the Legislature of which 16 have been enacted into law. Many recommendations are now pending before the Legislature. The Commission's work has been the subject of comment in law journals and has been used by law revision commissions in other states. In revising a law, the Commission extensively examines local law and practices and consults the law of other jurisdictions, experts in the area and proposals of learned bodies.

The meetings of the Commission are open to the public. The Commission actively solicits public comment on its Tentative Reports which are widely distributed to interested persons and groups. In 1996, the Commission established its website where its reports are published on the Internet. The publications of the Commission's reports on the Internet make its work more accessible to the public.

New Jersey has a tradition of law revision. The first Law Revision Commission was established in 1925. It produced the Revised Statutes of 1937. The Legislature intended the work of revision and codification to continue after enactment of the Revised Statutes. As a result, the Law Revision Commission

<sup>&</sup>lt;sup>1</sup> The Law Revision Commission was created by L.1985, c.498, and charged with the duty to:

a. Conduct a continuous examination of the general and permanent statutory law of this State and the judicial decisions construing it for the purpose of discovering defects and anachronisms therein, and to prepare and submit to the Legislature, from time to time, legislative bills designed to

<sup>(1)</sup> Remedy the defects, (2) Reconcile conflicting provisions found in the law, and (3) Clarify confusing and excise redundant provisions found in the law;

b. Carry on a continuous revision of the general and permanent statute law of the State, in a manner so as to maintain the general and permanent statute law in revised, consolidated and simplified form under the general plan and classification of the Revised Statutes and the New Jersey Statutes;

c. Receive and consider suggestions and recommendations from the American Law Institute, the National Conference of Commissioners on Uniform State Laws, and other learned bodies and from judges, public officials, bar associations, members of the bar and from the public generally, for the improvement and modification of the general and permanent statutory law of the State, and to bring the law of this State, civil and criminal, and the administration thereof, into harmony with modern conceptions and conditions; and

d. Act in cooperation with the Legislative Counsel in the Office of Legislative Services, to effect improvements and modifications in the general and permanent statutory law pursuant to its duties set forth in this section, and submit to the Legislative Counsel and the Division for their examination such drafts of legislative bills as the commission shall deem necessary to effectuate the purposes of this section.

continued in operation. After 1939, its functions passed to a number of successor agencies, most recently the Legislative Counsel.<sup>2</sup> In 1985, the Legislature then transferred the functions of statutory revision and codification to the New Jersey Law Revision Commission. <sup>3</sup>

#### III. FINAL REPORTS

In 1996, the New Jersey Law Revision Commission published three final reports. A final report contains the decision of the Commission on a particular legal subject. The report contains an analysis of the subject, a proposed statute and appropriate commentary. It is published after the public has had an opportunity to comment on tentative drafts of the report. The final report is filed with the Legislature. After filing, the Commission and its staff work with the Legislature to draft the report in bill form and to facilitate its enactment.

## A. Notice of Pending Action, Collection of Judgments, Foreclosure and Public Sales

In 1996, the Commission completed the Report and Recommendations Relating to Notice of Pending Action, Collection of Judgments, Foreclosure and Public Sales (see Appendix A). The Commission's review of these statutes continues the effort begun in 1989 to revise Title 2A provisions governing the courts and the administration of civil justice. Thus far, the Commission has completed six projects in this area; four have been enacted by the Legislature.

This Report proposes revision of the law on four subjects: Notice of Pending Action (<u>lis pendens</u>), Collection of Judgments, Public Sales, and Foreclosure. While each of these subjects is separate, their interrelationships make it desirable to treat them together. The law of foreclosure presents the greatest substantive problems. Practitioners report that it is far more burdensome to foreclose a mortgage in New Jersey than in other states. That difference has the effect of reducing the availability of mortgage capital here. Simplification of the foreclosure process involves revising the law directly controlling an action for foreclosure, and, even more, the law regulating public sales. Complication in the public sale law and the delay it engenders is the most important problem in the foreclosure process. The law on public sales regulates sales held to collect judgments as well as sales that follow foreclosure. As a result, revision of the law on public sales is best done in conjunction with revision of the law on collection of judgments. Foreclosure on property also involves use of the law allowing the

<sup>&</sup>lt;sup>2</sup> N.J.S. 52:11-61)

<sup>3</sup> L.1985, c.498.

filing of a notice of <u>lis pendens</u>. The simplification of that law, and the solution of constitutional problems connected with it, are necessary to simplification of foreclosure.

### Notice of Pending Action

The <u>lis</u> <u>pendens</u> procedure permits a party who institutes an action concerning real property to provide notice of the action to potential purchasers of the property, thus preserving the subject matter of the action until judgment is obtained. Current statutes were enacted in the nineteenth century with amendments to solve constitutional infirmities identified in <u>Chrysler v. Fedders Corp.</u>, 519 F.Supp. 1252 (D.N.J. 1981), <u>rev'd</u>, 670 F.2d 1316 (3d Cir. 1982). See also, <u>Connecticut v. Doehr</u>, 501 U.S. 1 (1991). This proposed revision retains the substance of the existing statute, while greatly simplifying its provisions. The term "notice of pending action" has been substituted for the archaic Latin term "lis pendens."

#### Collection of Judgments

The current law on collection of judgments includes many sections that are outdated, unclear or superseded in practice by newer, more detailed rules. As a whole, these sections fail to reflect current practice. The current law does not give proper guidance to a party trying to collect a judgment or to the public officials who collect it. The proposed law is a comprehensive statement of the law relating to collection of judgments.

In addition to clarifications brought about by revisions in terminology, the Commission proposes some substantive changes. Foremost among these changes is the abandonment of the current requirement that personal property be preferred to real property in sale to satisfy a judgment. This priority has little foundation in today's society, and the requirement that personal property be exhausted before execution on real property makes it difficult, if not impossible, to insure the title to real property acquired through an execution sale. The Commission also proposes that the collection procedure be driven by written collection instructions from the judgment creditor to the collection officer. This innovation conforms the statutes to recent case law and practice.

## Public Sales

Both the current sections and the Commission proposal concerning sales under execution apply to all sales conducted by sheriffs and other officers, whether pursuant to enforcement orders on money judgments or mortgage foreclosure. However, the current law includes many sections that are outdated, unclear, and superseded in practice by newer more detailed rules. It also fails to regulate certain aspects of sales, allowing a variety of local practices. As a whole, the current law fails to reflect present practice.

The Commission proposals involve a codification of current practice, as well as some significant changes to simplify and shorten the process of public sale. For example, the Commission proposal requires that the sale be advertised in newspapers only one time. That change and the inclusion of an example of a sufficient advertisement should reduce both the time and cost of advertisement. The proposal also reduces the length of the adjournments that the sheriff may grant the debtor from one month to 14 days. Adjournments are routinely given; reducing their time period will shorten the foreclosure process. In addition, on issues where practice varies, the Commission proposal establishes a standard.

The Commission proposal attempts to deal with the constitutional requirement that notice be given to holders of subordinate liens before property is sold to satisfy a prior lien. See <a href="New Brunswick Savings Bank v. Markouski">N.J. 402 (1991)</a>. Under current law, the creditor or foreclosing party must conduct searches up to the date of actual sale and must notify creditors of the sale. The Commission proposes the filing of a notice of the sale in the land records and the notification of interest holders based on a single search before the first scheduled date of sale. This solution balances the constitutional rights of interest holders with the practical burden of multiple searches.

#### *Foreclosure*

The Commission simplifies the mortgage foreclosure process, codifies existing law and adds new provisions to expedite the foreclosure process. For example, this proposal dispenses with the writ of execution currently required, and allows the sale of property upon a judgment of foreclosure. Most significantly, the Commission proposes that if the sheriff cannot conduct the sale within 45 days after the judgment of foreclosure, and if the debtor agrees or if the debtor has abandoned the property, the court may order that the sale be conducted by someone other than the sheriff. New provisions also derive from the Fair Foreclosure Act, recently enacted by the Legislature. The most important of these provisions are those relating to "cure" of default by a debtor. These provisions promote the policy of helping homeowners retain their homes by reinstating their mortgages after missed payments.

#### B. Uniform Commercial Code Article 5 -- Letter of Credit

In 1996, the Commission completed the Report and Recommendations Relating to Uniform Commercial Code Revised Article 5 - Letters of Credit (see Appendix B). Revised Article 5 modernizes the law of letters of credit and harmonizes that law with international banking practices, codified in the Uniform Customs and Practice for Documentary Credits. The Report and Recommendations recommends that the Legislature enact the uniform statute

with two non-uniform amendments and conforming amendments to New Jersey law.

The non-uniform amendments pertain to Sections 5-108(e) and 5-111(e). Regarding the former, the Commission's recommendation revises the second sentence to state that the court determines standard banking practices but does not determine the fact question of whether a bank has complied with those standards. Regarding the latter, the Commission's recommendation makes the award of attorneys' fees discretionary with the court.

#### C. Evidence

In 1996, the Commission completed the Report and Recommendations Relating to Evidence (see Appendix C). That report follows the 1993 enactment of the New Jersey Rules of Evidence. The procedure used for adopting the 1993 rules was the one established by the Evidence Act, 2A:84A-33 through -39. That procedure represents a compromise settlement of the difficult issue of whether the Supreme Court or the Legislature has the power to enact valid rules of evidence. See <u>Busik v. Levine</u>, 63 N.J. 351, 367-368 (1973). The procedure involves acquiescence by both the Legislature and the Court; by using this procedure any question of which branch has the power to make rules becomes moot. As a result, it is desirable that the New Jersey Rules of Evidence be what was intended, a comprehensive statement of the law of evidence.

A number of statutory sections that deal with the admissibility of evidence overlaps with or duplicates the rules. In some instances, differences in terminology create the potential for confusion. In all cases, the overlap obscures the statutory intention of stating evidence rules comprehensively in one place. Some of these sections were identified as superseded both in the current Rules of Evidence and in its predecessor. These sections serve no purpose.

The Report recommends the deletion of all statutory sections that duplicate or conflict with the Evidence Rules. However, in many instances, an evidence provision is part of a statute that deals with other subjects. Elimination of these provisions would require the revision of the sections in which they are embedded. The Report does not recommend amendments to repeal these provisions except when they are in clear conflict with the Rules.

#### IV. TENTATIVE REPORTS

In 1996, the Commission published four Tentative Reports. A tentative report represents the first settled attempt of the Commission to revise an area of law. It is the product of lengthy deliberations, but it is not final. A tentative report is distributed to the general public for comment. The Commission considers these comments and amends its report.

## A. Environmental Statutes Projects

Two of the Tentative Reports are part of the Commission's ongoing Environmental Statutes Project.

#### 1. Tidelands

In 1996, the Commission released its Tentative Report Relating to Environmental Protection - Tidelands (see Appendix D). The statutes in this subtitle concern the State's ownership interest in its tidelands, often referred to in the statutes and elsewhere as "riparian lands." Tidelands are those lands along the shore of the State which are tide-flowed; they extend from the mean high water mark to the seaward territorial jurisdiction of the State, i.e., "the three-mile limit." The term includes salt-water swamps, or "meadowlands."

The State may convey its interest in tidelands, either by outright grant of a fee interest, or by conveying a lesser interest such as a lease or a license. The statutes in chapter 3 of Title 12 govern many aspects of how the state may alienate these interests, but they do not govern the nature and extent of the State's ownership interest itself, which is an incident of its sovereignty.

These statutes were not in all respects revised and recodified in the 1937 Revised Statutes. The first 28 sections of the chapter consist of the provisions of prior enactments extending as far back as 1864, retained in the order in which they were enacted and without the deletion of overlapping or even superseded provisions. This makes these provisions, and thus the current, applicable law, difficult to decipher. It is important that all of the provisions in this subtitle be rendered accurately and comprehensibly, as they have an effect on the ownership interests of the State and of private parties.

#### 2. Land Use Regulation

The Tentative Report Relating to Environmental Protection - Land Use Regulation (not included in Appendix; document available from Commission or at www.lawrev.state.nj.us), approved for dissemination in 1996, encompasses an entire subtitle in the Environmental Statutes Project. This subtitle contains a series of chapters each of which, except for the first and the last two, give the

Department of Environmental Protection regulatory authority over land use in a specified area or over a certain type of project or development. The first chapter (Construction permits) sets forth time periods within which most permits must be processed. The last two chapters establish independent bodies, i.e., the Pinelands Commission and the Hackensack Meadowlands Development Commission, and empowers those bodies to regulate land use in the geographic areas within their jurisdiction. With the exception of the Waterfront Development Act, circa 1914, the regulatory authority conferred in these proposed chapters originated in legislation enacted from the early 1960's onward. This proposed subtitle consolidates these chapters into a single subtitle to facilitate easy reference to various statutory schemes which regulate land use through a permit application and review process.

## C. Civil Arrest - Capias Ad Respondendum et Satisfaciendum

In 1996, the Commission published its Tentative Report on Civil Arrest - Capias Ad Respondendum et Satisfaciendum (see Appendix E). The two capias writs, <u>capias ad respondendum</u> and <u>capias ad satisfaciendum</u>, are closely related. Both allow the court to jail a person against whom a civil action has been brought. A <u>capias ad respondendum</u> is a writ used to hold the defendant in a civil action in jail while the action is pending. Its operative effect goes much beyond that of an ordinary summons. It compels the appearance of the defendant by actual arrest. Iaria v. Public Service Mutual Insurance Co., 31 N.J. 386, 389 (1960).

<u>Capias ad satisfaciendum</u> "is a body execution enabling a judgment creditor in specified types of actions to cause the arrest of the judgment debtor and his retention in custody until he either pays the judgment or secures his discharge as an insolvent debtor." <u>Perlmutter v. DeRowe</u>, 58 N.J. 5, 13 (1971). Therefore, at least hypothetically, a debtor can remain in jail indefinitely.

Historically, the writs were widely used in England when imprisonment for debt was common. The practice continued in early New Jersey. The State Constitution of 1844 prohibited such imprisonment "in any action, or on any judgment founded upon contract, unless in cases of fraud;" Art. I, par. 17. The present Constitution continues this prohibition. Const. 1947, Art. I, par. 13. Statutes determine what constitutes fraud in a contract case, and the Supreme Court has determined that a capias ad satisfaciendum writ may be used in any case involving a tort judgment without violating the constitutional prohibition against imprisonment for debt. Duro v. Wishnevsky, 126 N.J.L. 7, 8 (Sup. Ct. 1940). The Supreme Court also has held that writ of capias ad respondendum is

constitutionally valid provided that certain procedural protections were afforded the person arrested. Perlmutter v. DeRowe, 58 N.J. 5, 17-18, fn6.

The Commission has reviewed the statutes and has concluded that they serve no appropriate modern purpose. The current statutes consist of archaic terms of art, are poorly drafted and present due process problems. However, even if the statutes were modernized and protections for the due process rights of debtors were added, more basic problems remain. The Commission recommends that the statutes establishing both <u>capias ad respondendum</u> and <u>capias ad satisfaciendum</u> be repealed.

The writ of <u>capias ad satisfaciendum</u> unnecessarily duplicates the power of courts to enforce judgments through proceedings in aid of litigants rights. Court Rules provide that a judgment debtor may be compelled to disclose his assets and that a court may order use of those assets to pay the judgment.  $\underline{R}$ . 4:59-1(e). A court may use the contempt power to compel compliance with these court orders. See,  $\underline{R}$ . 1:10. <u>Capias ad satisfaciendum</u> adds nothing to these powers. To the extent that it is construed to allow incarceration for mere failure to pay a judgment, it can amount to imprisonment for debt. See, <u>Const.</u> Art. I, par. 13.

The writ of <u>capias ad respondendum</u> in appropriate circumstances allows a court to imprison the defendant in a civil action before the trial of a claim. Again, the writ is related to a more general power of the courts to issue temporary restraints and interlocutory injunctions. See  $\underline{R}$ . 4:51-1 and 4:52-2. The standard for granting relief before judgment is set out in <u>Crowe v. DeGioia</u>, 90 N.J. 126, 132-134 (1982). Relief will be granted only if it is necessary to prevent irreparable harm, the legal basis of plaintiff's claim is settled, all material facts are uncontraverted, and the balance of hardship to the parties supports the relief.

While some of these conditions will be met in most circumstances where a capias writ could be granted, others will not. Courts emphasize that preliminary relief is an extraordinary remedy that "must be administered with sound discretion and always upon consideration of justice, equity and morality in a given case." Coskey's TV & Radio Sales v. Foti, 253 N.J.Super. 626, 639 (App. Div. 1992). Cases show caution in granting relief before judgment, avoiding relief that places too great a restriction on the defendant's freedom. No reported case has imposed any restraint that approaches the severity of incarceration. As a result, the power to incarcerate through capias ad respondendum goes far beyond the power of a court to issue preliminary restraints. That additional power is the problem with the writ. Capias ad respondendum allows the jailing of a person who is not charged with a crime and who has not violated a court order. A court may take other action under its general powers to attempt to assure that the defendant's assets will be available to pay a judgment if one is obtained. But it is not proper to jail a person for such a purpose.

#### D. Service of Process

In 1996, the Commission published its Tentative Report on Service of Process (see Appendix F). The Commission's review of statutes concerning process continues the effort begun in 1989 to revise Title 2A provisions concerning the courts and the administration of civil justice. The current 21 sections include many which are outdated or unnecessary; some overlap or conflict with the Supreme Court's power over practice and procedure.

Service of process is governed primarily by Court Rules. Rules 4:4-3 and 6:2-3 control who serves process and what is to be done if service is ineffective. Rules 4:4-4 and 6:2-3 control the manner of service. The aspects of service of process now regulated by Court Rules are appropriately regulated by rule. The Supreme Court has authority over practice and procedure in the courts. Winberry v. Salisbury, 5 N.J. 240 (1950), cert. den. 340 U.S. 877. The manner of service of process has been specifically held to be a matter of procedure within the Court's province. N.J. District Ct. Ass'n, Inc. v. N.J. Supreme Court, 205 N.J. Super. 582 (Law Div. 1985), aff'd o.b. 208 N.J. Super. 527, certif. den. 104 N.J. 386, cert. den. 479 U.S. 1086. Statutes that conflict with the Rules on process have been held invalid. N.J. District Ct. Ass'n, Inc. v. N.J. Supreme Court , 205 N.J. Super at 588.

While few of the statutory sections regulating service of process are in conflict with Court Rules on the subject, most of the sections unnecessarily duplicate the rules. Some other sections neither duplicate nor conflict with court rules, but they provide a level of detailed statutory requirement that no longer appears appropriate. See 2A:15-23 which requires the sheriff to maintain a book recording return of process. A few sections do concern matters that can be the subject of valid legislation. The proposal generalizes these current statutes to allow substituted service whenever an agent or address for service is required by statute and service cannot be made there.

The Commission also considered the issue of whether a party should be able to choose to have process served by a private company instead of by the sheriff. At present, unless the court specially appoints someone else, process is served by the sheriff. R. 4:4-3(a). Current statutes seem to assume that service is to be made by the sheriff, but nothing in the statutes actually requires that result. E.g., 2A:15-20, and 15-22. It is the Court Rules that give the sheriff the responsibility for service of process. The Commission takes the position that regulation of service of process should be left to Court Rules. However, the Commission recommends that the Supreme Court consider amending the rules to allow service of process by private parties.

#### V. WORKS IN PROGRESS

## A. Environmental Protection Projects

In 1993, the Commission entered into a working agreement with the Department of Environmental Protection to revise the state's extensive environmental statutes. The project was suggested by Senator Robert E. Littell. The first stage of the project involved identifying the numerous statutes to be included in the project, which are currently scattered through 13 existing titles of the New Jersey Statutes. The second phase involved reorganizing these statutes into eight new subtitles, to be organized under the new title "Environment."

In 1995, the Commission completed work on the proposed new subtitle "Natural and Historic Resources" (see heading, Final Reports, <u>supra.</u>) In addition, work has continued on the subtitles "Navigation" and "Riparian Lands," preliminary drafts of which have been circulated in the Department of Environmental Protection and elsewhere for preliminary comment and review. (See Appendix F, "Proposed Subtitle - Navigation, Preliminary Draft March 13, 1995" and Appendix G, "Subtitle - Tidelands, Revised Preliminary Draft - 12/13/95.") Work has also begun on the subtitle "Land Use Regulation."

#### B. Cemeteries

In the Fall of 1996, the Commission approved a project to revise Title 8A - Cemeteries. Drafts have been completed on most of the chapters, and a tentative report on the project should be filed during 1997.

## C. Uniform Unclaimed Property Act

In 1995, the National Conference of Commissioners on Uniform State Laws published a new Uniform Unclaimed Property Act. The Act replaces a 1981 act that New Jersey adopted with numerous variations. N.J.S. 46:30B-1 through 46:30B-109. In 1996, the Commission began a project to supplement the uniform text of the 1995 Act with provisions to reflect the local New Jersey policies embodied in the current law. A tentative report will be filed early in 1997.

#### D. Mass Market Contract Act

In 1996, the Commission approved a project to codify New Jersey law related to standardized contracts. The Commission's study of this issue showed that New Jersey caselaw did not provide a comprehensive system of rules to determine the validity of provisions found in standardized contracts. The objective of the project is to create a statute to clarify and to provide certainty to the enforceability of contract provisions covered by this act.

## E. Uniform Common Interest Ownership Act

In 1994, the National Conference of Commissioners on Uniform State Laws published the Uniform Common Interest Ownership Act (UCIOA). It provides in a single comprehensive law for regulation of condominiums, planned communities and cooperatives. New Jersey has a number of existing statutes that regulate or impact some or all common interest ownership communities. The Commission has been asked to consider the uniform law and its effect on these statutes. A report should be filed on this subject during 1997.

#### F. Recodification

In 1991, the Commission conducted an in-depth examination of the issue of recompilation of the statutes. After hearings on the subject, the Commission decided that the overwhelming problem with the statutes concerned their content rather than their arrangement. The Commission found many anachronistic and redundant sections and many areas where the current statutes are fragmentary and do not deal with issues comprehensively. The Commission concluded that recompilation should wait until the completion of more substantive revision. It was hoped that revision would gradually reach all of the statutes where it was needed. In this way, problems of statutory arrangement could be cured in the context of more substantive change. So far, the Commission has produced total revisions of three titles of the statutes and seven more will be produced by current Substantial parts of three titles have already been revised, and substantial parts of five more are underway. Notwithstanding this progress, the Commission is continuing to consider the issue of recompilation. Commission determines that the problems of arrangement of the statutes have become serious enough to justify the costs, it will recommend recompilation.