

Who Owns Ocean Grove? Real Estate Deals Falling Apart in “God’s Square Mile”

In 1869, a group of Methodist clergymen formed the Ocean Grove Camp Meeting Association of the Methodist Episcopal Church (“OGCMA”), and purchased the land now known as Ocean Grove to create a camp meeting ground. The OGCMA leased lots to individuals who desired to build residences, many of which were originally tents, occupied only in the summer months. The transfer documents created leasehold estates for 99 years, renewable by the property owner in perpetuity. The original leaseholders paid a fixed purchase price, and a modest annual ground rent, for the right to lease the land, construct improvements, and transfer their leasehold interest to prospective buyers. Annual ground rent for most of the original leases was fixed at not more than 7% of the original purchase price, most often \$150.00, for an annual ground rent of \$10.50. This arrangement continued for the next 150 years, with most, if not all, properties having been transferred more than once to new property owners. Many of the original leases are now in their second 99-year term.

Now, OGCMA wants to unilaterally change the terms of ground leases. With no announcement or public discussion, OGCMA has been quietly refusing to consent to transfers of certain existing leases, and instead demanding that buyers sign a new lease with significantly different terms than what has historically been approved and accepted by buyers, lenders, insurance companies and title insurers. Material changes include:

- **Rent Increased and No Longer Fixed.** The rent payable to the OGCMA would increase significantly for the first year of a lease, and then be adjusted upward each year by a minimum of 1.5% per annum, with additional periodic adjustments based on the property’s assessed land value. For example, raising the annual ground rent on a commercial property, or a multi-family home, from \$500.00 to \$7,000.00 is an increase of 1,300%.
- **Lease Term No Longer Perpetual.** The so-called ground lease would no longer be perpetual. Whenever a property owner elects to transfer the 99-year perpetual leasehold interest, the seller’s lease would terminate, with OGCMA requiring the buyer to execute a new lease with a limited term of 15 or 35 years, after which time the land would revert to the OGCMA.
- **Termination.** The remedies available to OGCMA for a default, for example, a failure to pay ground rent, or a violation of any rule or regulation of the OGCMA, include terminating the ground lease and “removing all or any portion of the Improvements” constructed on the land.
- **Mortgage Financing Restrictions.** The proposed new lease does not permit mortgages to be secured by the land without the consent of OGCMA, and private (non-bank) loans are prohibited. These provisions will dramatically limit access to lenders, and lenders will refuse to lend, or be precluded from lending, in Ocean Grove.
- **Limited Use.** The proposed lease restricts the use of a property to a much greater extent than the building and zoning laws of Neptune Township, an attempt to pre-empt the land use authority of the municipality and a contradiction to OGCMA’s own published rules and regulations that have been ratified several times in the last three decades to authorize specific uses within the seaside resort community known as “God’s Square Mile”.

A process that started with retail establishments and offices, expanded to the historic hotels, bed and breakfasts and multifamily dwellings, has now advanced to 2-family, 3-family, and 4-family buildings. It

would not be surprising if the OGCMA pushes to replace the existing perpetual leases on single-family residences with new leases, whether those residences are owner-occupied, seasonally rented, or rented year-round.

For over a century, residents and business owners built, rebuilt, and maintained their homes, businesses and offices, and the land on which those improvements are located. The original leaseholders paid a consideration and ground rent for a lot, and they and the future owners of the lots paid for utility services and property taxes. Leaseholders obtained mortgages, business loans and insurance – everything a property owner would do. Most significantly, they paid fair market value for their properties as if they owned the land beneath them. And what services or benefits currently are provided by OGCMA in return for land lease payments? In short, none. In the early days of its history, OGCMA maintained parks and roads, and for a time, a police force and court. Those services are no longer provided by OGCMA. For decades Neptune Township has maintained the roads and parks within Ocean Grove. The electric utility (JCP&L) owns and maintains streetlights and provides electricity to property owners. Water, water mains, and fire hydrants are owned and serviced by New Jersey American Water, a private water utility; and the sanitary sewers are owned and maintained by a public sewer authority, Ocean Grove Sewerage Authority. The OGCMA divested its interests in building lots by entering into 99-year perpetually renewing leases. OGCMA is a religious organization whose mission is “providing opportunities for spiritual birth, growth and renewal through worship, education, cultural activities and recreation in a Christian seaside setting.” No part of the land rent it collects is used for the benefit of the people who live and own businesses in Ocean Grove; OGCMA does not serve the interests of property owners.

Local real estate agents, business owners and residents are concerned that the new lease agreements will significantly depress property values, making it impossible for new buyers and existing property owners to obtain adequate financing, and title companies and insurance companies may decline to provide insurance coverage because the proposed changes create uncertainty around the concept of “ownership”. Many real estate transactions are currently in jeopardy because OGCMA refuses to consent to renewal or assignment of existing ground leases, and has demanded exorbitant ground rent increases and significant changes in the terms of the ground lease.

Save Our Values Inc. has been formed by a group of concerned business owners, homeowners and realtors to challenge the authority of the Camp Meeting to make these drastic and unprecedented changes to the historic ground lease. For more information, contact Victor Aluise, Ocean Grove homeowner and commercial property owner at valuise@gmail.com, or Barbara Burns at bburns@praxislegalsolutions.com.