



MEMORANDUM

TO: Directors of the Corporation

FROM: Larry Hanover
Public Information Officer

DATE: January 12, 2007

SUBJECT: New Jersey Schools Construction Corporation (SCC)
December Progress Report

Mission Statement

Create a brighter future for our children by renovating, building and funding cost-effective and efficient state-of-the-art community schools that support high quality learning environments to better prepare students for successful careers and leadership in the 21st Century in New Jersey and beyond.

Partner with communities and leaders in business, education and government to support our programs, policies and projects to create greater opportunities for our children, businesses and workforce.

Introduction

During December, SCC representatives joined school district officials, students, parents and community supporters to celebrate the following milestones:

- The opening of a new elementary school in Fairfield Township;
- The groundbreaking for a new elementary school in East Orange.

In December, the SCC took significant steps toward recovering taxpayer dollars spent to correct faulty design or construction work or to pay for environmental cleanups. Attorney General Stuart Rabner and Scott Weiner, CEO of SCC, announced the filing of a lawsuit to recoup over \$3.5 million in costs incurred by SCC to repair structural and design defects in the new Mount Vernon Elementary School in Irvington. A lawsuit also was filed seeking to recover costs incurred by SCC in cleaning up a contaminated Getty service station property and an adjoining site acquired for a school project in Elizabeth. The actions marked the start of SCC initiatives to recoup tens of millions of dollars.

Also in December, under an agreement between the SCC and Inspector General Mary Jane Cooper, two IG staff members were assigned to SCC offices in Trenton. IG Cooper expressed confidence in ongoing reforms undertaken by the SCC and said the agreement signals her office's continuing commitment to help SCC operate at the highest standards of accountability.



SCC, East Orange Educators Celebrate Opening Of New Langston Hughes Elementary School

East Orange School District and SCC officials held a ceremonial ribbon-cutting December 1st for the new Langston Hughes Elementary School, which opened to students in September. Students, parents and residents, along with state and local officials, were on hand for the ceremony at the new school on Rhode Island Avenue that is providing 21st century learning opportunities for 515 students in pre-Kindergarten through 5th grade and will serve as a focal point for a variety of community educational and social activities.



Scott Weiner, Chief Executive Officer of the SCC, remarked,

“We are proud to have contributed to the creation of the new Langston Hughes Elementary School. This is a significant asset for present and future generations of students and residents of East Orange. This project could not have happened without the ongoing collaboration and support of the school district, local and state officials and the Department of Education.”

The new 92,146-square-foot facility is a Community School, with a gym, a cafeteria, a library, an auditorium and a computer lab located on the first floor for

access by students during the school day and by the community at large after school hours. The public access areas can be securely isolated from the academic areas in the rest of the school building when necessary; additional safeguards include interior and exterior security cameras.



The school has 30 general classrooms and classrooms for computer technology, writing, foreign language, art and music. There also are a science demonstration lab, a publishing lab and a graphic arts room. Moreover, the building is designed to maximize cost-effective energy efficiency and environmental sustainability under Leadership in Energy and Environmental Design (LEED) guidelines.



Following the ceremony, there were tours of the facility, which will help to ease overcrowding, enhance academic achievement and provide much-needed early childhood educational programs for 3- and 4-year-olds in the East Orange district. SCC funded



and managed the new school project. It was designed by NJ K-12, LLC and built by VRH Construction. Don Todd Associates managed the project for the SCC. The new elementary school replaces the original Langston Hughes Elementary School, which was built in 1925 and now will serve as swing space. The school was completed in August 2006 and opened to students September 7th.



SCC, Hillier Architecture Win Smart Growth Award For Design of New Catto Community School in Camden

Hillier Architecture of Philadelphia and the SCC have received a 2006 Smart Growth Architecture Award for the design of the new Octavius V. Catto Community School – a key component of a New Jersey Demonstration Project that is helping to revitalize an East Camden neighborhood.

Hillier and the SCC were recognized by the NJ Department of Community Affairs' Office of Smart Growth and the New Jersey Chapter of the American Institute of Architects for excellence in school construction design for the Catto School project, which incorporates the Camden County Boys & Girls Club community center. The awards to Hillier and the SCC note the project serves as a revitalization anchor and encompasses mixed-use development, mass-transit accessibility and sustainable economic and social development. The awards were presented by DCA Commissioner Susan Bass Levin at the state League of Municipalities Conference in Atlantic City.



Currently under construction, the new 122,000-square-foot Catto School at Westfield Avenue and Dudley Street will ease overcrowding and provide quality education for 540 pre-kindergarten through 6th grade students. The new school will include several additional classrooms as well as common areas such as a library/media center, auditorium and gymnasium.

Lawsuit Seeks Recovery of School Site Environmental Cleanup Costs **Attorney General Rabner Files Action on Behalf of SCC**

Attorney General Stuart Rabner announced December 11th the filing of a lawsuit on behalf of the SCC seeking to recover costs incurred by the agency in cleaning up a contaminated Getty service station property, as well as an adjoining parcel, acquired for a school construction project in Elizabeth.

Filed with the New Jersey Superior Court in Union County, the two-count SCC lawsuit focuses on petroleum-product-related contamination found in the soil and groundwater at the site for what became Public School #30 in Elizabeth. To date, the SCC has incurred approximately \$885,000 in costs related to the site clean-up.

“Substantial public dollars have been invested in cleaning up these properties,” said Attorney General Rabner. “We are committed to ensuring, through litigation, that those public dollars are recovered from the responsible parties – those who allowed these properties to become contaminated and failed to meet their legal responsibility to remove the contamination.”

Named as defendants in the SCC lawsuit are Getty Petroleum Marketing, Inc., of East Meadow, N.Y., Getty Properties Corp., of Jericho, N.Y. and Power Test Realty, also of Jericho. Power Test Realty acquired the service station property from another major petroleum company in 1985, and subsequently leased it to Getty.

The SCC is launching a concerted effort to sue for the recovery costs of environmental cleanup from responsible parties and insurers.

“This is the start of an important initiative for the SCC,” said Scott Weiner, CEO of the SCC. “We expect to file more such lawsuits in upcoming months, standing as clear evidence of the SCC's resolve to recover money on behalf of New Jersey taxpayers.”

According to the state's lawsuit, a Getty service station property on Newark Avenue that SCC acquired for \$650,000 became polluted over a span of years by the discharge of hazardous materials, and by the underground storage of petroleum products in massive tanks. An adjoining former restaurant property on Pennsylvania Avenue, also acquired by the SCC for Elizabeth School #30 at a cost of \$1.2 million, showed evidence of contamination with petroleum-related materials as well.

The SCC acquired the Getty service station property and the adjoining former restaurant property via condemnation in October 2003. In 2004, separate testing efforts by Getty and the SCC revealed the presence of a variety of hazardous substances in the soil and groundwater of the Getty property including benzene, xylene, ethyl benzene and methyl tertiary butyl ether.

In April 2004, additional investigation at the School #30 site uncovered two 3,000-gallon underground storage tanks for unleaded gasoline, and a 4,000-gallon underground storage tank for leaded gasoline. Subsequent soil testing revealed the presence of numerous hazardous pollutants where the tanks had been found, including total petroleum hydrocarbons. The SCC subsequently had 6,300 cubic yards of petroleum-contaminated soil removed from the Getty property, and also removed a total of eight underground fuel storage tanks – including a 550-gallon oil storage tank that had been found underground on the adjoining former restaurant property.

Costs incurred by the SCC to date at the School #30 site include more than \$631,000 for removal of petroleum-contaminated soil and \$179,000 for environmental engineering services. In addition, the SCC has incurred about \$75,000 worth of administrative costs related to oversight and coordination of the site remediation work. The SCC also continues to monitor groundwater conditions at the site, and it is projected that monitoring-related costs will eventually total approximately \$79,000. In its lawsuit, the state contends that SCC's claim for recovery of clean-up and contaminant removal costs relative to the School #30 site is authorized by the New Jersey Spill Act. Count one of the suit asks the court to order that Getty and Power Test Realty reimburse the SCC for all costs related to the property clean-up, as well as all fees and costs related to the litigation. Count two of the lawsuit contends Power Test Realty and Getty companies benefited from "unjust enrichment" because the state paid fair-market value for the Getty service station property (as if it were pollutant free) and to date the SCC – not the defendants – has borne all costs associated with cleaning up the property.



SCC, Fairfield Educators Open New Elementary School

Students, teachers and parents in the rural Cumberland County community of Fairfield Township turned out December 16th for a ribbon-cutting for the new Fairfield Elementary School. The school, which replaces two overcrowded facilities, will enhance academic achievement and provide much-needed early childhood education programs for 600 students from pre-kindergarten through 8th grade.

Local and state officials were on hand for the milestone event held by the Fairfield Township School District and the SCC. Local voters overwhelmingly approved the new school at a bond referendum thanks to a concerted grassroots effort that brought the community of 5,700 residents together.



At the ceremony, school board president Thomas C. Lane IV was acknowledged as a moving force behind the new school. Lane, a retired Bridgeton school superintendent and a former Fairfield teacher and principal, will be honored with a plaque in the school.

John Klug, Fairfield Superintendent of Schools, remarked, "This superb new facility will enable us to provide our students with the quality education they deserve."

Scott Weiner, CEO of SCC, stated, "We are proud to be a part of Fairfield Township's significant achievement. I congratulate the community for coming together to work with the school board, school district and area officials to bring about this new school to benefit present and future generations of students."

The SCC has opened 32 new schools and completed 31 projects involving additions and major renovations in Abbott districts, along with 354 health-and-safety projects. A total of 70 projects ranging from new schools to interior rehabilitation are under way.

In addition to managing projects in Abbott districts, the SCC also oversees a half-dozen projects in districts such as Fairfield that receive more than 55 percent of their funding.

The new one-story 75,000-square-foot Fairfield Elementary School is located on Gouldtown-Woodruff Road in the town's Gouldtown section. It includes 25 classrooms, a science lab, a media center/library and a cafetorium.

The new school replaces a primary school in the Fairton section and a middle school that date back to the 1920s. The primary school is slated for historical preservation while the old middle school will be razed.

The new school was designed by Lighthouse Architecture, Inc. of Philadelphia and built by Imperial Construction of Elizabeth, NJ. URS Corp. managed the project for the SCC.

SCC Sues to Recover \$3.5 Million to Correct Irvington School Defects

On December 27th, New Jersey Attorney General Stuart Rabner and Scott Weiner, chief executive officer of the SCC, announced the filing of a lawsuit to recover over \$3.5 million in costs incurred by the agency to repair structural and design defects found in a school construction project in Essex County. The four-count SCC lawsuit names as defendants STV Architects, Inc. of Newark, and El Taller Colaborativo of Newark, an engineering firm hired by STV as a subcontractor on the Mount Vernon Elementary School construction project in Irvington. The suit was filed in Superior Court in Trenton.

The suit represents the launch of an SCC initiative aimed at recouping tens of millions of dollars incurred due to professional design errors. It follows a separate initiative, which also was launched in December, to recover the costs of environmental cleanups incurred by the SCC in connection with new school construction.

According to the state's Complaint, errors by STV and El Taller Colaborativo resulted in the use of steel beams and steel lintels on the three-story school project that were unable to safely bear the weight of the concrete and masonry they were intended to support. As a result, the \$22.2 million building project had to be delayed while a method for reinforcing the flawed steel infrastructure was devised. The state's lawsuit charges the SCC has spent more than \$3.5 million to buttress the flawed steel beams and girders created as the original framework for the school building, and to correct other problems.

"The buckling of the steel originally meant to support the upper floors of this structure was so severe it could be seen with the naked eye," said Attorney General Rabner. "Substantial public dollars were spent to repair that problem and to resolve other concerns. We are committed to ensuring that the public money spent to correct these problems and do the job right is recovered from the responsible parties."

The suit is the first filed on the SCC's behalf to recoup costs caused by errors in a school's design. Earlier this month, a suit was filed to recoup environmental cleanup costs incurred during the construction of a new school in Elizabeth.

"These initiatives signal an important new direction," Weiner said. "More of these lawsuits will follow, representing a tangible demonstration of our resolve to recover funds and assure New Jersey taxpayers they are not paying for the mistakes of others."

The SCC hired STV to provide professional architectural and engineering services for the Mount Vernon Elementary School project in May 2003. STV subsequently subcontracted certain engineering work – including structural engineering design services – to El Taller Colaborativo. STV and El Taller Colaborativo prepared drawings, plans, technical specifications, and instructions to bidders for the project and later provided architectural, engineering and design services as construction work progressed.

The state's Complaint refers to deficiencies resulting from the work of the two companies including, but not limited to, "inadequate structural steel capacity and inadequate steel lintel design." The severe nature of the problem was revealed when the concrete slabs for the second and third floors of the school's new academic wing were poured. According to the state's lawsuit, steel beams clearly buckled under the weight of the concrete, and there was "significant movement of the suspended masonry lintel supports. Both of these conditions were so severe that they were visible to the naked eye."

Following an evaluation of the project by a specially-hired consulting firm, it was determined that the original design of some of the floor beams and girders was defective. "Specifically, the beams would not support the . . . prescribed loads . . ." and "the girders that support the walls do not have the capacity to support the additional concrete," according to the state's complaint.

The special consultant, international engineering firm Thornton Tomasetti of Newark, recommended several measures to shore up the defective floor beams and girders. Those measures will properly buttress the steel infrastructure and allow the project to proceed.

However, the State's lawsuit charges that the needed repairs have cost the SCC millions of extra dollars, and that the agency "continues to feel the effects of the delay to the construction of the school." The state's lawsuit charges both STV and El Taller Colaborativo with one count each of negligence and breach of contract. In each instance, the lawsuit seeks an award of compensatory damages and costs related to the lawsuit.

Inspector General Staff Members Assigned to SCC Trenton Office

In a move that will help ensure high accountability at the SCC, two members of Inspector General Mary Jane Cooper's staff were assigned to the corporation's West State Street offices in early December. Cooper recommended that the SCC create a staff position of Inspector General in her January 2006 report on the corporation. Upon taking office, Gov. Jon S. Corzine endorsed the proposal, labeling it a high priority. As a result, a memorandum of understanding (MOU) was signed by Cooper and Scott Weiner, SCC CEO, earlier this year. It establishes two positions instead of one.

"The presence of the Inspector General's staff in our offices demonstrates that the SCC is focused on the highest levels of accountability and efficiency," said Scott Weiner, CEO of the SCC. "I believe her staff will play a key role here, strengthening our internal procedures and serving as a resource to our own employees."

Cooper said the agreement signals her office's continuing commitment to help the SCC operate at the highest standards. Stated Cooper: "Since the Office of Inspector General (OIG) issued its first report, SCC's new leadership has demonstrated a strong commitment to the efficient use of state funds to build schools by implementing internal controls, restructuring the organization, and hiring knowledgeable and experienced staff. Implementation of this OIG recommendation gives me the confidence that SCC's aim of maintaining fiscal integrity and accountability is strong."

Under the MOU, the two Assistant Inspector Generals, Anne Kriegner and William Thomas, have the authority to investigate, examine and audit operations of the SCC. Their job will be to guard against waste, fraud and abuse, recommend policies and procedures to increase efficiency and suggest changes to help SCC staff comply with the law. The IG staff will have full access to SCC records and, when necessary, conduct interviews of corporation staff.

Thomas, an attorney for 23 years, spent the last nine years as senior counsel for the New Jersey Lawyers' Fund for Client Protection, which is a committee of the New Jersey Supreme Court. There he investigated attorneys accused of stealing client funds. Prior to that, he spent 14 years in private practice as a trial attorney in Camden County.

Kriegner served 27 years as a state investigator for the New Jersey Division of Criminal Justice. He was chief state investigator for the division from 2002 to 2005, responsible for all administrative and investigative functions of 350 civil and criminal investigators. Most recently, she was a field representative for the Police Training Commission, overseeing inspection and compliance for various academies throughout the state.

The Inspector General has had a presence in SCC offices, but the MOU turns this informal, active collaboration into a permanent arrangement. The SCC has undergone significant changes since the beginning of the Corzine administration to strengthen accountability and prevent waste, including the creation of the Office of Chief Counsel to provide an in-house staff of experienced construction attorneys to help seek recovery of taxpayer money.

Construction Update

Construction Starts

As of December 31, 2006, the SCC has entered into construction contracts that total \$2,920,836,412 since its inception in 2002.

Contractor Procurement

Five construction bids were advertised in December for school projects in Irvington, Newark, Perth Amboy and Union. (Exhibit A)

Four design bids were advertised in December for school projects in Jersey City and Newark. (Exhibit B)

School District Grants

From its inception in 2002 through December 31, 2006, the SCC has executed 2,555 Section 15 grant agreements in all 21 counties with districts that receive less than 55% of their budget in state aid. To date, 1,429 schools in 472 districts have been impacted by the Section 15 grant program. Total project costs amounted to \$7,117,707,062 for which the state share totaled \$2,208,407,698. In 2006 alone, the SCC executed 148 Section 15 grants totaling \$43,584,871 toward project costs totaling \$132,390,600. These grants impacted 135 schools in 77 districts in 18 counties throughout the state.

Office of Contractor And Workforce Compliance

The SCC Office of Contractor and Workforce Compliance is dedicated to increasing the availability and accessibility of construction opportunities for small, women, and minority-owned businesses, and to individuals and their families in New Jersey.

In some instances this means working with other State agencies and departments to serve the SCC's target population. In others, it is working with SCC project management firms (PMF) and other internal SCC divisions to encourage business opportunities and equal employment opportunities in the school construction program. The Office encourages firms that do business with the SCC to support diversity within their ranks and in their hiring. At every opportunity, the Office endeavors to promote the use of New Jersey's diverse business and workforce communities on SCC projects. Further programmatic information is available on the SCC website.



Conferences/Presentations

Langston Hughes Elementary School Groundbreaking, 12/1/2006, East Orange

Fairfield Township Elementary School Ribbon Cutting, 12/16/06, Fairfield Township

Larry Hanover

Attachments

Construction Bid Advertising and Bid Due Dates as of January 24, 2007

[illegible]

Exhibit A

Design Bid Advertising and Bid Due Dates as of January 24, 2007

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Exhibit B