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STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR

IN THE MATTER OF THE :
 :
PUBLIC HEARING ON :
 :
CONDOMINIUM CONVERSIONS :
 :
IN NEW JERSEY :
 :

Assembly Room
State House
West State Street
Trenton, New Jersey
January 31, 1981
9:30 A.M.

B E F O R E:

New Jersey State Library

GOVERNOR BRENDAN T. BYRNE

DANIEL O'HERN, ESQ.,
Council to the Governor

AMY R. PIRO, ESQ.,
Assistant Council to the Governor

BY: CAROLYN CUMMINGS
Certified Shorthand Reporter

SILVER & RENZI REPORTING SERVICE
CERTIFIED SHORTHAND REPORTERS
824 WEST STATE STREET
TRENTON, NEW JERSEY 08618
(609) 989-9191

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1 MR. O'HERN: Good morning, ladies and
2 gentlemen.

3 Before we start, I'd just like to set
4 the ground rules for the hearing which the
5 Governor has called for today. He has an
6 important meeting at 12:30 preparation for
7 an afternoon session with respect to the
8 budget. So we will insist that you do
9 adhere to the amounted time.

10 There will be what we call "pro-
11 fessional witnesses, public witnesses, and
12 lay witnesses" during the morning hours for
13 the Governor. During the afternoon, members
14 of the staff will remain to hear other
15 interested parties. We are going to allow
16 ten minutes to each witness for his presenta-
17 tion. Public witnesses will be allowed five
18 minutes.

19 Now, we will commence the hearing.

20 GOVERNOR BYRNE: Who is the first
21 witness?

22 MR. O'HERN: Commissioner LeFante
23 will be the first witness.

24 GOVERNOR BYRNE: All right.

25 Let me say in opening that I have

1 come in this morning on a Saturday to be
2 informed as to what the problems are in the
3 condominium conversion boom. I haven't had
4 a public hearing like this. I had, when I
5 was a judge, occasion to decide a case on a
6 condominium conversion many years ago, maybe,
7 with the tenants association. Maybe it was
8 something like that. A lot of things have
9 happened since then.

10 Going around the state, I have heard
11 from a great many people as to the problems
12 involved in condominium conversion, and I
13 have heard sort of both sides but never in
14 a quasi-judicial form. That's why I've
15 asked for this hearing because there are
16 pieces of legislation before me, there are
17 other pieces of legislation in the drafting
18 boards, and I thought that because of the
19 fact that it is an important problem that
20 we would use this Saturday morning in the
21 middle of winter to get some additional
22 enlightenment. The purpose of this meeting
23 is to get enlightenment, not to try and pull
24 New Jersey to see whose for or against it,
25 but rather to get some sound factual enlight-

1 ment. Hopefully that is going to result from
2 this morning's witnesses.

3 I want to express my appreciation to
4 all of you for taking the time out to be here.

5 MR. O'HERN: Governor, I just want
6 to tell you that the water there is not
7 drinking water, but it is imported sparkling
8 water.

9 GOVERNOR BYRNE: Diluted.

10 MR. O'HERN: Diluted.

11 The first witness will be Commissioner
12 LeFante of the Department of Community Affairs.

13 COMMISSIONER LEPANTE: Thank you,
14 Mr. O'Hern.

15 Good morning, Governor, and ladies
16 and gentlemen.

17 Governor, we have testimony that looks
18 on the surface at least to be lengthy, but I
19 think at the risk of sounding boring, it's
20 very important that for this public hearing
21 we get all the facts on record and we will
22 be addressing ourselves primarily to facts.

23 The rapid acceleration in the number
24 of condominium conversions in many communities
25 around the state has understandably aroused

1 great public concern. The effect of these con-
2 versions on local housing markets is of major
3 importance to the department because of our
4 responsibilities in housing policy and programs
5 which include the registration of conversions
6 to condominiums and cooperatives and providing
7 information on the rights and responsibilities
8 of tenants and landlords.

9 Since the implementation of the Planned
10 Real Estate Development Full Disclosure Act
11 of 1978, by which all condominiums and cooper-
12 atives are registered, 10,080 rental apartments
13 in multiple dwellings have been registered for
14 conversion and an additional 6,997 units are
15 pending registration. Taken together, this
16 represents approximately 2.5 percent of the
17 multi-family apartments units in New Jersey.

18 In less than two years during which
19 the department has required registration of
20 conversions, the rate of conversion activity
21 has increased dramatically. In the first
22 six-month period, only 1,038 units in six
23 projects registered in Bergen County with an
24 average sale price of \$64,277. Between
25 June 1980 and November 1980, an additional

1 10 projects were registered in Bergen County
2 consisting of only 1,025 units and an average
3 sale price of \$63,551. Clearly, as long as
4 home ownership demand is persistent, housing
5 of less than a luxury standard will be con-
6 verted.

7 These conversions are symptomatic of
8 a larger problem which threatens the existence
9 of moderate cost rental housing. A variety of
10 economic, social and political factors have
11 combined to reduce the profitability of rental
12 apartment buildings and to mitigate against
13 the prospects of renewed construction of
14 rental units.

15 The economics of owning and operating
16 existing multi-family buildings is becoming
17 increasingly unfavorable. The problem of
18 rising operating costs in an inflationary economy
19 has been compounded in recent years by a fuel
20 crisis and high financing costs. It has been
21 well documented that rents have risen over the
22 past ten years at a greater rate than tenant
23 income, while operating costs for rental
24 housing have exceeded the rise in rents.
25 This income-cost-squeeze is one of the major

1 factors responsible for deteriorating housing
2 conditions as property owners cut back on
3 their maintenance costs in order to pay their
4 fixed obligations for financing and utilities
5 or in order to recover their investment when
6 the unavailability of conventional mortgage
7 money makes it no longer recoverable at sale.

8 Historically, there was substantial
9 construction and an increase in the number of
10 rental units during the 1960's. Construction
11 and ownership of apartment buildings was quite
12 profitable in the past to the developers who,
13 while responding to an increased demand also
14 benefited from the favorable federal income
15 tax treatment available to apartment owners.
16 This treatment included accelerated methods
17 of depreciation and deductibility of real
18 estate taxes and interest, effectively
19 eliminating or substantially reducing taxable
20 income, while generating positive cash flow.
21 Indeed, during the last ten years, many large
22 apartment complexes have been marketed to
23 "tax shelter" limited partnerships, almost
24 exclusively on the basis of tax benefits to be
25 derived by the investor, rather than a con-

1 sideration of the operational cash flow or
2 other fundamental investment criteria. During
3 each successive year after acquisition, the tax
4 benefits derived from the accelerated depreci-
5 ation and the interest portion of mortgage
6 payments continually decrease. The percentage
7 of cash flow that is taxable consequently
8 increases to a point where taxable income exceeds
9 net cash flow. Ultimately, the federal income
10 tax itself may exceed the amount of net cash
11 flow. Thus, the federal income tax incentive
12 to retain ownership of an apartment building
13 diminishes every year.

14 Rising interest rates and inflationary
15 pressures have significantly increased the
16 cost of operation of apartment buildings.

17 The existence of rent control or the
18 fear that rent control would be imposed has
19 worked against the landlord's ability to
20 offset rising costs by increasing his rentals.

21 High interest rates produce additional
22 disincentives to apartment ownership. Histor-
23 ically, many owners of apartment buildings
24 have, through refinancing, generated for them-
25 selves a non-taxable method of withdrawing

1 funds, as an alternative to the sale of their
2 apartment building. Refinancing for this
3 purpose becomes less attractive or no longer
4 feasible when interest rates and financing
5 costs rise to present levels. Moreover,
6 third parties to whom apartment buildings might
7 otherwise be sold, often find the high financing
8 costs prohibitive, and they are unwilling to
9 purchase an apartment building and continue
10 operating it as such.

11 For many rental property owners, no
12 projected amount of rental income, allowable
13 tax depreciation, or tax sheltering can equal
14 the return received on the sale of their pro-
15 perties for conversion.

16 The condominium conversion movement
17 exacerbates an existing rental housing shortage.
18 It causes severe housing problems for low and
19 moderate income tenants and for our senior
20 citizens. The conversion process produces
21 an often severe, adverse economic and psych-
22 ological impact on the tenant, who must either
23 purchase the apartment or seek other housing
24 in a market offering few alternatives.

25 If a decision is made to move to an

1 alternative rental unit, the tenant may anti-
2 cipate increasing rents, and continued uncer-
3 tainty due to the possibility of yet another
4 conversion. In communities that experience
5 extensive conversions, there may literally be
6 no place for tenants unable or unwilling to buy
7 their units to relocate. The lack of assurance
8 against continued displacement has a severe
9 impact on older people, many of whom would be
10 adversely affected by being forced out of their
11 communities.

12 For the elderly, removal from their
13 neighborhoods is fraught with personal, social
14 and cultural problems. Even if their housing
15 is substandard, it is nevertheless very often
16 situated in an area of long-standing associa-
17 tions, familiarity and richness of resources.
18 An elderly person might buy his converted
19 apartment only because he does not want to
20 move from his neighborhood.

21 Governor, I have submitted this testi-
22 mony in full, and I think the most important
23 part was the figures to get on the record.

24 I see my time is just about up.

25 GOVERNOR BYRNE: Yes..

1 COMMISSIONER LEFANTE: I would appreciate
2 it if the entire testimony would appear in the
3 public record for your hearing purposes.

4 GOVERNOR BYRNE: Is there in that long
5 paper a suggested solution way out of this
6 dilemma?

7 COMMISSIONER LEFANTE: Not really.
8 I think what we are going to have to do is
9 keep an eye on the nationwide policies that
10 are being set. The problem is not only
11 unique or limited to New Jersey, but it is
12 widespread. It is nationwide.

13 I know from some of our professional
14 staff persons that they are in touch with
15 other states and some federal officers are
16 working it out, but the only thing I can
17 suggest, Governor, at this point is that
18 you and I as public servants are looked to
19 for protection and for leadership and I think
20 there comes a time when the leadership not
21 only in New Jersey but in the nation has to
22 take a stand back and begin to apply human
23 nature philosophies.

24 If you recall that meeting you held
25 at the cabinet at the Seaview Country Club,

1 the fellow representing the Urban League--what
2 was his name?

3 MR. O'HERN: Holder.

4 COMMISSIONER LEFANTE: Paul. He
5 said to us when you were so concerned about
6 the McGill Report and you showed a real genuine
7 and sincere interest in what that report con-
8 tained--and he went on record disagreeing with
9 you--but he said the one thing that the com-
10 mission or three things that the commission
11 overlooked in putting that report together
12 was, first, human nature; second, the history;
13 and third, the politics. He said unless you
14 can put these three ingredients together when
15 you begin to approach a problem, you're not
16 going to come out with a satisfactory solution.

17 So I'm suggesting, I guess, Governor,
18 that that's what we apply in approaching this
19 problem. I think we should apply the human
20 nature aspects of it, the compassionate and
21 desire that is needed, the history what we
22 have learned up to now, and the politics of
23 how well it's going to serve the constituents
24 that are involved.

25 Other than that, the rest of my infor-

1 mation is in my testimony.

2 GOVERNOR BYRNE: It will be accepted.
3 Thank you very much.

4 COMMISSIONER LefANTE: You are also
5 to be commented making this time available
6 to tenants and interested groups on a Saturday
7 morning. Not many governors do that.

8 (The following testimony is a contin-
9 uation of Commissioner LeFante's presentation
10 which was supplied in writing.)

11 However, since the elderly generally
12 have about half the median income of the total
13 population, the option to purchase is not a
14 viable one for many of them.

15 A recent HUD study of condominium con-
16 version indicates that most of those who buy
17 converted units increase their expenditure
18 for housing. Total monthly outlays made by
19 tenant buyers are typically 36 percent higher
20 than what they paid in rent. The same HUD
21 study indicates that about 42 percent of those
22 who moved out of converted buildings had incomes
23 which were too low to have permitted them to buy
24 their converted units: 47 percent of all former
25 residents say they did not purchase because they

1 did not believe they could afford to do so.

2 Tenant income, like that of the elderly
3 as a group, is about half that of homeowners.
4 The federal general accounting office report
5 cites the median income of renters as \$8,800
6 and the median income of homeowners as \$16,000.
7 The New Jersey Division of Taxation data for
8 1978 shows tenant income in New Jersey as
9 averaging \$9,041, while homeowner income
10 averages \$24,166. The average sale price
11 observed in New Jersey conversions varies
12 from \$29,000 at Terrill Manor in Bergen County
13 to \$53,500 at the Hillcrest in Essex County to
14 \$235,400 at the Galaxy in Hudson County.
15 When comparing the sales price range of con-
16 verted condominiums with the average income
17 data of the average tenant in New Jersey, it
18 becomes quite clear that most tenants cannot
19 afford to purchase their units. In many
20 instances, these tenants are effectively
21 priced out of their units by their inability
22 to secure the mortgage financing necessary to
23 purchase the unit.

24 The New Jersey Mortgage Finance Agency
25 vis its neighborhood loan program is attempting

1 to assist in this area by providing below-
2 market interest rate mortgages on homes in
3 urban neighborhoods. The Mortgage Finance
4 Agency's loan program represents a viable
5 mechanism by which eligible existing tenants
6 could secure permanent mortgage financing at
7 a below-market rate for the purchase of recently
8 converted units. Unfortunately, the distri-
9 bution of the Mortgage Finance Agency's funds
10 is confined by two things: 1) the monies are
11 targetted to urban areas only; and 2) the
12 amount of mortgage money is limited.

13 Fortunately, our present laws do provide
14 some protection for tenants facing conversion.
15 The problem is that these laws are designed
16 only to give the tenant reasonable time to
17 find a new home. They do not provide the
18 tenant with any alternative recourse. Regard-
19 less of how much notice is provided, if the
20 owners of your apartment decide to "go condo",
21 you have two options: 1) buy in; or 2) move
22 out!

23 Tenants now have 90 days to decide if they
24 wish to purchase their unit, during this 90 day
25 period a tenant in occupancy has the exclusive

1 right to purchase his unit. The unit cannot
2 be shown to a third party unless the tenant
3 has in writing waived the right to purchase.
4 If a tenant does not wish to purchase the unit,
5 he has at least three years by state law before
6 an eviction action can be taken.

7 During the first 18 months after the
8 receipt of an eviction notice, a tenant may
9 request from the owner comparable housing
10 and a reasonable time to examine and rent this
11 comparable housing. If comparable housing is
12 not provided the court may authorize one-year
13 stays of eviction with reasonable rent increases
14 until such time as the court is satisfied that
15 the tenant has been offered comparable housing.
16 However, in no case shall more than five such
17 stays be granted.

18 In most cases, an owner would seek
19 eviction after the first "stay" under a special
20 provision allowing hardship relocation compen-
21 sation. After a tenant has received a one-
22 year stay, the owner can offer the tenant
23 hardship relocation compensation. What this
24 means is that the owner can waive the payment
25 of five months rent. If the owner offers this

1 hardship compensation, the court cannot authorize
2 any further stays and a warrant for possession
3 would then be issued at the end of the one-year
4 stay.

5 Any tenant whose tenancy began before the
6 conversion, and is not evicted on grounds other
7 than that of conversion would receive from the
8 owner a moving expense compensation of one
9 month's rent. No warrant for possession can
10 be given until proof of this payment is made.

11 Even though New Jersey has one of the
12 best laws protecting purchases and tenants in
13 the event of conversion, our personal day-to-day
14 experiences have convinced us that this law is
15 not enough! There is a need to protect our
16 senior citizens on fixed, limited incomes
17 who cannot afford to buy their converted unit.
18 There is a need to strengthen our current law.

19 One of the ways we could strengthen
20 the present eviction law is to ensure that tenants
21 who remain renters are not faced with exorbitant
22 rent increases due to the conversion, just as
23 purchasers should not be left with a deterio-
24 rating structure, the upkeep of which is beyond
25 their financial capacity to meet. In the long

1 run, we must consider means for assuring an
2 adequate supply of rental housing.

3 Our experience in current conversions,
4 especially in high demand areas, has shown
5 that neither local rent ordinances nor uncon-
6 scionability (the court's method of determining
7 reasonable rent increases) can adequately pro-
8 tect tenants whose units have been acquired by
9 purchasers at current prices and mortgage
10 interest rates. The financing and carrying
11 costs to the purchaser can justify doubling
12 the rents and courts may not be shocked at such
13 increases. A more meaningful protection to
14 the renter would be to amend the present law
15 to exclude rent increases which reflect costs
16 associated with conversion.

17 One of the major problems in conversions
18 is the future cost of repair and replacement.
19 In many cases, within a short period of time
20 after conversion the tenants may face substantial
21 assessments to restore a deteriorating building.
22 An amendment to the Planned Real Estate Develop-
23 ment Full Disclosure Act of 1978, which would
24 require the correction of all defects noted in
25 the engineering report and the abatement of all

1 local and state building code violations, would
2 be appropriate. As an alternative, consider-
3 ation could be given to require the establishment
4 of a reserve account by the developer which would
5 be funded in an amount sufficient to meet these
6 costs.

7 Nationwide, the condominium conversion move-
8 ment is viewed by many as a positive force which
9 can result in the upgrading and the preservation
10 of housing stock while bringing in increased
11 property tax revenues. Condominium units can
12 offer the benefits of home ownership to people
13 otherwise unable to afford a single family house.
14 While we recognize the benefits of condominium
15 conversions, it is our responsibility to ensure
16 that this movement does not adversely affect
17 those who are most in need of rental housing,
18 like our elderly.

19 My department is prepared to assist in
20 any way possible to implement an equitable condo-
21 minium conversion policy.

22 Thank you.

23 MR. O'HERN: Next is Commissioner
24 Stanley Van Ness, the Public Advocate of the
25 State of New Jersey.

1 MR. VAN NESS: Governor Byrne, ladies
2 and gentlemen, I'd like to thank you for the
3 opportunity to appear before you on the subject
4 of condominium conversions. Our department
5 worked with your counsel's office in 1975 on
6 the enactment of Chapter 311 of the laws of
7 that year, the eviction law which gives tenants
8 three years notice prior to an eviction because
9 of condominium conversion. This law is one
10 which we can be proud of. Nevertheless the
11 question today is whether, in the light of the
12 numerous condominium conversions we need to
13 strengthen the law. I believe that we do.

14 On the basis of our experience, I recom-
15 mend the following changes:

- 16 (1) Conversion to condominium should
17 not be a ground by which senior
18 citizens, the disabled and persons
19 earning less than median income
20 can be evicted;
- 21 (2) Legislation must also prevent these
22 tenants from being evicted because
23 they cannot afford rent increases
24 brought about by the conversion;
- 25 (3) Legislation should make units

1 affordable to more tenants. This
2 can be done by giving tenant
3 associations the first option to
4 purchase and by requiring a
5 percentage of units to be sold
6 to moderate income persons at prices
7 which they can afford; and

8 (4) To preserve the long-term rental
9 supply of housing, we should
10 consider linking the amount of
11 conversions we permit to the
12 quantity of new rental construction.

13 I would like to explain why we feel
14 that these changes are necessary. In the
15 sixteen-month period from April, 1979, to
16 August, 1980, notices of conversions from
17 apartments to condominiums were filed for
18 7,643 units. This number exceeds the new
19 construction of condominiums for the same
20 period. The conversions as Commissioner
21 LeFante pointed out, are taking place across
22 the state from Bergen County to Cape May County.
23 This explosion is occurring despite the chilling
24 effects of the highest interest rates we have
25 ever known; one can only speculate how many

1 more conversions there would be if rates were
2 lower.

3 Now, it's true some tenants clearly
4 benefit by a condominium conversion. For
5 a middle-or upper-income person who can meet
6 the monthly payments and the maintenance costs,
7 purchase of the unit is a good financial move.
8 The interest payments and the property tax pay-
9 ments are deductible on federal income tax
10 returns. Furthermore, real estate has been
11 the best possible investment the ordinary
12 citizen could make in the last decade. A
13 purchaser under current circumstances can
14 expect, at least, a 10 percent appreciation
15 per year on the unit. Under these circum-
16 stances, the middle-income person who can
17 afford to buy is making a wise decision by
18 purchasing.

19 However, other tenants do not benefit.
20 The 1980 study of the U.S. Department of Housing
21 and Urban Development entitled "The Conversion
22 of Rental Housing to Condominiums and Coopera-
23 tives" found that 58 percent of tenants in con-
24 verted buildings move out of their apartments.
25 Although there are regional variations, on the

1 average 22 percent of the tenants remain as
2 owners and 20 percent remain as tenants of
3 either the converter or an investor who pur-
4 chases the unit. These numbers strongly
5 indicate that for many tenants the conversion
6 process poses problems. This is particularly
7 true for the less affluent who cannot afford to
8 purchase and for the senior citizen.

9 The same study concluded that on the
10 average throughout the country a full 42 percent
11 of all tenants who vacated their apartments
12 could not have afforded to purchase their unit.
13 In determining affordability, H.U.D. uses the
14 standard that a person could not afford to pay
15 more than two and a half times annual income
16 for the unit. That department stresses,
17 however, that this test is reliable only if
18 interest rates are below ten percent and we
19 know that that is far from the current situation.

20 The study also cautions that some
21 persons with sufficient annual income never-
22 theless could not purchase because they cannot
23 come up with the downpayment or because they
24 have extraordinary expenses for medical care,
25 child care or alimony. In view of our present

1 astronomical interest rates, it is reasonable
2 to conclude that more than 42 percent of the
3 tenants could not afford to purchase their
4 apartment when a conversion occurs.

5 Senior citizens may be especially
6 threatened by a conversion. A high per-
7 centage of retired persons are unable to
8 purchase their unit because their retirement
9 income is not sufficient to afford the monthly
10 payments; they may also find it more difficult
11 to obtain a mortgage or they may be unwilling
12 to commit themselves to a long-term mortgage.
13 They may be more interested in a liquid invest-
14 ment such as money market funds than a non-
15 liquid asset such as real estate when they
16 reach senior citizen status.

17 At the same time--and I think Com-
18 missioner LeFante pointed this out--senior
19 citizens frequently consider their apartment
20 complex to be their retirement community, a
21 place where long-term friendships have
22 developed, where services are conveniently
23 located and patterns of life are well
24 established. They often plan to remain there
25 as long as their health holds out and forced

1 relocation may cause them severe trauma and
2 emotional strain.

3 In light of the negative implications
4 of condominium conversion for seniors and
5 moderate-income families, my first recom-
6 mendation is that conversion to condominiums
7 should not be a ground for eviction against
8 senior citizens, the disabled or persons
9 earning less than median income. Assembly
10 Bill 2286 would prohibit such evictions. That
11 was a bill that was introduced by Assemblyman
12 Baer. I believe that the psychological
13 trauma involved in uprooting a senior citizen
14 outweighs any public policy benefits of con-
15 versions; and I believe this is true even if
16 relocation housing for the senior citizen can
17 be found.

18 I also oppose evictions of moderate-
19 income persons, those below median income who
20 realistically cannot afford to purchase a home
21 today. There is a critically low vacancy
22 rate of rental housing in almost every county
23 in the state. We've known this for many years.
24 Executive, legislative and administrative reports
25 have documented that and, Governor, your

1 Executive Order 35 and indeed the Supreme
2 Court's decision in Mount Laurel are based upon
3 that shortage.

4 To evict a moderate-income tenant
5 because of a condominium conversion is to
6 exacerbate this housing shortage. The ousted
7 tenant must compete for rental housing in the
8 midst of this critical shortage. Even if he
9 finds comparable rental housing through his
10 own efforts or through relocation assistance of
11 the landlord, it means that one more rental unit
12 has been taken out of the pot available for
13 those people who need it so desperately.

14 As long as the housing crisis continues,
15 I do not believe that the public interest would
16 be served by a policy that would allow low or
17 moderate-income persons to be evicted on the
18 grounds of condominium conversion as well as the
19 senior citizens. If people think that this would
20 stop conversions dead, it isn't necessarily so.

21 In New York, the law requires that
22 the conversion be around persons of moderate-
23 income and around persons of senior citizen
24 status. They are still going forward with
25 those conversions, however, because they are

1 not evicting the person. So I cannot stress
2 enough our feeling that the law should be
3 amended to protect those additional groups.

4 Another problem that comes up that
5 we've seen is the problem of the rent increase
6 when there has been a conversion and the tenant
7 continues to stay as a renter or the landlord
8 or the converting person or investor that comes
9 in. We've had complaints which have shown
10 that these rents have skyrocketed from \$300
11 to \$550 a month in one case, \$350 to \$450 in
12 another case.

13 We believe that the eviction pro-
14 tection law, even with this three-year notice
15 provision that we presently have, is meaning-
16 less if we do not protect the tenants from
17 exorbitant rent increases. I think to do that,
18 we should restrict the possible rent increase
19 tied into the consumer price index. Even if
20 there's not an uncontrol ordinance in the
21 municipality involved, I think that the state
22 is going to have to take some direct action
23 to ensure that moderate-income families can
24 purchase their apartment in a conversion situ-
25 ation.

1 Now, in Washington the law provides
2 for the tenant group to have a right of first
3 refusal on the conversion. Where that is taking
4 place, the people are able to purchase their
5 apartment for, maybe, ten to thirty percent
6 less than in cases where that is not allowed.
7 So I would suggest that we seriously consider
8 that in our revising of the law.

9 The final and most difficult problem
10 is that of the long-term effect of conversions
11 on our renting housing market. Although con-
12 versions are a new phenomenon, twenty percent
13 of the apartments have already been converted
14 in Boulder, Colorado, and in a number of
15 Illinois communities. The same is true for
16 some communities in Bergen and Atlantic County
17 and in Gutenberg well over fifty percent of
18 the apartments are subject to conversion.

19 We must realize that everytime we
20 allow a unit to be converted and we do not
21 build a new unit of renting housing, that
22 there's one less unit for people to live in
23 of low and moderate income. This adminis-
24 tration has been long devoted to trying to
25 solve the problem of housing for the low and

1 moderate income person. I am suggesting, as
2 in California, that there be a direct linkage
3 between the number of conversions that are
4 allowed and the construction of new rental
5 property.

6 We believe that at an absolute minimum
7 in conclusion that no senior citizen or family
8 earning less than median income should be per-
9 mitted to be evicted from an apartment because
10 of a conversion. At an absolute minimum, the
11 eviction protection should not be circumvented
12 by excessive rent increases; annual rent increases
13 should not be permitted to exceed the increase
14 in the consumer price index.

15 In addition, we ask that you consider
16 acquiring twenty percent of the units to be sold
17 at prices in a conversion, prices affordable by
18 low and moderate income persons such as proposed
19 in the Pinelands and the CAFRA developed.

20 Finally, Governor, I think indeed it's
21 admirable that you would call this hearing on a
22 Saturday morning to allow people from the state
23 to come forward and state their views on this
24 very serious problem. I know that out of it
25 will come something that will be helpful to all,

1 and I thank you for the opportunity of being
2 here.

3 GOVERNOR BYRNE: Thank you.

4 I just want to ask one or two questions.
5 Is it true that there's officially no rental
6 housing being constructed today that's not sub-
7 sidized?

8 MR. VAN NESS: That's basically so.

9 GOVERNOR BYRNE: If some of the rumors
10 I hear out of Washington that the federal govern-
11 ment may restrict or even subsidize on rental
12 housing, aren't we getting into a box where
13 there's going to be less and less anyway?

14 MR. VAN NESS: We certainly are, but
15 what I think is happening with the conversion
16 is that we exacerbate that problem. Certainly
17 if Washington goes through with the plans of
18 cutting out Section 8 funding and reducing other
19 subsidies, we won't be building new housing in
20 great numbers. It makes it more imperative
21 that we protect the available that we have so
22 it is affordable by low and moderate income
23 persons.

24 GOVERNOR BYRNE: On the other hand,
25 there's rumors in Washington that they are going

1 to have elimination of rent control.

2 MR. VAN NESS: Yes. There is the
3 argument that rent control is the kind of thing
4 that forces conversions, but I'm not so sure that
5 that premise stands up in Illinois where this is
6 going on at a very rapid rate, and there is no
7 rent control in any of those communities.

8 GOVERNOR BYRNE: Yes.

9 MR. O'HERN: Thank you.

10 Our next witness is a representative
11 of the Apartment House Council of New Jersey,
12 Elizabeth Goodwin.

13 MS. GOODWIN: Good morning. My name
14 is Elizabeth Goodwin. I represent the Apartment
15 House Council of New Jersey, and we are very
16 pleased today to be able to present our comments
17 on condominium and cooperative conversion.

18 Our association is affiliated with the
19 New Jersey Builders Association, and we repre-
20 sent builders, owners, and managers of New Jersey's
21 sheltered district.

22 It has always been our philosophy that
23 safe, decent, sanitary, and affordable housing
24 is the right of all of our citizens. Our members
25 strive to meet these housing needs, but in recent

1 years the American dream of home ownership has
2 increasingly eluded realization for a larger
3 and larger majority of our citizens.

4 The administration is to be congratulated
5 for realizing what a serious concern housing is.
6 Conversion of rental apartments to condominiums
7 and cooperatives, however, is more an effect
8 than a cause of our problem.

9 The United States Congress more than
10 a year ago instructed the Department of Housing
11 and Urban Development to investigate causes and
12 effects of apartment conversions. The final
13 HUD report running more than 400 pages is
14 thorough to the point of exhaustion. Briefly,
15 we would like to cite a few of the major points
16 of the HUD report, which is entitled "The Con-
17 version of Rental Housing to Condominiums and
18 Cooperatives."

19 According to HUD, conversions are
20 occurring in areas characterized by strong
21 and growing market demand for home ownership.
22 That is, as more people seek the opportunity
23 to own their home and fewer and fewer can
24 afford a price tag of \$74,000 for a newly
25 constructed home in our state, more and more

1 conversions will occur.

2 Part of the desire of ownership was
3 explained by George Sternlieb in what he termed
4 the "post shelter society." Sternlieb of the
5 Center for Urban Policy Research at Rutgers
6 examined the past few years surge of demand
7 for home ownership. He hypostatized that
8 the pressures for owning the home have increased
9 with inflation. Homes are a good hedge against
10 inflation and an extremely valuable tax deduction.
11 Of man's three basic needs, food, clothing, shelter,
12 only shelter is also an investment yielding an
13 attractive return while providing one of the
14 absolute necessities.

15 For many years, builders believed that
16 mortgage rates in excess of ten percent would
17 resolve in an absolute sale stoppage. Now,
18 of course, we have seen buyers willing and in
19 many cases eagerly competing for mortgages in
20 excess of 12 percent. Today even a 15 or a
21 16 percent mortgage is not out of the question.
22 We submit that this alone is an example of a
23 burning desire for home ownership.

24 The differences in monthly charges
25 over a 30-year loan for a \$70,000 mortgage at

1 9.5 and 15 percent interest is about \$300, 588
2 versus 885. That means that fewer and fewer
3 buyers can qualify for mortgages.

4 They have two choices. Don't buy.
5 That is a very bitter pill for an American
6 family to swallow. The second choice is to
7 seek a lower cost home. It may be one in an
8 area less convenient and farther away from employ-
9 ment or it may be a smaller home. Simple
10 economics of time and commuting expenses fre-
11 quently dissuade buyers from moving too far
12 from work. Newly built condos in New Jersey
13 carry a price tage of more than \$62,000. Still
14 casting around for an option, the buyer reads
15 an ad in the paper or hears from a friend of a
16 conversion in Verona, Fort Lee, Gutenberg, or
17 Jersey City with sale prices as long as \$35,000.
18 Finally an opportunity for the first-time buyer.

19 A converting building in Springfield
20 recently announced sales opening to prospective
21 buyers who were not currently residing in the
22 building. A mammoth traffic jam resulted.
23 People were tripping over each other in their
24 eagerness to make non-binding deposits on units
25 which they fully realized may be purchased by

1 tenants already living there.

2 Why are conversions so significantly
3 less expensive than new units?

4 Simply, these buildings were built
5 with yesterday's dollars. The economics of
6 building have rendered the conversion unit
7 really the only alternative for all but the
8 few in the upper-income range of first-time
9 home buyers.

10 New Jersey is covered by a crazy quilt
11 of locally-imposed rent control laws, some of
12 almost ten years duration, limiting rent increases
13 an owner can charge tenants without any corres-
14 ponding limit on the amount his expenses increase.

15 Though the previously referenced HUD
16 report states that rent control was not found
17 to be a significant factor in encouraging con-
18 versions, HUD's reasoning was that "if for no
19 other reason than that so few of the jurisdic-
20 tion with conversions have enacted such measures."

21 Nationwide, that is correct, but
22 within our state, the most desirable areas for
23 ownership and the rental market with the highest
24 concentration of apartment units are precisely
25 the towns with rent controls and with conversions.

1 In fact, in ten years of rent control, 17,000
2 rental units have been converted or are pending
3 conversion. Seventy-five percent of these are
4 in rent control areas.

5 Please note, however, that of the one
6 million apartment units estimated to be found in
7 New Jersey, this conversion represents 1.7 of the
8 stock. According to HUD, these conversions in
9 ten years translate into a net reduction of only
10 851 rental units. This sounds strange, but when
11 the study examined the number of conversion units
12 which remain rentals and the tenants who become
13 owners through true conversions, there was a lower-
14 ing of need for apartments and it was found that
15 conversions produced a net loss of only five per-
16 cent of the rentals.

17 The effect of rent control upon a
18 building's worth and income-producing value is
19 plain. Costs have increased. The building's
20 cash flow is limited. Nor is the cost of money
21 an insignificant factor in an owner's decision
22 to convert.

23 Income-producing properties are fre-
24 quently financed with "balloon" mortgages or
25 their loans require renegotiation of the interest

1 rates. The building owner must now cope with
2 an interest rate escalation very similar to the
3 one faced by the home owner. If you multiply
4 the differential between the charges for a 9.5
5 mortgage versus a 15 percent loan cited earlier,
6 one can see the extend of the financial pressure
7 that a building owner faces. Even without rent
8 control, refinancing may necessitate a decision
9 to convert simply because the market may not bear
10 rents as high as necessary.

11 What effect do conversions have upon
12 the community?

13 First of all, property tax income in-
14 creases. HUD's study again bears out the hypos-
15 tasis that condominium units produce property
16 taxes in excess of that realized when the con-
17 verted building than existed as a rental.

18 It stands to reason that income-producing
19 property be assessed for tax purposes on the
20 basis of income realized, as they are in New
21 Jersey. Upon sale, however, a new market
22 value is established, whether the sale is to
23 a single owner or multiple owners, as in a con-
24 version. Value increases and so do property
25 tax revenues.

1 Conversions have also played a signi-
2 ficant role in helping to reverse urban decay
3 in many areas. We do realize, however, that
4 conversions can negatively affect certain groups
5 of tenants, particularly the elderly. We have
6 in our testimony outlined a plan which includes
7 Shared Appreciation Mortgage, which would be
8 financed through funds realized from the casino
9 tax reserves for the elderly. The plan is out-
10 lined here in my testimony, and I will provide
11 copies of that.

12 I think that with diligent work on
13 the part of the industry and the government,
14 we can come to some sort of a reasonable amount
15 of assistance from moderate-income families and
16 for senior citizens to enable them to purchase
17 units in buildings.

18 GOVERNOR BYRNE: Thank you.

19 Does the Shared Appreciation Mortgage
20 concept affect a downpayment or just the interest
21 rate?

22 MS. GOODWIN: It would affect both
23 the downpayment rate and the interest rate.

24 GOVERNOR BYRNE: All right. Thank
25 you.

1 MR. O'HERN: Our next witness is
2 Joseph Lario, the chairman of the Federation
3 of Senior Citizens Housing Task Force.

4 Mr. Lario.

5 MR. LARIO: Thank you.

6 Governor Brendan Byrne and members of
7 this conference, your Honor, I am here represent-
8 ing the New Jersey Federation of Senior Citizens
9 and my name is Joseph Lario. I am the chair-
10 person of the Housing Task Force of the New
11 Jersey Federation of Senior Citizens. I am
12 here today to present the concerns of the
13 Federation, and many senior citizens from
14 throughout the State regarding the serious
15 Condominium Conversion trend that is sweeping
16 across New Jersey. Senior citizens have become
17 caught up in a tide of events surrounding the
18 conversion dilemma, and the Federation is most
19 encouraged that you, Governor Byrne, have begun
20 to recognize this serious threat to the basic
21 human right to shelter that is threatening New
22 Jersey's tenants.

23 Several serious problems are being
24 created by this conversion trend; however, the
25 displacement of senior citizens renters is of

1 most serious concern to the Federation.

2 The displacement problem is bound up in com-
3 plicated interlocking housing market economic
4 forces; Governor, you have even been recently
5 quoted as saying that "conversions are claimed
6 to result in an upgrading and preservation of
7 housing stock, and in an increase of property
8 tax revenues." However, the Federation is
9 calling on you, Governor Byrne, and our State
10 Legislators to relieve this climate of displace-
11 ment, uncertainty, and in some cases, panic in
12 which thousands of senior citizens are presently
13 living.

14 Additionally, Governor Byrne, you have
15 commented that New Jersey has one of the strongest
16 laws in the nation to protect tenants living in
17 apartments being converted into condominiums.
18 On this point, Mr. Governor, we respectfully re-
19 quest even more progressive protections.

20 The present day senior citizen is
21 too often crunched by national spiraling
22 inflation and the reality of a solidly fixed
23 income. Clearly, those persons faced with the
24 least flexible income and greatest mobility
25 problems are confronted with life threatening

1 consequences when their apartment and their home is
2 converted into a condominium. Senior citizens do
3 not choose to or cannot afford to purchase housing,
4 and most desire to remain as renters during their
5 retirement years.

6 Finally, senior citizens are again facing
7 a life crisis in which they have few real choices.
8 Economic inability to purchase their apartments
9 and the banking institutions reluctance to grant
10 new mortgages to a senior purchaser age 62 is
11 terrifically compounded by the severe lack of
12 availability of rental units in New Jersey, where
13 the rental vacancy rate is only 2 percent.
14 Increases in the population of elderly house-
15 holds in the population relative to the overall
16 population growth will also have an effect rela-
17 tive to increases in demand for specific types of
18 housing.

19 Members of the New Jersey Federation
20 of Senior Citizens has recognized the lack of
21 preparedness on the part of the State of New
22 Jersey in attempting to relieve senior tenants
23 who literally are losing their apartments, and
24 fact the trauma of suddenly having no place to
25 live. The Federal Government has already iden-

1 tified the Condominium Conversion trend and the ser-
2 ious displacement factors as national concerns.
3 However, they have left the responsibility to
4 respond to this issue to State Governments. The
5 Federation, therefore, is advocating for "Lifetime
6 Tenancy" for all seniors facing Condominium Con-
7 version in the State of New Jersey," in order for
8 senior renters to live out their lives to the
9 fullest potential, without fear of displacement."

10 Welcoming condominiums into the State
11 of New Jersey as a mechanism for increasing tax
12 bases is highly resented by seniors, who have built
13 the present tax base over the past 50 years that
14 they have been taxpaying, independent New Jersey
15 constituents; and their rewards and respect has
16 become false hopes, as their ability to remain
17 in decent and affordable housing completely
18 deteriorates from beneath their feet.

19 As the number of senior constituents
20 continues to grow, the Federation will settle for
21 no less than secure and adequate housing for all
22 senior citizens. We will sort out the compli-
23 cated advantages and disadvantages of Condominium
24 Conversion, and we will make one clear statement to
25 all legislators; Housing and shelter is a basic

1 right, not a middle class convenience phenomenon.
2 We are urging the State to set policies that will
3 meet present demands for housing and we are demand-
4 ing an immediate solution to the inhuman displace-
5 ment of senior tenants through the guarantee of
6 lifetime tenancy and lifetime security and respect.

7 I thank you on behalf of the Federation
8 for this opportunity to address this hearing and
9 again thank you, your Honor, for holding this
10 important meeting on Saturday and giving up your
11 time.

12 I have one example here that I am
13 referring to. Our concern mostly with the
14 Federation is Atlantic City. As you know,
15 Atlantic City right now is down to their last
16 apartment where seniors have been pushed from
17 one apartment to another and the last apartment,
18 which is called the Brighton, has now been turned
19 and is converting to condominiums. We have
20 one couple there.

21 Just to cite an example, she's 84 and
22 he's 86 years old. They just received a notice
23 of eviction and it was either buy or else. They
24 now pay \$225 per month rent under the rental
25 program. If it goes condo, we were told that

1 their purchase rate will go to \$500 a month,
2 which is hard and bad enough.

3 But the first problem which comes up
4 is what bank would give anyone over 70 years old
5 let alone 80 a mortgage to purchase this condo-
6 minium?

7 So with that, I'd like to have some
8 answers. Thank you, Mr. Governor.

9 GOVERNOR BYRNE: Thank you.

10 Tell me, have you looked into the
11 suggested that the last witness made about the
12 Shared Appreciation Mortgage? She said that
13 would reduce the downpayment and reduce the
14 carrying charges for mortgage.

15 MR. LARIO: You have to realize,
16 Governor, these people are 70 years old. How
17 long are these people going to live. They
18 moved into these apartments so they can live
19 out the rest of their lives in dignity so they
20 can enjoy what little bit they have in an
21 apartment that they want. Now these people
22 are forced out. Where can they go to live
23 like that, especially Atlantic City. We'll
24 take that because you know within the next five
25 years the casinos are just going to wipe that

1 town right out. Where are they going to live?
2 Where are they going to go?

3 GOVERNOR BYRNE: Okay. Well, thank
4 you very much.

5 MR. LARIO: I thank you with appreciation.

6 MR. O'HERN: The next witness is Joan
7 Pransky, Vice-President of the New Jersey Tenants
8 Organization.

9 MS. PRANSKY: Good morning, Governor
10 Byrne. Thank you for inviting us to be here
11 to speak before you this morning.

12 The proponents of condominium conversion
13 would have us believe that there is a burning
14 desire for home ownership. Condominiums are
15 not homes. They are not the American dream of
16 a home. They are simply our apartments that
17 one day we awaken to find out are two times what
18 they were the day before.

19 Proponents of condominium conversion
20 would also tell us they provide tremendous tax
21 benefits to both the community and to individuals
22 buying their condominiums. In fact, the recent
23 HUD study showed that conversions had not yet
24 shown any impact on the tax base. Perhaps the
25 reason for that is because at the same time

1 condominiums afford tax benefits, developers are
2 seeking tremendous tax abatements on construction.

3 There are some individuals--it is true--
4 that will obtain tax benefits. HUD has described
5 those people that are buying condominiums as 40
6 percent earning over \$30,000 a year, half are
7 below the age of 35, 57 percent are single.
8 For those people, it is true, perhaps, they need
9 a tax shelter.

10 For the great majority of us, our incomes
11 are not significant enough to get very much benefit
12 from a tax deduction. What we really need is
13 relief from the ravishes of inflation, relief
14 from the income price freeze. Although condo-
15 miniums provide a tax benefit and investment to
16 some, the real tragedy is for most of us. It
17 really just means displacement.

18 The majority of New Jersey's tenants
19 cannot afford to buy their condominiums. The
20 figures are already available. According to
21 HUD, two-thirds of the renters were displaced.
22 In a city like San Francisco, 75 percent of the
23 renters were displaced. In New Jersey, the
24 predictions will clearly be the same. In 1970
25 more than half New Jersey's renters already paid

1 more than 25 percent of their income for rent.
2 That's ten years ago.

3 The other night we heard that over the
4 last years we have lost 10 percent of our pur-
5 chasing power. The average annual income for
6 renters in New Jersey is under \$10,000. So
7 although for some they have an investment, the
8 investment they have is in our homes.

9 If half of New Jersey's renters are
10 paying more than 25 percent of their income in
11 1970 and the cost associated with conversion
12 mean increases of between 42 percent and 350 per-
13 cent per month, which are statistics which came
14 out of a Department of Planning in California
15 and is consistent with national figures, it is
16 clear that the great number of people that are
17 presently living in their apartments in New
18 Jersey will be displaced by condominium con-
19 versions.

20 I would think that those figures are
21 staggering and that would be a sufficient reason
22 to discourage the conversion of our apartments.
23 Some try to gloss over those displacement figures
24 by simply telling us that there's one less renter
25 and one less apartment unit. That is not the

1 case. The national figures show that only 43
2 percent of the people that are buying were former
3 renters. Others were home owners.

4 In a 1978 Department of City Planning
5 in San Francisco study, 25 percent were newcomers
6 to the town. Fifteen percent were owners of
7 homes. Only 41 percent were previous renters.

8 In Washington D.C., 18 percent of
9 14,000 conversion units were purchased by former
10 tenants. As a result, a tight housing market
11 becomes an even tighter housing market. The
12 HUD figures showed, in fact, that 72 percent of
13 the displaced renters were forced to move into
14 new neighborhoods. In New Jersey we can expect
15 the same.

16 There was an article, Governor Byrne,
17 in "The New York Times" on December 28th, 1980.
18 It is not unlike any of the other newspapers
19 articles where developers urge the people from
20 across the Hudson to come to New Jersey. The
21 last line is by a woman who had the benefit of
22 living in her grand condominium in New Jersey
23 for three years. She says, "Although I've been
24 here for three years, I don't relate to New Jersey.
25 I'm a New Yorker."

1 Some of us grew up around Fort Lee
2 many years ago and we watched that entry before.
3 We're going to watch it again.

4 Unfortunately, we have been given these
5 statistics for many years now and statistics have
6 a way of not taking on real life. Because of
7 that, I have spent the last several months calling
8 as many people as I can that are in apartments
9 that are about to be converted. I want to
10 tell you who they are so that these figures are
11 just not numbers but you have a sense of the
12 people that will be displaced by this conversion.

13 About 30 percent are senior citizens.
14 They are young marrieds; they are young families;
15 they are middleaged; they are workers, retired
16 policemen, teachers, car salesmen, office workers,
17 engineers. They earn less than \$20,000 a year.

18 According to the Department of Labor
19 Statistics, 80 percent of New Jersey's renters
20 are earning less than \$20,000 a year. Their
21 apartments are going for between \$30,000 at the
22 lowest to \$90,000 and \$100,000. They are no
23 longer the luxury apartments. They are the
24 middle- and moderate-income buildings. They
25 are garden apartments. Over a thousand of them

1 are in Fort Lee, 500 in Hackensack, hundreds in
2 Rutherford.

3 One woman, a senior, said she hoped
4 that she would die before her three years were
5 up.

6 One man told me that he sold his home
7 because he lost his job so he had a little money
8 to open a business. Now he's going to have to
9 decide between his home and his business.

10 A young family told me it took them
11 a year to save for their downpayment and six
12 months to find an apartment that would take
13 children, and now they're gone.

14 One family told me that they have
15 saved all their lives to put their child in
16 school and next year when their child goes off
17 to college, they are going to have to decide
18 whether or not their kid goes to school and
19 gets an education so maybe he'll be one of the
20 lucky people to buy his condominium or to give
21 that up and buy a home.

22 The sad truth is that a great majority
23 of us will be displaced; that we will be forced
24 into a critically tight market; that we will be
25 forced to push others even less able than our-

1 selves out of their homes till the poorest have
2 no place to go.

3 We do not want to be displaced. We
4 do not want to displace others. We believe and
5 we urge you to exercise your responsibility for
6 caring for us by comprehensive legislation that
7 avoids massive displacement. The few people
8 that you protect against displacement simply
9 means that there will be more people that will
10 push other needy people out of where they live.
11 There will be more of us to push seniors, disabled
12 and those less able to afford their condominiums
13 out of the homes that they now live in.

14 Assembly Bill 2286 is the only legis-
15 lation that is now pending that protects against
16 massive displacement by protecting low- and
17 moderate-income people, low-term residents,
18 and senior citizens.

19 For us, Governor Byrne, the issue is
20 really very simple. The issue is whether or
21 not you will help us save our homes for seniors,
22 for the children of seniors, and for their
23 children for it seems that many of us start and
24 many of us end our lives in rental housing.

25 Thank you.

1 GOVERNOR BYRNE: Thank you. We
2 have one more candidate for governor.

3 I'd ask you just to comment on the
4 testimony of a prior witness who said that the
5 net loss of rental housing by reason of condo-
6 minium conversion is five percent. Is that a
7 fair assumption for me to take when the Legis-
8 lature addressing the problem of what to do
9 to approach this problem or readjust this problem?

10 MS. PRANSKY: Governor Byrne, that
11 figure doesn't seem to me to be the case given
12 the figures of displacement and less than half
13 the people moving are renters. But even if
14 five percent is the figure, that's going to be
15 taken on top of the critical housing shortage
16 that we have had in New Jersey for over ten years.

17 In 1970 the estimates were that we
18 were producing 60,000 units short of what we
19 needed. If you add five percent to that, it's
20 a much greater figure than, I think, five percent
21 seems to portray.

22 GOVERNOR BYRNE: Yes. The five percent
23 may be part of the 60,000.

24 MS. PRANSKY: I don't think that was a
25 New Jersey figure. I think that was a national

1 figure that you were given, and although there
2 is a national shortage of housing, I do not know
3 if it is as severe as we face in New Jersey.

4 GOVERNOR BYRNE: Thank you.

5 MS. PRANSKY: Your welcome.

6 MR. O'HERN: Our next witness is
7 Wendell Smith, an attorney of the State of New
8 Jersey.

9 Mr. Smith.

10 MR. SMITH: Good morning, and I thank
11 you for the opportunity, Governor, to participate
12 in this what I consider to be very important
13 hearing on a very important subject in the State
14 of New Jersey.

15 I will highlight the written testimony
16 which I have submitted. My background and
17 experience are set forth therein.

18 Hopefully, the scope of the experience
19 which I have outlined for you has given me some
20 prospective and knowledge about condominium and
21 cooperative conversions which I can share with
22 you today. I shall endeavor to concentrate my
23 remarks on the legal, rather than the philosophical,
24 sociological, or demographic aspects of conversions
25 upon which I shall also touch.

1 At the outset, the real issues should
2 be identified. In other words, what would we
3 really intend to accomplish by the adoption of
4 additional legislation or regulations?

5 Assuming that our disclosure laws are
6 adequate to protect purchasers--and basically I
7 think they are--the primary legitimate purpose
8 of any additional restrictions on conversion
9 would be to protect tenants from being unfairly
10 displaced from their apartments if they do not
11 wish to or cannot purchase them and cannot locate
12 or afford alternate comparable housing within a
13 reasonable time. However, if the existing
14 protection is sufficient--and I think that it
15 is--I would hope that the government and the
16 real estate industry would concentrate on con-
17 structive solutions to provide for those who
18 need affordable housing of all types, both rental
19 and for sale, through the development of innovative
20 programs in both the private and public sectors.

21 If one agrees with my basic premise,
22 then a good place for me to start would be to
23 outline for you the provisions of our existing
24 law governing displacement of tenants, adopted
25 in 1975. I refer to it as the "Fair Eviction

1 and Notice Law."

2 In essence, this law provides that as
3 a practical matter, each existing tenant who does
4 not choose to purchase his apartment will have a
5 minimum period of four years and two months before
6 he can be evicted, starting with the receipt of
7 official notice that the building in which he
8 resides is being converted to a condominium or
9 co-op. This period can stretch out to more than
10 eight years if the landlord chooses not to waive
11 payment of six months at the end of the first
12 fifty months, five months of which rent is labelled
13 as "hardship relocation compensation" and the other
14 month which is labelled "moving expense compensation."
15 This also assumes that the conversion plan of the
16 landlord contemplates the eviction of tenants
17 which, in my experience, is often not the case
18 since many converters would prefer to permit
19 apartments to become vacant and available for
20 sale through the normal attrition process or to
21 sell apartments to investors who would take title,
22 subject to the existing tenancies.

23 Parenthetically, I personally do not
24 know of anybody that has been evicted under the
25 "Fair Eviction Law." I am not saying it hasn't

1 existed, but in my experience I don't know of
2 any evictions that have taken place.

3 To extend by moratorium or otherwise
4 what is currently by far the most restrictive
5 eviction period in the nation for conversions
6 seems unnecessary and nothing but "double-kill."

7 Let me be more specific about the
8 minimum statutory eviction period for non-purchasing
9 tenants residing in converted buildings in other
10 states when I last checked them a few months,
11 and I think that you will quickly see why I
12 alluded to the "double-kill" effect.

13 In Connecticut and Tennessee, the
14 minimum period was 60 days; in New Hampshire, it
15 was 90 days; in Virginia, it was just increased
16 in last year's session of the legislature from
17 90 to 120 days, which was also the minimum period
18 at that time in the District of Columbia, Florida,
19 Illinois, Michigan and Wisconsin also with a 120-
20 day period. In Maryland, it was 180 days and
21 in New York, two years, if there was an eviction
22 plan.

23 Indeed, the Uniform Condominium Act,
24 which was drafted, approved and recommended for
25 enactment in all states by the National Conference

1 of Commissioners on Uniform State Laws in 1977,
2 approved by the American Bar Association in 1978,
3 and recently adopted in West Virginia, Minnesota,
4 and Pennsylvania only provides for a 120-day
5 minimum eviction period.

6 Obviously, the theory of all these laws
7 is that a fair balance should be struck between
8 the competing interests of tenants who may be
9 displaced because they cannot or choose not to
10 purchase their apartments and those persons who
11 are able to afford and desire to purchase a home.
12 Certainly, the existing minimum period of, at
13 least, 50 months in New Jersey, which is over
14 12 times that provided in the Uniform Condominium
15 Act and most other states, would seem to go far
16 beyond fundamental concepts of fairness as per-
17 ceived in other states with similar and perhaps
18 more severe problems. To add additional restric-
19 tions, in my mind, would seem unnecessary from the
20 standpoint of tenant protection.

21 Secondly, restrictions that prevent
22 conversions from a practical and economic stand-
23 point would also prevent the receipt of real
24 property tax revenues that would be generated
25 by conversions and which are desperately needed

1 by many hard-pressed municipalities in our State.
2 Typically, real estate tax assessments increase,
3 at least, 200 to 300 percent when a conversion
4 occurs. How much longer can we afford to con-
5 tinue to penalize the single-family homeowners
6 of this state who continue to pay more than
7 their fair share of the real estate taxes?

8 If I may shift gears at this point,
9 I would like to deal briefly with some of the
10 constructive solution. There are many studies
11 around dealing with the root causes of the
12 conversion phenomena and the advantages and
13 disadvantages to tenants, purchasers, and the
14 general public.

15 I will leave this to the testimony
16 of others and not allude to it in my oral
17 testimony. There are potential solutions
18 that have been suggested to help these dis-
19 advantaged persons who are genuinely unable
20 to afford to purchase a unit. These include
21 downpayment loans to be paid out of the resale
22 proceeds from a unit; mortgage payment assistance
23 such as interest subsidy; loan guarantees for
24 marginal tenant buyers; permission for regu-
25 lated lenders to utilize tenant discounts for

1 downpayments; rental assistance such as Section 8
2 for a tenant who remains in an investor-owned
3 apartment; interest rate subsidy, tax abatement,
4 or greatly accelerated appreciation for an investor
5 who permits a tenant to stay at below market rent;
6 reasonable relocation assistance; additional
7 incentives to private enterprise to build alter-
8 native housing or to rehabilitate same; technical
9 assistance, loan guarantees funding to permit self-
10 conversion by tenants; earmarking of incremental
11 tax revenues generated by conversion for allevi-
12 ating conversion related problems; a special
13 transfer tax levied on the converter to help
14 create a conversion assistance fund; and internal
15 quota or subsidy programs sponsored by the con-
16 verter for senior citizens, low income, or handi-
17 capped tenants in a conversion project.

18 As most of us know, however, the con-
19 version phenomena is only one part of a housing
20 revolution now taking place in our country.
21 Bandaid types of legislation will not treat
22 the underlying and major problems; namely,
23 that rental housing, federally initiated and
24 privately owned, as we have known it, may soon
25 become extinct unless we come up with creative

1 and acceptable alternatives.

2 Certainly today's economics which
3 produce the ever widening gap between the cost
4 of constructing and operating the new rental
5 properties and the ability of tenants to pay
6 rent that will yield a reasonable economic
7 return to the landlord on these costs, coupled
8 with increasingly less favorable tax laws regard-
9 ing depreciation for the landlord, have made or
10 will soon make new rental housing extinct.

11 In conclusion, one of the solutions
12 for saving our cities from further decay may
13 well be even more widespread than the conversion
14 to condominium or cooperative ownership in all
15 price ranges and what is looked at by some as
16 a problem, might become the solution. I think
17 this is starting to happen with the James Street
18 Commons Project in Newark with which I am involved
19 and with which the Governor is familiar. It is
20 a project which is aided significantly by a 30-
21 year graduated tax abatement bill which you will
22 endorse.

23 Certainly, this is the thrust of a
24 recent article in the Spring, 1980, Quarterly
25 Review of The Federal Reserve Bank of New York

1 entitled "Co-op Fever in New York City," wherein
2 the authors concluded:

3 "The growth which has occurred in co-op
4 housing is generally viewed as a positive develop-
5 ment for New York. Co-ops are playing an integral
6 part in revitalizing decaying neighborhoods as
7 well as in sustaining current residential areas.
8 Co-op owners add cohesion and stability to city
9 neighborhoods since they are not only less tran-
10 sient than renters but also more likely to be
11 involved in community affairs. Indeed, as the
12 purchase of a home is often an individual's
13 largest lifetime investment, there is a strong
14 financial motive in seeing to it that co-op housing
15 units are as well if not better maintained than
16 rental apartments.

17 Detracting from these benefits, however,
18 is the concern that the recent flood of co-op
19 conversions is exacerbating the scarcity of
20 rental housing in New York City. Adding to
21 the concern is the fact that private co-ops
22 tend to be concentrated in just a few resi-
23 dential neighborhoods, and the more popular ones
24 at that. Since New York City attracts a large,
25 mobile population and encompasses many poor and

1 elderly people, such a situation means incon-
2 venience for some and outright economic hardship
3 for others."

4 MR. O'HERN: One more minute,
5 Mr. Smith.

6 MR. SMITH: There are other quotes
7 from the article here, but continuing "On
8 balance co-ops may well represent a key ingred-
9 ient in New York City's search for long-run economic
10 health. Indeed, with co-ops as an option, the
11 city's middle-class population no longer faces
12 an either-or choice between the diverse appeals
13 of city living and the lure of home ownership
14 with its economic advantages . . ."

15 I endorse this view for New Jersey
16 and in my opinion, since we already have by
17 far the most stringent tenant safeguards in the
18 nation, we need to concentrate on ways to en-
19 courage conversions in order to help preserve
20 our urban housing stock and to help revitalize
21 our cities.

22 MR. O'HERN: You know, the gallery
23 would like to have you speak much longer but
24 your time is running out.

25 MR. SMITH: I am just about finished.

1 Solutions to protect any low income,
2 elderly, or other tenants who may genuinely
3 need help should be compatible with this philo-
4 sophy. Unfortunately, most of the proposed
5 legislation which is sponsored by tenant groups,
6 encompasses ideas such as moratoriums, life
7 tenancies, tenant consents, et cetera, which
8 would not only inhibit, but outright prevent
9 any future conversions.

10 Assembly Bill 2286 is one of those
11 bills. It is not a comprehensible bill.
12 It will prohibit them.

13 Governor Byrne, I am aware of and
14 applaud your concern for the rebirth of our
15 urban areas. Hopefully you will share many
16 of my views and during your last year in office
17 be able to effect some of the constructive
18 measures that I have proposed in those areas
19 where you find a legitimate need exists.

20 Thank you very much.

21 GOVERNOR BYRNE: Thank you.

22 I have a list of witnesses who want
23 to be heard. They include Assemblyman Baer
24 who asked to be deferred earlier. If he wishes
25 to testify at this time, he is welcome to.

1 Assemblyman Zangari is here.

2 Would you like to be heard, Assembly-
3 man Zangari?

4 MR. ZANGARI: Governor, I, like all
5 the other citizens, came down for a learning
6 session. I reserve my opportunity to speak
7 here this morning, but I just want to extend
8 my good wishes to all the people here. As a
9 legislator, I'll do whatever I think is right
10 for the people in the State of New Jersey.

11 GOVERNOR BYRNE: Thank you.

12 MR. O'HERN: Assemblyman Baer, are
13 you ready now?

14 It will be a rare opportunity to hear
15 Assemblyman Baer express himself in ten minutes.

16 Can we ask Mr. Smith while we are
17 waiting, Mr. Smith, has any state adopted what
18 you described, as I would say, incentives such
19 as the loan guarantees or special transfer taxes?

20 MR. SMITH: Not that I am aware of,
21 but it is one of those things that is discussed
22 across the country. It is tough to monitor
23 them. I am not aware of any sort of thing
24 where it is of serious interest in some of
25 those programs.

1 MR. O'HERN: All right.

2 Mr. Baer.

3 MR. BAER: Thank you for the oppor-
4 tunity. I am glad that so much attention is
5 being focused on this issue today.

6 I started with some notes, and I got
7 about half way through and I'll just pick after
8 that kind of free.

9 About five years ago I sponsored New
10 Jersey's first legislation on condo and co-op
11 conversion. I'd like to proudly believe we
12 solved all the problems, but we didn't. The
13 legislation, A-3570, was basically aimed at
14 alleviating hardship by letting the family
15 have more time to relocate before being
16 evicted by a landlord who is converting. It
17 is clear today that that legislation targets
18 on just one part of the problem.

19 With condominiums exploding in com-
20 munities across the state in the past two years,
21 a fresh look is a must and is revealing. I
22 have taken that kind of a look very intensively.
23 Countless numbers of tenants have contacted me
24 and discussed in detail their problems and their
25 despair.

1 To get an inside view of the point of
2 view of the converters, an unvarnished view, I
3 have spent days with professional condominium
4 converters, attending closed lectures and pre-
5 sentations for real estate operators, developers,
6 investors, and converters on various aspects of
7 conversions and tricks of the trade talks by
8 nationally recognized experts on the subject
9 of conversion.

10 Let's see if I can find something
11 here. Here is one example from the two-day
12 seminar I attended at some considerable expense,
13 I might say. "Big profits, converting apart-
14 ments to condominiums."

15 I think I recognize a few faces here
16 today who were there, too, and I just went as
17 Byron Baer, citizen, and it was very revealing.
18 The discussion went on and the presentation and
19 what was frankly said was about the enormous
20 amount of profits. I can't go into the detail
21 about all the tricks and everything now because
22 the thing took two days.

23 But one of the things that was cer-
24 tainly clear was that this is not any great
25 boom to the real estate market. Money that is

1 invested in these buildings is invested for
2 cosmetic purposes. I can show you the outlines
3 and the figures from here that show that the
4 economics of this very easily in the average
5 situation means that a person's minimum income
6 to be able to afford to live in that unit would
7 have to double from the time that it went from
8 rental to ownership.

9 Now, those are rules of thumb, for
10 instance, which are based on conversion nationally
11 and most of the conversion that's been occurring
12 nationally has been occurring, by the way, I might
13 say, in communities, as I think previous witnesses
14 indicated, where there hasn't been rent control.
15 There the rentals are 100 to 130 times the rental
16 price. The carrying charges are 70 percent
17 more than the rent. Put it all together with
18 finance charges today and you find easily your
19 income would have to double.

20 Also, you figure that rents are held
21 down in some New Jersey communities because of
22 the housing shortage that would otherwise permit
23 gouging the increases jumping more, and in towns
24 like Atlantic City where there is tremendous
25 pressure, it's been enormous. In Fort Lee,

1 there are communities where the sale price has
2 been 180 times rental. In Atlantic City 200,
3 maybe.

4 THE PUBLIC: Three hundred.

5 MR. BAER: Three hundred, thank you.

6 I'll try to keep this kind of short
7 and, frankly, I see from looking over Stanley
8 Van Ness's statement--I wasn't here at the
9 time--he covered a lot of the points that I was
10 going to cover.

11 But I think the fundamental thing here
12 is this imbalance in supply and demand that
13 exists that prevents ordinary type legislation
14 from working.

15 First of all, the problems of hardship
16 aren't solved by giving someone additional time
17 if there is no place to go at the end of that
18 time. It's about as useful as a captain giving
19 a prisoner leniency by giving him a period of
20 time before he had to walk the plank.

21 Rental housing is an unusual commodity.
22 There's nothing quite like it in our economy or
23 in the society. So it is hard to make com-
24 parisons. What would we think, for instance,
25 if the utility companies were to suddenly decide

1 to go condo or co-op and the only way you could
2 get electricity or water--let's say there is a
3 shortage of water and the water companies were
4 to decide if you want to buy stock and be a
5 shareholder, you can get water. Otherwise,
6 too bad, you are out of luck. But there is
7 tremendous pride in ownership, in being a water
8 company owner. That makes you a better citizen.
9 It instills greater values to our society.

10 Most other commodities you can't quite make a
11 comparison with such as food and things like
12 that. They can easily go across state lines,
13 but rental housing is something the supply of
14 which cannot change quickly over a period of
15 time.

16 As a matter of fact, this state and
17 many other areas around here haven't been able
18 to bring about increases in housing, having
19 nothing to do with rent control, because con-
20 struction of condos and sale housing has been
21 very low too for a period of time. There
22 wasn't as much sale as housing being constructed
23 before we had rent control nor is there much
24 being constructed in states where there is no
25 rent control. Rent control is a problem.

1 It isn't a solution. Everyone wants to say
2 something about it and even for those that are
3 convinced that that's going to bring about the
4 solution, anything that's in the nature of in-
5 centives is something that's years away in
6 terms of a solution.

7 We have a problem now that has to be
8 addressed. The fundamental problem, as I see,
9 has to do with the preserving stock of housing.

10 I agree completely with what's been
11 said previous, but because of the time limitations,
12 I don't want to dwell on the points of guarantees,
13 senior citizens, and disabled persons and people
14 below median income, protection against eviction.
15 But we have a more fundamental problem now than
16 that because with turnover, you are still going
17 to find the loss of housing stock.

18 There are fairly good figures on turn-
19 over rates. Without our rental housing stock,
20 we will in effect be losing our middle-class and
21 moderate income people in this state. High
22 income people can afford to buy in. Most of
23 the housing that is being converted is not in
24 low income areas. As a matter of fact, the
25 people that developed this in the workshops

1 talked about, you know, what their focus is in
2 terms of what kinds of places they are looking
3 for to convert and make money on. It's not
4 in low income areas.

5 So, in essence, we have before us the
6 question as to whether we're going to chase the
7 middle income and moderate income people out of
8 this state. God knows, there are enough people
9 in various places outside of the state to provide
10 an exhaustive market or close to it to purchase
11 units of far higher prices than the people who
12 are here now. I would submit that we must
13 have some means of preserving this housing
14 stock.

15 For years I've heard great focus and
16 attention in terms of issues like Mount Laurel,
17 which, certainly, the legislature is never
18 going to act sympathetically to because it
19 goes across against home rule.

20 In terms of concern about the housing
21 stock that is available for people, that effort
22 has produced practically nothing in the courts
23 by those who have been pursuing it in terms of
24 units of housing. But here we're talking about
25 something that can throw away thousands and

1 thousands of units. Whether you want to go with
2 the five percent figure, which I don't think is
3 accurate, but when you look at the fact that
4 whatever that percentage is, it's occurred in
5 a very short period of time. The projections
6 for where we're going to be in a few years are
7 very alarming to say nothing of the fact that
8 hasn't occurred homogenously throughout the
9 state.

10 Communities now have had approximately
11 50 percent of their rental housing undergoing
12 conversion or where there's been papers filed
13 towards that. It creates critical problems
14 if we don't preserve this housing stock.

15 There are a number of legislative
16 techniques for doing that. There is one such
17 technique in my legislation 2286. There have
18 been others mentioned in the report by the
19 Public Advocate, but I think that's the funda-
20 mental and the toughest question to resolve
21 because there are an awful lot of people that
22 are for protecting senior citizens. I would
23 hope that the vast majority of the legislature
24 and people who are making decisions would recog-
25 nize without even questioning the need to do

1 that, but I think the facts exist and the support
2 exists for also taking the other step in terms
3 of preserving our housing stock.

4 Let me just see if there's anything else.

5 GOVERNOR BYRNE: If we can get into
6 a little, Assemblyman, to what the provisions of
7 Assembly Bill 2286 are, I would appreciate that.

8 MR. BAER: Surely.

9 The provisions of 2286, first of all,
10 does provide protection from eviction for senior
11 citizens, for disabled people, and for people
12 below median income. I think it is important
13 to have that protection.

14 Some people talk about only protecting
15 senior citizens of certain income. If a senior
16 citizen can afford it, why provide the protection.
17 But I have had contact with many senior citizens
18 regardless of their income who are utterly trauma-
19 tized by the process and emotional despair is not
20 the word for it. They were just reduced to
21 shambles.

22 As a matter of fact, I have a very close
23 relative in my family in a neighboring state where
24 the only time in my life that I've ever seen that
25 person utterly be unable to cope with a situation

1 was when they were faced with conversion. After
2 a person has been living in a place a certain
3 number of years--and some people who have
4 reached certain ages just lose that flexibility,
5 even though there are many people of advanced
6 age that can adjust to anything--but to many
7 senior citizens it is a must for, and I think
8 they are entitled to it with the contributions
9 they have made to our society.

10 But the key provision remaining is
11 to prevent the rent from escalating. If that
12 rent can escalate on the basis that someone else
13 buys the unit at a high price and, therefore, to
14 get their money back it has a rationale for
15 jacking up the rent to cover their expenses,
16 somebody whose doing it for investment purposes
17 and tax write-off, then the senior citizen is
18 going to be driven off as surely. But if the
19 rent can increase 15, 20 percent in just a few
20 years, they will be driven out.

21 I submit that we must have two types
22 of protection for that. One, stay there so
23 that the rent can increase and it just can't
24 be unconscionable. It isn't clear enough.
25 I think we have to have a formula link to the

1 CPI. The legislation provides for half of the
2 CPI due to the fact that half of the rent goes
3 to cover the landlord's expenses, but further-
4 more--

5 GOVERNOR BYRNE: Can I ask this
6 question?

7 MR. BAER: Yes.

8 GOVERNOR BYRNE: Didn't we just have
9 an election in November and wasn't the overall
10 incentive of Americans to get government off our
11 back and to let free enterprise operate as just
12 yesterday the President deregulated oil and gas
13 prices?

14 MR. BAER: Absolutely, and I would
15 say to you that if we had a balance between
16 supply and demand and housing, we would have
17 no business having this type of regulation.
18 But we don't have that.

19 We have one of two things. One,
20 that a converter can reap enormous profits;
21 and two, that the person who is driven out has
22 terrible hardships in trying to cope with the
23 situation, neither of which would occur.

24 We have regulations and nobody
25 questions them in the utility area because you

1 don't have a free market working there. Nobody
2 is proposing--not even the President--that we
3 eliminate all regulations from utilities. I
4 don't think, even if he would propose that--and
5 certainly nobody would ever contemplate letting
6 utilities do the type of thing that I described
7 earlier--

8 GOVERNOR BYRNE: Do you have bipartisan
9 support for this bill?

10 MR. BAER: I don't know whether I have--
11 yes, there are a minority of Republicans, I think,
12 who will support it.

13 But I must say in all frankness, like
14 most of the legislation that has attempted to
15 restore a fair balance between landlord and
16 tenants that I have sponsored and passed this
17 legislature, most Republicans don't support it
18 and most Democrats do. But there's some of
19 each and, fortunately, because of your leadership
20 there are enough of us Democrats here to see that
21 this type of legislation carries and I think it
22 can and it should.

23 I did want to mention very briefly
24 another feature to protecting that situation,
25 which is the protection that serves both for

1 the tenant and the buyer. Because there have
2 been too many instances where people have
3 bought units not knowing that a tenant was
4 going to continue renting there or not knowing
5 that a tenant could stay there for such a long
6 period of time, I think it is important that the
7 law be very clear so that there is disclosure
8 to a potential buyer; that senior citizens have
9 the right to stay there indefinitely; that the
10 rent can only increase in a certain way so that
11 that potential buyer cannot then go and plead
12 hardship as a basis for jacking up the rent.
13 Frankly, they won't be victimized by someone
14 who doesn't deliberately inform them of what
15 they are getting into.

16 GOVERNOR BYRNE: We have given you
17 twice as much time and, Assemblyman, if you
18 want to say anything else, I'm not going to
19 stop you.

20 MR. BAER: No. I think we have
21 covered it very well, Governor, and I am counting
22 on your support in this area to see that this
23 state, which is the most urbanized state in the
24 union which has been innovative and a leader in
25 so many other areas, legislatively is a leader

1 here and does not meekly follow merely where
2 some other states are now, as some of the
3 previous speakers have suggested.

4 Thank you very much, Governor.

5 MR. O'HERN: There will be a short
6 break now, about five minutes, for the steno-
7 grapher.

8 (At this time a brief recess was
9 taken and resumed as follows.)

10 MR. O'HERN: All right, ladies and
11 gentlemen. Let's go back to work. Everybody
12 sit down.

13 We have three more what I would call
14 lay witnesses, and then we have three witnesses
15 which we consider professional or disinterested
16 witnesses who we have invited here to give their
17 comments to the Governor. They take no advocate
18 position.

19 We will start again with a tenant
20 representative, Matt Shapiro, of Fort Lee.

21 If anyone can shave two minutes off
22 their presentations, we would find it well
23 received.

24 MR. SHAPIRO: Governor Byrne, members
25 of your administration, and legislators who are

1 present, thank you for inviting me to testify
2 as an expert on the condominium conversion
3 crisis. But just what am I an expert on?
4 As first vice-president of the New Jersey Tenants
5 Organization, and until a few days ago president
6 of the Fort Lee Tenants Association, I've spoken
7 to thousands of tenants and heard their tales of
8 conversion woe. I am, indeed, an expert on
9 misery and suffering.

10 But the real experts are the disabled,
11 the long-term residents with roots in their
12 communities, those of less than average income,
13 the elderly--the tenants themselves. It is
14 really from them that you must hear.

15 I'd like to ask the tenants here in
16 the balcony today, can you afford to buy?

17 THE PUBLIC: No.

18 MR. SHAPIRO: Can you afford to move?

19 THE PUBLIC: No.

20 GOVERNOR BYRNE: Mr. Shapiro, I
21 appreciate that, but I would also appreciate
22 if you would hopefully get at some facts.

23 MR. SHAPIRO: That's what I have
24 been asked by the organizations I represent
25 to do, to present you with statistics and logical

1 arguments about the conversion phenomenon.

2 GOVERNOR BYRNE: Good.

3 MR. SHAPIRO: I will do that, but
4 please remember that every statistic, every so-
5 called unit, and the subject of every argument
6 is not a piece of brick and mortar, but alive
7 fresh and flood human family.

8 About a year ago we came to you and
9 told you that 5,709 families were faced with
10 conversions in 1979. The NJTO called for a
11 statewide moratorium in response to this dangerous
12 escalating trend. And what was the response?
13 The landlords, eager to preserve their potential
14 billions in conversion profits, hired the two
15 most expensive and effective full-time lobbyists
16 in Trenton. No moratorium was passed, and the
17 only comments issued by the Department of Com-
18 munity Affairs was that conversions had actually
19 been improved for only 3,024 units. The others
20 were considered "pending" and therefore dis-
21 regarded. This represented less than one-half
22 of one percent of the 700,000 pieces of bricks
23 and mortar available for rent in the State of New
24 Jersey. As such, it was not a serious problem.
25 "Let's wait and see" was the attitude.

1 Well, we've waited and we've seen.
2 Only 10 months later on November 13, 1980, the
3 number of families oppressed by conversions totalled
4 15,978 spreading through 57 cities and the majority
5 of the legislative districts and counties in this
6 state.

7 Today the figure is probably around
8 18,000 families, which means about 45,000 men,
9 women, and children. This represents six percent
10 of the 300,000 families in this state living in
11 buildings with more than seven units, which are
12 the only ones feasible to convert. Actually,
13 even that figure hides the true impact on some
14 communities where the percentage goes as high
15 as 45 percent by Fort Lee. Must we wait until
16 all 300,000 families are forced out of their
17 homes before this problem is considered really
18 serious?

19 The proponents of conversion say
20 "So what, the more the merrier. After all,
21 conversions are a positive force in a community.
22 They increase tax ratables, afford the oppor-
23 tunity of home ownership, eliminate undesirables,
24 and they result in capital improvements and better
25 maintenance."

1 Furthermore, they say "Landlords wouldn't
2 be converting if they weren't poverty stricken by
3 rent control. And anyway, what gives you or
4 anyone else the right to tell me what to do with
5 my property. If I want to evict every one of
6 my tenants or double all their rents so they leave
7 willingly, that's my business. I'm the landlord."

8 Well, we, the tenants, do have some
9 answers.

10 It is true that property taxes are much
11 higher on co-ops and condominiums. That means
12 that people pay much more in taxes for the same
13 exact housing. We do not understand how this is
14 a benefit.

15 It is true that the so-called "oppor-
16 tunity" of a form of home ownership is "afforded"
17 by conversion. But it is affordable?

18 Since the post-conversion monthly housing
19 costs is usually double the pre-conversion rent,
20 the answer for most of us is a resounding no.
21 Some, with the resources, may buy their homes,
22 but the word "opportunity" should be replaced
23 by the words "forced rip-off."

24 Now, it is true that most of us tenants
25 will be eliminated since we can't afford to buy

1 and pay twice the monthly costs. But we don't
2 exactly agree that we're all undesirable just
3 because we're tenants. We're not dirtier or
4 less moral as a group of people. Renter doesn't
5 mean transient, although there are some tenants
6 who don't stay in the same place too long.
7 They are transients, but truly they are not
8 really effected very much by conversion since
9 they sort of self-eliminate.

10 But what about the rest of us who have
11 established roots in our community for the last
12 five, ten, fifteen, or twenty years? What
13 about those of us who are disabled or over the
14 62-year old hill? What about those of us who
15 earn less money than the average person? Why
16 are we considered undesirable? Is it only
17 because the people who will replace us will be
18 much richer than we are? We don't think that
19 are government should be supporting that kind
20 of thinking.

21 As far as the tremendous capital
22 improvements and superior maintenance that
23 supposedly result from conversion, we've seen
24 no evidence of it other than superficial cos-
25 metic changes to entice buyers. In fact,

1 the two buildings in Fort Lee with the most
2 severe lack of heat problems this sub-zero
3 winter are the recently converted Northbridge
4 and Deanville Apartments. It's really not
5 surprising. When you are paying twice as much
6 to stay in the same place, there's not much money
7 left over for improvements.

8 As for rent control causing conversions,
9 it's nonsense. If it were so, we would be the
10 first ones to proclaim all over this state that
11 landlords are using conversions to evade the
12 limited controls on rents that we fought so
13 hard for and we need so badly. But it's like
14 comparing a mountain to a mole hill. Uncontrolled
15 rent increases of 15 to 30 percent would cer-
16 tainly cause severe hardship to tenants that
17 are now protected, but it is peanuts compared
18 to the doubled costs under conversion. And
19 that's only from the tenants viewpoint.

20 The landlord in a conversion is col-
21 lecting all at once from two to five times the
22 current value of the building, which translates
23 to 20 to 50 times his original cash investment.
24 He's not merely evading rent controls, but he's
25 evading rents entirely. That's why the majority

1 of the conversions in this country are in non-
2 rent controlled communities and why in New
3 Jersey, where most municipalities with signi-
4 ficant rental housing already have rent control,
5 fully one-third of the conversions have occurred
6 in the remaining non-rent-controlled towns.
7 There's only one reason for conversions, greed
8 in the extreme.

9 As to the antiquated argument that
10 government doesn't have the right to tell the
11 landlord what to do with his property or his
12 tenants, we are just as outraged now as ever
13 before by this supremacist and hypocritical
14 attitude. Your property, Mr. Landlord, is my
15 home. We live in a twentieth century democracy,
16 not a medieval feudal state. You are no longer
17 the lord of the manor, and our government has
18 seen fit to insure that we tenants, at least,
19 have some rights as human beings. No longer
20 can you evict us without just cause or raise
21 our rents unconscionably.

22 But you've found something new that
23 you want to do to us. You force us to buy
24 what most of us can't afford to buy and certainly
25 cannot afford to maintain, or to move where there

1 is practically no place to go. And you have
2 the nerve to cry no government interference when
3 you know that were it not for the federal govern-
4 ment's interference in granting you a massive
5 tax shelter, you wouldn't even be a landlord.
6 You'd like to have it both ways. We don't
7 think that's fair and we hope that our government
8 will agree with us.

9 Governor, the pro-conversion argument
10 boiled down to this. Landlords want the extreme
11 profits that the conversions bring. Really,
12 there's nothing wrong with that greed in and
13 of itself, but it cannot justify the catastrophic
14 consequences of conversion: the massive dis-
15 placement of those who can't buy and those who
16 buy but must sell almost immediately; the
17 phenomenal housing cost inflation in converted
18 buildings and also in the remaining rental
19 buildings that displacees compete for; and
20 much less new construction, and of course less
21 jobs, that go with it for two reasons. One,
22 with the limited amount of mortgage money avail-
23 able today, any of it is used for conversion
24 cannot be used for building; and, secondly,
25 since two-thirds of the converted units are

1 normally bought by outsiders, according to HUD,
2 who would normally purchase new condominiums,
3 the demand for new condos is drastically reduced.

4 The government must and can act swiftly
5 to protect its people. There is a bill now before
6 legislature, A-2286, which will, if passed, go a
7 long way toward correcting the evils of conversions.
8 The bill would require that two-thirds of the
9 tenants agree to buy before conversion is allowed
10 and would not allow the eviction of those most
11 seriously affected: long-term residents, disabled,
12 senior citizens, and those below average income.
13 The displacement problem would be partially
14 eliminated and the bargaining position of tenants
15 would be dramatically improved so that the cost
16 of conversions would necessarily decrease signi-
17 ficantly.

18 There is only one thing that stands in
19 the way of this bill. That is, the massive
20 real estate lobbying in this state and the large
21 number of dollars it contributes to the political
22 campaigns of so many legislators.

23 Governor, we ask your help in supporting
24 A-2286 and convincing the members of the senate
25 and assembly that people are more important than

1 dollars.

2 May I just ask one question? There
3 are a lot of tenants that came hoping to be able
4 to speak directly to you. Is it possible that
5 you will be staying after the lunch break to
6 hear those tenants? They are scheduled to
7 speak.

8 GOVERNOR BYRNE: If I don't, someone
9 from my staff will.

10 MR. O'HERN: If everyone keeps moving
11 along rapidly, we might have a few minutes before
12 the break. I announced at the beginning, I asked
13 everyone to hold to your time. You went over
14 your time.

15 So let's try and provide an opportunity
16 for those lay citizens to be heard by moving along
17 rapidly.

18 George Sadowick.

19 MR. SADOWICK: Governor, Commissioner,
20 I'd like to thank you for this opportunity to
21 speak to you.

22 I'm an attorney, and I represent many
23 property owners and developers.

24 "Conversion." The word alone brings
25 initial fear to tenants and mixed emotions to

1 everybody. It is a word that, as an issue that
2 we can see from today, is a highly emotional one.
3 However, this hearing cannot act on emotions
4 alone. We must, as difficult as it may be,
5 act to separate the emotions from the facts.

6 Webster's Dictionary defines conversion
7 as the act of transformation. In reality, this
8 is what does happen. Apartment rentals become
9 ownership residences and tenants become owners.
10 To some, this may seem as an oversimplification,
11 but the results of this transformation are that
12 the benefits of conversion outweigh the detriments.

13 As the Boston City Council found, condo-
14 minium conversions, in and of themselves, should
15 not be considered an evil. To the tenant who
16 faces possible displacement, it is an evil; but
17 not when, as provided under our New Jersey
18 statutes and regulations, the tenant is given
19 sufficient time to examine the housing market,
20 to evaluate available housing alternatives and--

21 MR. O'HEARN: This is just why nobody
22 else is going to get to talk.

23 MR. SODOWICK: Thank you.

24 And it allows the tenant to formulate
25 future housing plans in order to decide whether

1 to purchase the unit or to relocate. Our 60-
2 and 90-day periods plus three-to-four years to
3 a maximum of eight years during which a tenant
4 has the right to remain in his unit certainly
5 offers more than enough time for any tenant to
6 make an intelligent decision and find alternative
7 housing if the tenant decides not to purchase.
8 To impose any further restrictions on the landlord's
9 right of alienation would be unconscionable.

10 It has been found that, as contrasted
11 to rentals, home ownership creates an interest
12 in real estate which tends to contribute to the
13 maintenance and preservation of housing and to an
14 increase in real estate taxes. This is so stated
15 in the HUD report. All this has a positive
16 salutary effect on the neighborhood, the muni-
17 cipality, and its people. We should encourage
18 an increase in such ownership or at the very
19 least avoid discouraging it.

20 The HUD report on conversions found
21 that there is an increasing demand for home
22 ownership. We believe that the conversion
23 of rental units offers an alternative to the
24 higher priced housing. The converted condo-
25 minium offers to an individual the American

1 dream, the opportunity to own a home--

2 GOVERNOR BYRNE: I think we're proud
3 to be Americans, and we are all proud of the
4 fact that this is a country where if you don't
5 agree with somebody, at least you have the right
6 to speak. Don't you agree with that?

7 MR. SODOWICK: Thank you, Governor.

8 As the HUD report stated, since the
9 converted rental units are often less expensive
10 than newly constructed units, they provide a new
11 avenue of ownership for smaller, younger home-
12 owners who have incomes insufficient to buy
13 other types of housing. We believe that this
14 opportunity for individuals to purchase housing
15 should not be denied or made practically un-
16 available.

17 We contend that the present state
18 regulations and statutes relative to tenants'
19 rents provide the most workable and equitable
20 program. The tenant is given sufficient time
21 to make a decision. The property owner is given
22 the right to convert subject to these tenants'
23 rights. For us to adopt any stricter restraints
24 upon the owner's rights would not only be uncon-
25 scionable but probably illegal. True and yes,

1 the tenants have rights. These rights and pro-
2 tection are greater than in almost all of our
3 sister states. However, it cannot be forgotten
4 and it must be reemphasized that property owners
5 too have rights.

6 It is interesting to note that the HUD
7 report states that when changes in demand and
8 supply resulting from conversions are juxtaposed,
9 that the effect on the rental market is considerably
10 less than the total of all units converted. This
11 is so because, unlike other losses of rental
12 housing, conversion often results in a con-
13 comitant reduction in rental demand because
14 previous renters become homeowners.

15 As stated by the Florida Division of
16 Land Sales and Condominiums, legislation such as
17 moratorium and associated rent control, tenant
18 approval as a condition to conversion, and similar
19 regulation prohibiting or severely restricting
20 conversion activity is an overreaction to a
21 symptom. The report further stated that such
22 legislation is detrimental to the fulfillment of
23 the long-term housing desires and needs of our
24 citizens and it adversely impacts upon the
25 operation of the free marketplace.

1 We have heard today an interesting
2 approach to the displacement of tenants; namely,
3 the Shared Appreciation Mortgage Approach. This
4 idea, among with others stated, should be further
5 investigated.

6 The problem being discussed here today
7 relative to tenant displacement does not have
8 an easy solution. We should not rush to adopt
9 the easy answers put forth until we have inves-
10 tigated orally results produced by these addi-
11 tional answers.

12 We submit that the advantages produced
13 by a conversion, such as home ownership, stability
14 to the neighborhood, improved maintenance and
15 preservation of housing are positive factors
16 which should be encouraged. We further believe
17 that the negative effects on tenants have been
18 greatly minimized by virtue of the present New
19 Jersey statutes and regulations.

20 It is, therefore, suggested that the
21 present state of regulation does not encourage
22 conversion; but, on the other hand, it does not
23 discourage it. This evenhanded approach should
24 not be disturbed.

25 Thank you.

1 I would just like to add one brief
2 comment. A question was raised as to the federal
3 government's thoughts in this neighborhood, and
4 I happened to have brought with me today the
5 accounts on development choices for the 80's,
6 co-chairman statement of conclusions and recom-
7 mendations under consideration, Washington, D.C.,
8 dated November 20th, 1980.

9 I'd like to just read on page 27 in
10 regard to local development regulations and
11 state legislation to help insure an adequate
12 supply of housing. It states in paragraph O,
13 "Remove rent control and condominium conversion
14 ban and provide assistance to the elderly and
15 poor households subject to displacement."

16 Thank you very much.

17 MR. O'HERN: Is that part of the so-
18 called McGill Report? Do you know?

19 MR. SODOWICK: I think so, but I
20 wouldn't say.

21 GOVERNOR BYRNE: Thank you.

22 MR. SODOWICK: Thank you very much.

23 MR. O'HERN: Our next witness is
24 Patrick Morrissy, Director of Tenant Services
25 for Essex County, a private, nonprofit organization

1 in Essex County.

2 MR. MORRISSY: Governor Byrne, thank
3 you for inviting me to address you today.

4 I should correct the introduction.
5 I'm the Director of Tenant Services for the
6 County of Essex, which is a government program
7 sponsored by Essex County to give assistance
8 to tenants, problems they have with their land-
9 lord and their apartment. In fact, last year
10 7,200 tenants turned to my office for assistance.

11 I'll be very brief so that the other
12 tenants who are here today can be heard.

13 Tenants contact me regarding raised
14 rents anywhere from ten percent to 25 percent
15 in those towns without rent control. They
16 contact me because the landlord is failing to
17 maintain. There's poor heat or lack of heat,
18 there's lack of safety or security, there are
19 major repairs that need to be done. They want
20 to know how to get fair treatment. But one
21 of the most common problems is where can I
22 find an apartment.

23 The market is so tight that some
24 supers are collecting up to \$600 in illegal
25 key money for a tenant to get a vacant apartment.

1 Some of those tenants are here today.

2 Tenants ask another question: "What
3 do I do now that my apartment is being converted?"

4 They are here from 200 Mount Pleasant
5 Avenue in West Orange. They are here from 377
6 South Harris in East Orange. Tenants are here
7 from Atlantic City, from Verona, Fort Lee, Gutten-
8 berg, Union, and most of the corners of the state.
9 They face conversions and they face the choice
10 of buying or move.

11 Unless you are high income and you
12 previously sold a house having a large amount
13 of equity, you can't buy. You don't have a
14 downpayment that will let you into the housing
15 market. If you are older, if you are of less
16 than average income, you can't get a mortgage
17 in today's money market.

18 On the question of moving, fewer apart-
19 ments are available and the rent increase you
20 face when you are moving is greater than the
21 annual increase you face as a long-term tenant.
22 Even in towns with rent control, some have
23 vacancy decontrol allowing the rent to go to
24 the sky when an apartment is vacated.

25 But the wave of condo conversion is

1 selling a tenant's apartment back to them and
2 doubling their housing costs putting the other
3 half of the tenants out in the street and a con-
4 tinued tightening of the housing market. This
5 in itself is proof of the housing prices gone
6 wild.

7 The previous speaker called conversion
8 a transformation making it sound like a religious
9 experience. Well, I'll tell you tenants are
10 losing their faith.

11 What do we tenants want? We want a
12 decent place to live. We want to know that we
13 won't be evicted, and we want to know that the
14 rent won't increase faster than our ability to
15 pay it. New Jersey's housing policy must be
16 directed to those goals.

17 Presently tenants are not really pro-
18 tected from conversion under the present state
19 law. The moment of truth is simply delayed.
20 That is, you're still going to be out or forced
21 to buy. You have just got a little time before
22 the noose tightens.

23 So what's causing the wave of condo
24 conversions? There are those that claim that
25 conversions are caused by the high demand for

1 home ownership. It is strange that there's
2 some truth to this because we are in a home
3 buying market that is symbolized by panic with
4 home prices and mortgage interest rates moving
5 to sky-high levels, if they are not there already.
6 I talked to a lot of people who thought they were
7 going to buy and say, "If I don't do it now, I'll
8 never do it." Panic. Panic is what symbolizes
9 this market.

10 But, in fact--and you have heard a
11 speaker say it today--what is fueling the con-
12 version market is phenomenally high profits.

13 Now, there are those that claim condo
14 conversions are caused by rent controls. But
15 when we look at Chicago, the city with the greatest
16 conversions problem, it has no rent control.
17 But as condo conversions continue and the housing
18 market in Chicago tightens and landlords have
19 less incentives to maintain or to hold rents down,
20 what's likely to happen in Chicago, if condo con-
21 versions are not regulated, is that the tenants
22 will press for and will win rent controls.
23 Chicago is likely to be the first city where
24 landlords will claim that rent control was
25 caused by condominium conversions.

1 Governor Byrne, tenants are more
2 vulnerable in today's housing market than ever
3 before. Now, not only just today's tenants,
4 but future generations, those who face a housing
5 market tighter than we've seen since World War II.
6 It is them that we must look out for.

7 In light of New Jersey's severe economic
8 problems and nationwide problems of inflation
9 and unemployment, condo conversion makes even
10 less sense. It takes a necessary omen of life.
11 That is, our housing pushes up the cost drastically.
12 What could be more inflationary than pushing up
13 the price of housing while creating no new value
14 is direct capital toward speculation rather than
15 toward growth. We are creating no new jobs,
16 creating no future economic development whatsoever.

17 The tenants of New Jersey need your
18 help. We know you've supported us in the past
19 with excellent laws like truth in renting and the
20 just cause eviction law. We need your help now
21 more than ever. Tenants in New Jersey need no
22 conversions without, at least, two-thirds of
23 tenants' consent, as specified in Bill A-2286.
24 Tenants need protection against eviction for
25 senior citizens, for those of less than average

1 income, and for those who have lived there as
2 long-term tenants for five years or more. For
3 those tenants in towns without rent control who
4 stay in an otherwise converted apartment building,
5 they need the protection of rent control or else
6 they will be displaced by high rents rather than
7 by the actual conversion itself.

8 Thank you for allowing me to speak.

9 I'd like to leave with you a special
10 two-part issue of "Shelterforce," which explains
11 the conversion problem from the standpoint of
12 the consumer. Thank you.

13 GOVERNOR BYRNE: Thank you.

14 Can I ask if any new rental housing
15 is being built in Essex County today?

16 MR. MORRISSY: There is some recently
17 built in Verona where I understand that a two-
18 bedroom apartment--these are not luxury apart-
19 ments or, at least, they are at luxury price
20 but not luxury surroundings--a two-bedroom
21 apartment is renting for \$650 a month.

22 GOVERNOR BYRNE: Do you think if the
23 government, federal, state, or otherwise, took
24 an interest in guaranteeing mortgage payments
25 through senior citizens, that it would alleviate

1 this situation?

2 MR. MORRISSY: Well, it would certainly
3 alleviate the problem for those who wanted to
4 try and buy. It would obviously cut down the
5 cost.

6 To me, as a taxpayer, it makes absolutely
7 no sense because I think that that is subsidizing
8 the high profits made by the converter.

9 GOVERNOR BYRNE: Daniel.

10 MR. O'HERN: Thank you.

11 Our next speaker is from Montgomery
12 County in the State of Maryland, which is just
13 outside of the District of Columbia.

14 They have had considerable experience
15 in condominium conversions, and he will describe
16 their approach.

17 He may not be here. Ted Baldwin.

18 He's not here. We'll go on to a New
19 York attorney who has had experience in cooperative
20 conversions. He may describe for you some of
21 the benefits should you choose to adopt this
22 position.

23 Sy Rabinowitz. He may have represented
24 Horizon House.

25 MR. RABINOWITZ: Not Horizon House.

1 Good morning, Governor Byrne. My name
2 is Seymour Rabinowitz, and I would say that in
3 my 31 years of legal practice, I have probably
4 completed 30 conversion efforts over the years
5 during what I would call "bad times" and during
6 "good times."

7 I don't come here to talk about con-
8 jecture. I come here to talk about basically
9 experience. I think one of the prime examples
10 that I can give you of experience is the con-
11 version that was recently completed by the
12 Helmsley organization in Fort Lee. There are
13 1263 apartment units in the development called
14 Horizon House. The premises were offered for
15 conversion and, as a matter of fact, the repre-
16 sentatives of the very strong tenants committee
17 who happens to be sitting on my left, Jay Beneson,
18 was the negotiator on behalf of the tenants.

19 At the end of the four-month period,
20 strangely enough 1132 tenants choose to buy their
21 apartments.

22 THE PUBLIC: What's their income?

23 MR. O'HERN: Please, please.

24 MR. RABINOWITZ: 1132 tenants choose
25 to buy their apartment. They bought their

1 apartment and in truth 300 of them have chosen
2 already to become displaced by selling their
3 apartments. Of the 300 sales that have been
4 "clocked in," the normal price achieved by the
5 tenant seller was more than 100 percent of the
6 price that he paid. That's in a four-month
7 period. The normal markup that a tenant puts
8 on his own purchase now today is greater than
9 200 percent of his purchase price, and he is
10 getting it. That's a simple down-to-earth
11 experience.

12 Let me give you a very personal exper-
13 ience. For the 30 years that I have been prac-
14 ticing law, I have been a renter. To this day,
15 unfortunately for me, I am a renter. I have
16 31 years, and I've been married 31 years. I
17 began to practice almost concurrently. I have
18 31 years of rent receipts, which give me no return
19 on the investment I made in my life.

20 I am becoming a New Jersey resident
21 in about 12 days. I'm moving to a development
22 which I hope and pray will be converted because
23 I can't afford to buy a house, but I may be able
24 to afford that apartment.

25 No crying for me. I just came.

1 I am going to give you one more per-
2 sonal experience. I am about to offer for
3 conversion the development with which Matthew
4 Shapiro is attending. From my observation and
5 from the engineering reports, which I have
6 received from independent engineers, that
7 development requires \$7,800,000 in repairs to
8 its major component systems in order to prevent
9 its complete deterioration within a very short
10 number of years. I am not the present owner
11 of that development. I am merely its converter.
12 The present owner cannot get \$7,800,000 worth of
13 financing to finance these repairs. If he were
14 able to borrow \$7,800,000 with which to make the
15 repairs, he could not get a return on that money.

16 If he asked the tenants for a reasonable
17 rent increase so that he could get a return or
18 even if he wanted to borrow \$7,800,000, no bank
19 would give it to him. The rent control laws
20 in the Borough of Fort Lee would prevent him
21 from getting it. So he can't afford to make
22 the repairs. There is at the moment no cash
23 flow return on that complex.

24 What's the answer, Governor? I think
25 simply the answer is the books are open. If

1 anybody looks at that prospectus--

2 THE PUBLIC: What's in the books?

3 Open the books.

4 GOVERNOR BYRNE: Go ahead.

5 MR. RABINOWITZ: We make full exposure
6 of the problem which will be forthcoming in two
7 weeks.

8 But let's go to the point. The point
9 is no development--well, let me get back to
10 Horizon House for a minute, and I don't want to
11 go beyond my time.

12 At Horizon House, 300 purchasers could
13 not afford to buy their units with cash. They
14 had to go to a bank or banks to seek financing
15 of their purchase prices. There were four
16 turned down on the basis of insufficient income
17 to qualify them for mortgages on their units.
18 Two hundred--

19 THE PUBLIC: That was before.

20 MR. RABINOWITZ: No, some of the
21 tenants happened to apply for mortgages when the
22 rates were in effect at 19 percent. I don't
23 make the rates.

24 THE PUBLIC: What were their ages?

25 MR. RABINOWITZ: What were their ages?

1 MR. O'HERN: It is better if you address
2 the Governor as to why you are here.

3 MR. RABINOWITZ: I want to answer that.

4 Governor Byrne, senior citizens purchased
5 the Horizon House, young people purchased the
6 Horizon House, people of all ages purchased the
7 Horizon House. People basically who could afford
8 to own their units purchased their Horizon House.

9 I can say to you that in the City of
10 New York, where I also have some expertise, it
11 is my understanding that the city now is preparing
12 to offer plans to convert to cooperatives many
13 of the abandoned buildings of the City of New
14 York. The City of New York can't possibly afford
15 to carry them and--

16 GOVERNOR BYRNE: Do you want to sum up?

17 MR. RABINOWITZ: Yes, Governor. I am
18 now going to sum up. I don't want to take much
19 less than allotted. I hope to get out of here
20 with some assemblage of my head.

21 We don't have all the answers with con-
22 verters and we are not always in it for the big
23 profit. But I can say to you that owners can't
24 afford to maintain their buildings because they
25 are not getting enough rents. Their choice may

1 come down to one of two things: abandon the
2 property or come to the government and say to the
3 government, Listen, we have created a situation.
4 Help us out. Condemn our property. Give us
5 our price and you run the buildings, but don't
6 ask us to subsidize in every possible way tenants
7 because that's not our job. Our job is to invest
8 and to get a reasonable return.

9 Thank you.

10 MR. O'HERN: Next is Alan Beckman.

11 Mr. Alan Beckman is also an attorney, and he's
12 from Philadelphia, Pennsylvania.

13 MR. BECKMAN: Good morning--I was going
14 to say your Honor--good morning, Governor.

15 Just in the way of background in light
16 of the fact that at least one of the other
17 attorneys who spoke here did not refer to it
18 opening, I have been the founder and first presi-
19 dent of the Council of Tenants Associations of
20 Pennsylvania. I am general counsel to the United
21 Tenants Associations of America. I presently
22 serve on the Philadelphia City Planning Commission's
23 Steering Committee on Condominium and Cooperative
24 Conversions, and I have officially represented
25 12 complexes where conversions were taking place

1 representing well over 5,000 units.

2 Much of what has been testified to
3 already today I had intended to bring up myself,
4 but I won't be redundant. I will simply say
5 that I agree with everything that Assemblyman
6 Baer had to say. I agree and would also ask
7 that if there's going to be applause, let it
8 be after the ten minutes.

9 I would also say that I even more agree
10 with what Mr. Van Ness had to say. The State of
11 Pennsylvania, very unfortunately, does not have
12 such an advocate. We don't have the office.
13 I wish we did. I think his positions were
14 excellent and hit the problems right on the nose.

15 I would also like to mention that
16 Mr. Patrick Morrissey who just testified earlier
17 raised many of the concerns that I had intended
18 to raise today.

19 It is unfortunate, and perhaps as a
20 result of this meeting, Governor, our own Governor
21 Thornburgh may decide to do the same thing. He
22 hasn't. In fact, he has been of absolutely
23 no assistance. He has closed his eyes of the
24 problem in the State of Pennsylvania.

25 When we began lobbying for amendments

1 to what was called the "Uniform Condominium Act"
2 created in 1977 in Colorado, I was the only person
3 lobbying for those changes and was treated,
4 basically, as a crazy so that there were no other
5 lobbyists. But when we began to make headway
6 in our own state assembly after our state senate
7 had passed the Uniform Condominium Act by an
8 unanimous vote a few months earlier, all of a
9 sudden appeared about a dozen lobbyists. Among
10 them were a former lieutenant governor, a former
11 liaison between the governor's office and the
12 state assembly, and a number of other very high-
13 priced individuals.

14 Mr. Rabinowitz' comments about his
15 experience struck a very familiar cord to me.
16 At such sessions as this, it is not unusual to
17 find people testifying who talk about 30 and 40
18 years experience in the real estate business.
19 That is high-priced experience. That is high-
20 priced experience because the clients of those
21 individuals can afford to pay the tariff and
22 they can afford to pay the tariff for the fol-
23 lowing reason.

24 Using by way of example Beaver Hill
25 Apartments in Jenkintown, Pennsylvania, a building

1 that was valued at \$9 million, it's owner, Richard
2 Fox, went to court complaining that the assessment
3 was much too high and the building was not really
4 worth \$9 million. He did that late in 1979.

5 In 1980 he sold the building to American Invesco
6 based in Chicago, one of the largest converters
7 in the world, for \$18,200,000. In any event,
8 poor Mr. Fox did quite well. I don't blame
9 this on Mr. Fox because I think all of us who
10 are involved in this issue understand that there
11 is an underlying problem.

12 The underlying problem is that the
13 federal government has not addressed the needs
14 of renters, period. They have the tax structure
15 to work with. They could make it profitable
16 for landlords to run rental units. They are
17 not doing that.

18 But let me just finish that example.
19 As it turns out, when Beaver Hill does fully
20 convert, they will realize over \$35 million
21 gross. They are putting at most \$2 million
22 into the cosmetic renovation of that building.

23 For instance, two of the three roofs
24 involved have not been replaced since the building
25 was built 16 years ago. There is nothing being

1 done to the rooms. There are continuing com-
2 plaints about incinerators, airconditioning systems,
3 elevator system, et cetera, and nothing is being
4 done with regard to that. But the lobbies,
5 which were recarpeted two and a half years ago,
6 were recarpeted once again. The wallpaper that
7 was replaced in those lobbies within the hallways
8 just two and a half years ago is being replaced
9 once again. By the way, according to the workmen
10 by cheaper material.

11 One of the things that has been mentioned
12 that I think must be given a great deal of atten-
13 tion is the fact of I don't know whether your
14 state law requires the inspection of the systems
15 of the building. What happens in Pennsylvania
16 is that a New York outfit named Lowenberg and
17 Lowenberg or a Chicago outfit named Lockwood
18 Green is called in by the most big, at least,
19 Chicago-based converters to do a one-day visual
20 inspection of the property. They always mention
21 that they will without benefit of plans and they
22 always put in a paragraph disclaiming everything
23 that they have done. In other words, you got
24 no one to sue once they get out after they have
25 gotten their \$35 million. It is a huge problem.

1 However, I've digressed. I was sup-
2 posed to speak about hardships of renters, which
3 I think has been spoken about greatly. Just let
4 me add some of my own personal experience.

5 For instance, on an occasion in Phila-
6 delphia we were lobbying our own city council
7 for condo conversion prospective legislation.
8 I had this happen to me one, two, three times.
9 Anyway, the first little old lady came up to me
10 and said, I've never had to take a tranquilizer
11 in my life, but now the doctor gave me these
12 little white pills and she showed them to me.
13 The second little old lady came up to me and
14 she said, I used to take those, but the doctor
15 has me on the yellow ones. And the third little
16 old lady said, I don't know about yellow and
17 white. I took the blue ones. Just for the
18 record, that is valium in two milligram, five
19 milligram, and ten milligram.

20 I have been working with Harry Reasoner
21 on a "60 Minutes" presentation which should be
22 aired in late February or early March. I can
23 tell you in advance that some of the comments
24 made in that show will be Mrs. Isenberg, who is
25 a very dignified proud woman, will state that

1 before she goes to bed and when she wakes up in
2 the morning, she prays and she prays that she
3 doesn't live long enough to go through what has
4 presently begun in her apartment building, Beaver
5 Hill, in Jenkintown. I can tell you stories
6 about individuals who have had their sons, nephews,
7 nieces contacted on the west coast by the converter
8 asking them why they can't they buy the unit for
9 their parents. The tactics are incredible. The
10 profit is incredible.

11 Let me just address one other thing,
12 and it was sort of referred to by Assemblyman
13 Baer. He mentioned that whatever the current
14 rental is, the sales price would probably be
15 130 times that. That is not true, and it wasn't
16 true a couple of years ago and it wasn't true
17 because a couple of years ago it was at least
18 150 times. Today it is 170 to 180 times.

19 In other words, with a \$500 apartment
20 multiply that by 150, which is very conservative
21 today, it will be a \$75,000 sales price. Twenty
22 percent down means \$15,000 down plus \$2,000 in
23 closing and settlement costs. That's money out
24 of the bank. That's money that no longer pro-
25 duces income, especially for older people to put

1 bread on the table with. After that, you've
2 got to somehow get your \$60,000 mortgage.

3 Assuming you are able to get that
4 mortgage at your present rate, that would be
5 \$800 to \$1,000 per month in mortgage payments.
6 Then you must calculate the increased property
7 taxes along with your normal maintenance fees.
8 I am not talking of the special maintenance fees
9 when the heating system breaks down and everybody
10 has to chip in \$1,600 or \$3,000 a piece. Just
11 the normal maintenance fees will amount up to
12 what the former rent was. That means a \$500
13 apartment has become a \$1300, \$1500 apartment.
14 Really, all you buy is air space to begin with.

15 I will very quickly try to stay within
16 the time limits. Some of the comments made
17 by Mr. Smith about increased tax base, yes, that
18 is true in most cases according to my experience.
19 However, I would ask you to also consider that
20 you do not pick up the trash. The municipalities
21 don't pick up the trash for apartment buildings
22 today. There's a lot that municipalities do not
23 do for a rental tenant that they do for single-
24 family dwellings.

25 I can assure you that there will be

1 people here testifying about making demands for
2 such services once their taxes increase as mater-
3 ially as they will.

4 Secondly, this is about rehabilitating
5 neighborhoods. There's nothing to do. I mean,
6 in Philadelphia there hasn't been one building
7 converted in North Philadelphia. They have
8 all been in Center City or otherwise desirable
9 locations. The whole idea of luxury apartments
10 really has to do with location, if anything.
11 It has nothing to do with income. People have
12 a right to choose if they wish to expend 60 or
13 70 percent of their disposal income on their
14 housing and many do. I think many of the
15 people here expend a heck of a lot more than
16 25 or 30 percent of income on their housing
17 today.

18 The idea that just conversion stabilizes
19 a neighborhood, I think that anyone from the
20 tenants' side of this issue could testify today
21 that in most of these buildings you have a large
22 percentage of the people living there for ten
23 years, fifteen years, many of them for the 30
24 or 40 years the building has been standing.

25 With regard to the tax deduction, the

1 tax deduction would make some sense to me if
2 I were to buy because of my income tax bracket.
3 But it does not make any sense to anyone who is
4 on a fixed income. They simply can't use the
5 much heralded tax deduction.

6 There is the whole idea of home ownership.
7 The individual who wants to buy a home and only
8 has \$70,000 to expend but really has a need for
9 a home that would cost him \$125,000, that's also
10 very misleading. The \$125,000 house usually
11 has three bedrooms, a garage, usually a basement,
12 certainly a piece of lawn, and it is there own
13 house. Not only do they own air space within
14 the walls, but they own the walls themselves.
15 That \$75,000 in the Philadelphia market will
16 buy you nothing but more than a small one-bedroom
17 apartment. So that is an absolute fallacy.

18 The idea of improved--

19 GOVERNOR BYRNE: Can I cut you off
20 because we have gone through your time.

21 MR. BECKMAN: I recognize that I might.
22 I thank you for the opportunity.

23 I only hope and pray that with the
24 leadership of the Governor in this state, unlike
25 the situation in Pennsylvania, you will create

1 a meaningful piece of legislation. That cer-
2 tainly seems to be, in my opinion, 2286, which
3 addresses most, if not all, of the real concerns
4 of the people as opposed to the profit makers.
5 There is nothing wrong with profit, but too much
6 is too much.

7 MR. O'HERN: David Wolfe.

8 GOVERNOR BYRNE: Mr. Wolfe is from
9 Reston, Virginia, and a member of an organization
10 which specializes in planning establishment and
11 management of community associations.

12 MR. WOLFE: Thank you, Governor. I
13 appreciate being invited here from another state
14 where we have had a great deal of conversion
15 activity.

16 I'm here to speak this morning on behalf
17 of the idea of humane approach in the plight of
18 senior citizens, moderate income housing and
19 others affected by condominium conversions.

20 I would say among our clients are
21 tenant associations sponsoring conversions in
22 the city of Washington, D.C. Therefore, we
23 believe we reflect the respective of tenants
24 as well as others in the conversion field.

25 I'd like to begin my comments by saying

1 what has often been said about the subject of
2 conversions; namely, that it has been a much
3 overplayed, highly emotional issue and one not
4 fully understood by both proponents and adver-
5 saries of the condominium conversion idea.

6 Much legislation that has evolved
7 around the issue of conversions has been ill-
8 considered, and like rent control has often
9 failed to accomplish its social purposes while
10 at the same time enhancing the position of
11 affluent citizens who require, essentially
12 no special consideration through legislative
13 provisions.

14 It is my opinion that any legislation
15 that is designed to deal with the social pro-
16 blems of conversion should be structured
17 according to defined needs which means,
18 substantially, to be defined along the char-
19 acteristics of those who require protections
20 through law that otherwise were unable.

21 Present conversion legislative
22 trends interfere indiscriminately with free
23 market operation in a way that unduly rewards
24 the affluent while substantially increasing the
25 cost of housing to the general public.

1 Before getting into some specific
2 ideas and proposals, let me put to rest one
3 fiction about conversions: namely that con-
4 versions are rapidly depleting needed rental
5 housing stock. That, if you will, is a red
6 herring which clouds the real issues. By
7 considering both new condominiums as well as
8 conversions, we are actually seeing in many
9 areas of this country for the first time in
10 years a significant increase in the available
11 rental stock for those desiring or needing to
12 rent housing.

13 In recent years new additions to
14 rental housing stock has been minimal due
15 to rent control, changes in tax laws, and
16 other public policies. In the entire State
17 of Florida, for example, in 1979, less than
18 600 new rental units were recorded as additions
19 to the rental housing stock.

20 Conversions represent in a remarkable
21 way an example of free-market operations which
22 function as a curative, if you will, to adverse
23 public policies. In other words, the problems
24 public policies have created which discouraged
25 on a wide basis new rental housing stock have

1 been significantly cured in a number of areas
2 by conversions. Note should be made of the
3 recent HUD study on conversions as well as a
4 similar study by the State of Florida which
5 found conversions to not be so much a problem
6 in and of themselves, but a result of signi-
7 ficant problems deriving from public policies
8 on housing. It is the failure of the public
9 sector to make decisions.

10 In other words, in the context of the
11 total housing picture, the manner in which condo-
12 miniums are restoring balance to rental housing
13 stock is most interesting. It involves the
14 addition of new units as well as the removal
15 of potential tenants from renting housing
16 markets, thus relieving demand.

17 Let me illustrate my point by setting
18 forth a model consistent with programs we have
19 worked with in a number of instances, for which
20 I can provide specific evidence.

21 Assume for the sake of simplicity 100
22 units on a conversion, 50 units being bought by
23 tenants. This is a lower figure than we are
24 actually use to in the project. We have worked
25 because of special programs we have devised, which

1 I'll get into in a moment. That leaves 50 units
2 remaining representing potential depletion of
3 housing stock.

4 Now, assume 20 percent of the total units
5 are devoted to a long-term leasing program oriented
6 to the low-income elderly and so forth, a long-
7 term fixed cost of lease basis. That leaves
8 only 30 units representing potential depletion
9 in the housing stock.

10 Now assume that 60 percent--these are
11 pretty defensible statistics--of the remaining
12 30 units will be sold to the general public who
13 now are tenants elsewhere. That yields 18.
14 What happens from this is that we end up with
15 12 units out of the 100, which represents a
16 depletion of rental housing stock.

17 What happens next is that within the
18 period of the next 12 to 18 months, you will
19 see somewheres around 10 percent of those people
20 or a number of people who bought initially moving
21 elsewhere buying a home elsewhere and renting
22 the units in that conversion.

23 To make a long story short, what ends
24 up is about two percent depletion of a rental
25 housing stock occurs in this conversion. I

1 might say that a number of people are not there
2 initially as renters by choice, but rather be-
3 cause they cannot afford housing because of the
4 lack of moderate income housing.

5 Now, to illustrate the point of the
6 needs to look at the total housing picture by
7 adding in the new condominiums, we find that in
8 the first several years 20 to 30 percent of those
9 units built will also be rented, which means we
10 have new net additions to the rental housing
11 stock. Why? Because there are now new sources
12 of income of capital going into the housing be-
13 cause formerly it took a lot of money to buy and
14 build a rental project.

15 People on ordinary income--doctors,
16 lawyers, business people, whatever--can buy and
17 invest in a single unit as a real estate invest-
18 ment practice. Thus, this new capital has been
19 an important factor in its expanding new rental.

20 A second and very significant concern
21 regarding conversions deals with the displacement
22 of low and moderate income citizens as well as
23 the elderly. HUD and other studies have not
24 found this to be pervasive on one hand, but
25 nevertheless even displacement of one severely

1 disabled person, senior citizen or otherwise
2 disadvantaged person cannot be morally tolerated.

3 I have personally worked on a number of
4 programs in jurisdictions where there are no
5 limiting legislative provisions concerning con-
6 versions and in which these conversions have
7 taken place without a single eviction. One
8 program I am currently involved in involves a
9 979-unit, a thirty-year old garden project,
10 where its residents reflect an average income
11 of about \$15,000. A number of tenants are on
12 Section 8, and a number of tenants make under
13 \$10,000. With phase one of a three-phase pro-
14 gram completed, nearly 60 percent of the tenants
15 have chosen to remain notwithstanding a period
16 of unprecedented interest rates which have
17 "knocked" many moderate-income people out of
18 the marketplace.

19 Our oldest purchasers in this project
20 are a couple: the wife is 89 and the husband
21 is 91. Under federal law, lenders must lend
22 a loan regardless of age.

23 Now, the elements of this program that
24 I have made this work and permitted us to retain
25 the character of the community are summarized as

1 follows:

2 Discounts to all tenants of about 15
3 percent; additional discounts to severely handi-
4 capped or elderly of \$3,000; a long-term lease
5 program for up to 20 percent of the tenants with
6 eligibility based upon age, health, and tenure in
7 the community; rent abatement of \$3,000 pro-
8 rated monthly over the life of the long-term
9 lease for the senior citizens and those who are
10 severely handicapped; below market interest rates
11 to senior citizens by virtue of the development
12 buying down interest rates; special counseling
13 programs to tenants on financing, purchasing,
14 leasing, and on the psychological stress of
15 dealing with the advent of conversion. The
16 results of this counseling, incidentally, are
17 interesting. Many people have had sons, daughters,
18 or fathers or mothers or friends chip in with
19 them to buy the unit because of the substantial
20 equity benefit represented by the discounts.

21 Public housing has been provided for
22 tenants in these programs, of which I am speaking
23 and a creative partnership between the developer
24 and the County of Fairfax, Virginia, the City of
25 Alexandria, and other jurisdictions. Those

1 tenants who have no other way of staying in that
2 community are handled by public assistance to
3 retain that position in that community.

4 We are working on one conversion, a
5 cooperative, where the monthly carrying costs
6 are actually less than what the rent was when the
7 project was a rented project.

8 There are a number of details which I
9 wish I had the time to get into, but I think the
10 time is now for creativity. The issue is in-
11 flamed by different special interest groups that
12 are involved. I think the government role is
13 not to satisfy one special interest group,
14 developer, or homeowners or tenants at the
15 expense of another, but to achieve a moral and
16 humane compromise between all special interest
17 groups.

18 In this issue, if there is any error
19 in legislation, it certainly must be on the
20 side of the tenants. However, the legitimate
21 interest of investors and homeowners cannot be
22 100 percent ignored if we wish to maintain the
23 economic character of this country which we
24 all benefit from.

25 MR. O'HERN: Thank you.

1 The Governor has agreed to stay for
2 three of the public witnesses. We'd like them
3 to limit their remarks to not more than five
4 minutes.

5 We'll start with David Baslow.

6 Is Mr. Baslow here?

7 ASSEMBLYMAN BAER: Yes, he is here.

8 MR. BASLOW: Governor Byrne, ladies
9 and gentlemen, my name is David Baslow and I am
10 the president of the New Jersey Tenants Research,
11 Education and Development Organization, Inc.,
12 and past president and incorporator of the
13 New Jersey Tenants Organization.

14 I'd like to take this opportunity to
15 publicly thank you, Governor Byrne, for all of
16 the years of your support and leadership in
17 attempting to create a balance in the landlord-
18 tenant relationship and having supported legis-
19 lation that has resulted in New Jersey's tenants
20 being the best protected tenants in the country.
21 Thank you.

22 In the area of conversion, it was your
23 earlier support, October, 1973, of the current
24 laws that provided eviction procedures and the
25 full disclosure of conversions, with the tireless

1 efforts of your Department of Community Affairs
2 and its staff, that has caused a well balanced
3 and fair process for changing ownership in multi-
4 family housing and protecting as well as giving
5 tenants an opportunity to own and, also, at the
6 same time protecting the residents who choose
7 not to own by providing a reasonable period of
8 time from three to eight years to find new
9 accommodations.

10 The existing law was not simple to
11 achieve. Many months, phone calls at four
12 o'clock in the morning, meetings, negotiating,
13 research, more meetings, more phone calls prior
14 to legislative action resulted in the best
15 efforts of your office, both legislative bodies,
16 the builders groups, the realtors groups, and
17 our organization. We attempted to achieve a
18 fair balance in the legal relationship so that
19 the marketplace could control and abuses could
20 be eliminated.

21 The existing law and regulations have
22 worked for most tenants and continue to work and
23 have become a model for other states dealing with
24 the conversion problem, while at the same time
25 it has not frustrated the marketplace, the federal

1 housing policy on conversions, and the "American
2 Dream" of ownership and I quote, "gives the little
3 guy a piece of the action," which was your concern
4 back in 1975.

5 "Housing cooperatives represent an
6 important vehicle for neighborhood stabilization
7 and revitalization as well . . . They permit a
8 harmonious and financially viable mix of economic,
9 ethnic, and racial groups to co-exist in our
10 neighborhoods." I have just been quoting from
11 the letter dated December, 1980, from the Assis-
12 tant Secretary of Housing and Urban Development
13 for Neighborhoods Voluntary Associations and
14 Consumer Protection, Geno Baroni.

15 The federal policy on conversion,
16 following a study by HUD that was released on
17 July 2nd, 1980, clearly is not only to encourage
18 conversions, but also to provide technical and
19 financial assistance for conversion by the
20 establishment of the National Cooperative Bank,
21 Public Law 95-351.

22 As a side comment, in the press release
23 issued with the HUD study, former Secretary Moon
24 Landrieu stated that "to single out condominium
25 conversion, rent control or whatever, may be

1 good for venting frustrations but it doesn't
2 get rental units built."

3 The problem in New Jersey is shared
4 throughout the nation. Not conversion, not
5 displacement of the elderly and poor, not rent
6 control, but rather a critical shortage of all
7 housing. The solution is not passing state
8 laws that are meant to frustrate conversion,
9 frustrate the federal housing policy, frustrate
10 investors in the marketplace, but rather in its
11 simplest terms, a solution--build more housing.

12 The housing problems of the elderly
13 are not different than the housing problems of
14 the poor and also the middle class; no choice.
15 However, if we were to legislate special conditions
16 for the elderly, such as longer terms during con-
17 version, the housing problems for the elderly
18 would get worse. What appears as a solution
19 to preventing the displacement of the elderly
20 is exactly what will hurt them the most. They
21 will not be able to rent and, yes, we have laws
22 saying that you cannot discriminate because of
23 age, but our experience says that the elderly
24 are discriminated against now. Our experience
25 with the elderly tells us they do not want to sign

1 complaints, they do not want to fight their land-
2 lords, and they do not want to go to court.
3 Therefore, they will lose more as a class, than
4 the small numbers that may be helped.

5 As a workable solution, if the problem
6 is proven to be widespread, we would suggest
7 that to prevent displacement of the elderly
8 would be for our Housing Finance Agency to
9 purchase these units and keep the elderly tenant
10 in their apartment for as long as the tenant
11 wishes to remain and when they leave, to have the
12 unit sold on the open market. Special bonds
13 could be created for this financing and in fact
14 offered as tax-free investments to the other
15 residents in the converted building and also the
16 residents of that community.

17 I would suggest a review of the banking
18 industry's practices of financing cooperative
19 stock and attempt to encourage the banking
20 industry in New Jersey to offer long-term
21 financing to credit worthy customers seeking
22 to purchase co-op stock.

23 Furthermore, on the displacement
24 problem, we must examine the question: Is
25 conversion causing displacement and is it a

1 statewide problem? Or is it centralized in
2 problem areas such as Atlantic City? I suggest
3 that the marketplace says good deals work and
4 bad ones do not. Also, it should be noted that
5 HUD has targeted Atlantic City and Newark, a
6 National Association of Neighborhoods Project
7 that is attempting to deal with the displacement
8 problem.

9 Another area in conversion that is
10 often spoken of and a couple of states have
11 enacted is known as a percentage of consent
12 before conversion takes place. This concept
13 was reviewed prior to the existing laws being
14 enacted and was rejected. Whatever percentage
15 used, our question then as it is now is what
16 happens to those who are not in the majority.
17 Can 50 percent or 60 percent tell me I cannot
18 own my apartment?

19 Throughout history, the majority have
20 attempted to tell the minority that they could
21 not own land, that they could not vote, that
22 they were second-class citizens, and are we
23 faced with the second problems if the majority
24 says yes, convert. The concept of percentage
25 consent is a non solution and should not be

1 considered.

2 In conclusion, Governor, I am confident
3 that when the facts are in, when all of the inter-
4 ests are weighed, when the public interest is
5 considered, I suggest that no action may possibly
6 be the best action for now.

7 MR. O'HERN: Mr. Jay Beneson.

8 MR. BENESON: Governor, I have repre-
9 sented in the last year and a half in excess of
10 3500 tenants who have been involved in this
11 process that is the subject matter of today's
12 discussion. In essence, I have been in the
13 trenches with these people and I've seen the
14 anguish that's been caused on a daily almost
15 hourly basis. Obviously you have the advocate
16 of tenants rights, but I nevertheless believe
17 the following points will balance the rights
18 of tenants who feel that it is their inalienable
19 rights to be importunate in these premises.
20 The sponsor has his right to maximize his profit
21 with his building.

22 One, I think it is very clear that the
23 process between the sponsor and the tenant is
24 not one of arm's length transaction. The tenant
25 is a captive customer and as such has as many of

1 the rights of other people who invest in real
2 estate do not have.

3 I would now like to give you the points
4 that I believe will assist both of us in under-
5 standing our this law, perhaps, can effect all
6 the rights.

7 One, I suggest the prospectus or red
8 herring should be served on the tenants 90 days
9 before the Department of Community Affairs regis-
10 ters the document. The 90-day exclusive option
11 then would run from that time. Why? Because
12 if we only have 90 days to organize, get an
13 engineer, get an accountant to analyze the very
14 complex prospectus served on each one of these
15 tenants, there is not enough time to make that
16 business decision.

17 Two, the Department of Community Affairs
18 in my judgment--and I have worked with these
19 men--consists of dedicated people who are over-
20 worked and understaffed. I would suggest that
21 that department get some consideration so that
22 we can, at least, get responses so that we can
23 move along with this process.

24 Three, A-2286 should clarify to remove
25 all doubts that a tenant not buying has the

1 absolute protection of rent control in effect
2 in his community at that time. Even if his
3 apartment is sold to a third party, a specu-
4 lator, an investor, that speculator, that investor,
5 must be told in no uncertain terms that the tenants
6 rights ought to be preserved and that speculator's
7 rights rise no higher than its sponsors.

8 Three, no selling, no advertising, no
9 promotional hoopla by the sponsor during the 90-
10 exclusive period.

11 It seems to me the tenants are under
12 enough emotional stress. They don't have to
13 have a carnival-like atmosphere in their very
14 homes with people coming in with brokers with
15 everyone giving the feeling that their property
16 is a very valuable deal and unless they get on
17 this train, they are going to miss something.
18 I'd like them to have 90 days to sit down and
19 make sound, intelligent business decisions in
20 a tranquil atmosphere.

21 Four, any tenant offered a discount
22 has a full 90 days to exercise not only the
23 option but the discount. Why? Many of the
24 sponsors put in their prospectus that you only
25 have 45 days to exercise this discount. The

1 time is not enough. None of us would buy a
2 used car unless we've hired an engineer or hired
3 a mechanic to look at that car. The same goes
4 with this building. We have the engineering
5 report of the sponsor, but not our own engineering
6 report. Therefore, the additional time is required.

7 Five, a guarantee of maintenance for
8 two years. If unaudited reports are permitted
9 by the Department of Community Affairs, that
10 guarantee of maintenance is essential so that
11 we know what we are buying.

12 Six, all violations on the converted
13 building are to be substantially corrected before
14 conversion.

15 Finally, but certainly not least, the
16 senior citizens. I suggest that we are not
17 just dealing with business decisions when we deal
18 with senior citizens. We are dealing with a
19 major life crisis and that major life crisis
20 requires, in my judgment, some legislative
21 correction. I would suggest that senior citizens
22 62 and over who have a two-year residence in that
23 property being converted earning less than \$35,000
24 should be exempt.

25 I further suggest that all senior citizens

1 67 and over should have a lifetime exemption
2 regardless of their earnings.

3 Governor, age, inflation, and the
4 specter of eviction is an absolute blight on
5 the twilight years of many of our senior citizens
6 that has to be stamped out. That has to be
7 corrected by enlightened legislation.

8 In parting, Governor, on a personal
9 level it is a beautiful day. I personally would
10 like to be somewhere else, and I know you would
11 like to be somewhere else, but nevertheless on
12 behalf of all the people present I thank you
13 very much for your attendance today. We all
14 owe you a debt of gratitude.

15 GOVERNOR BYRNE: Thank you.

16 MR. BENESON: Thank you.

17 MR. O'HERN: The last witness in the
18 morning session is Sylvia Farr, the Federation of
19 Senior Citizens.

20 MS. KARR: Good afternoon.

21 We were notified on October 15th, 1980,
22 about condominium conversion at the Bally in
23 Atlantic City. This apartment building is over
24 31 years old and many people have lived there
25 all these years.

1 Governor Byrne, it is untrue that no
2 one was ever asked to move when buildings con-
3 verted. It is untrue. The New Jersey Fair
4 Eviction Law was the best kept secret in Atlantic
5 City until the hearing the New Jersey Federation
6 held there on August the 4th. We tenants are
7 not as uneducated as we use to be.

8 The number of residential apartments
9 being converted to condominiums is escalating
10 at an alarming rate. It is impossible for a
11 senior citizen to purchase their converted
12 apartment. When they are forced to move, they
13 are put under great stress.

14 Moving for the elderly is physically
15 taxing and expensive. We have lost 12 seniors
16 in the last month in the Bally Warwick. While
17 death can be attributed to many causes, I am
18 certain that the stress caused by their apartment's
19 condo conversion was a very important factor.

20 We are aroused. Please be aware that
21 even if we are allowed to stay in our buildings
22 if the new legislative bill goes through allowing
23 senior citizens 25 years or a lifetime to stay in
24 their apartments, the rent increases will force
25 us out. Somehow the rent increases must be

1 limited to enable us to meet the cost of living
2 which is quite high.

3 I believe that if the senior citizens
4 could have been allowed to stay where they
5 originally lived or if affordable housing were
6 furnished at the same time as the casinos opened,
7 a happy relationship would have been made by the
8 casino industry and senior citizens.

9 The senior citizens living here in the
10 State of New Jersey put their faith in New Jersey
11 by voting for the casinos when promises were made
12 to help the senior citizens. The senior citizens
13 contribute financially and otherwise to the
14 casinos.

15 Thank you, Governor, for the opportunity
16 to be heard.

17 GOVERNOR BYRNE: Thank you, Miss Karr.

18 We are going to adjourn now for lunch
19 and we will resume after lunch.

20 I admit that I have some important
21 meetings myself here in the office this afternoon.
22 I will come back if those meetings end early.
23 I think I have learned a great deal this morning
24 from all of you, and we have had an opportunity
25 to discuss the situation and its broad materials.

1 We have also had the opportunity to discuss
2 something that bears a very specific bill and
3 hear some observations with respect to it.

4 I have had the opportunity, also, during
5 the short break to talk informally to some people
6 such as Toni Katz from my hometown in West Orange.
7 I think it was a wise decision for me to have
8 this opportunity to talk to so many of you.

9 My staff will be back after lunch
10 even assuming that I'm not here. By the way,
11 Senator Bradley is coming up and will be with
12 me for a little while at another meeting.

13 So I want to thank all of you who have
14 come and who have participated and who have made
15 presentations. The presentations which have
16 been submitted in writing will also be read and
17 any of you who want to write additional comments
18 as a result of what you've learned from this
19 hearing I will welcome that.

20 So we will adjourn now for lunch.

21 MR. O'HERN: We will resume at 2 p.m.

22 (At this time a lunch break was taken
23 and resumed as follows.)

24 MR. O'HERN: Ladies and gentlemen,
25 Senator Bill Bradley.

1 SENATOR BRADLEY: I just wanted to
2 stop in and say hello. The Governor told me
3 he's coming back.

4 I'm not certain why everyone is here,
5 and I just wanted to come in and say hello.
6 I appreciate your interest in these matters.
7 I understand it has to do with housing, and
8 I hope it turns out the way you want it to turn
9 out.

10 MR. O'HERN: Ladies and gentlemen,
11 our first afternoon witness will be Katherine
12 Cramer.

13 We will assure you that the record
14 of these remarks will be transcribed and will
15 be furnished to the Governor so that he will
16 know what you have said. It will be considered
17 by him as part of the record.

18 Mrs. Cramer.

19 MRS. CRAMER: My name is Katherine
20 Cramer, and I am president of the 5000 Boardwalk
21 Tenant Association and legislature chairperson
22 for the New Jersey Tenant Association from the
23 second district.

24 I would like to thank the members of
25 the conference that remain and also Governor Byrne

1 for calling this conference, although he wasn't
2 here to hear what the afternoon session had to
3 say. I would like to thank him for the oppor-
4 tunity to testify at this most timely and important
5 hearing on condominium conversions, the elderly,
6 and the housing shortage.

7 First, I must congratulate the New Jersey
8 legislators for the present law protecting the
9 New Jersey tenants from evictions after a building
10 has been converted. The "Sold as is" clause as
11 long as the defects are listed should have been
12 eliminated and forced to make the repairs before
13 the conversions were permitted on any property.

14 Condo conversions do not help the housing
15 shortage. It creates greater shortages, but
16 new condos are the answer.

17 In 1976 when the casino referendum
18 passed, our legislators stated that each casino
19 would create 3300 new jobs and they expected 28
20 casinos totaling 86,000 new jobs. Where were
21 they planning to house these additional people?

22 A moratorium on conversions should have
23 been passed immediately, if the best interest of
24 the people were at heart, to better understand
25 how to meet this anticipated crisis. It didn't

1 happen this way. Speculators from out of state
 2 organized new corporations and made millions on
 3 the poor, the elderly, and the sick, not mentioning
 4 the young singles, the newly married, municipal
 5 and state employees, and the retired with small
 6 incomes wishing to spend their golden years in
 7 the cities that they had spent the best of their
 8 lives in.

9 It is said that President Carter respected
 10 the nation's laws and its constitution. He did
 11 not use his position to enrich himself. This,
 12 I believe, is not true about our state legislators.
 13 They have forgotten that all men are created equal.
 14 The constitution clearly states that laws are
 15 made by the people and for the people, and they
 16 are all entitled to live, liberty, and the pursuit
 17 of happiness. Our legislators have forgotten
 18 that human lives are involved in conversions.

19 The anguish, the uncertainty, stress
 20 and pressures bring on early deaths. The root
 21 of the problem is the housing shortage. It will
 22 worsen as long as the conversions are permitted
 23 to continue. Older persons are victims of
 24 manipulated real estate and the housing shortage.
 25 They are faced by lack of income and mortgage

1 potential.

2 Many of the elderly have been relocated
3 due to conversions, which means that they have
4 been moved three times within two years. Recently
5 the Ritz Apartments was sold for a casino. Those
6 people were moved into our building. They were
7 paying \$275 a month rent for a one-bedroom apart-
8 ment oceanfront. They were placed by convenient
9 manipulation in our building in units for single
10 people at \$540 per month and then faced with a
11 20 percent increase for the last three years.

12 Can you imagine your mother or you at
13 the age of 80 and 85 taken from a beautiful apart-
14 ment of \$275 and placed in an efficiency for double
15 that and then face a one hundred some-odd dollar
16 increase for every year for three years in a row?
17 By 1982, her rent will be doubled to \$1,080 a
18 month. This is what casinos did for that poor
19 woman's vote. How many more times will she have
20 to move because now the building she is in now
21 has been converted and she cannot afford the
22 rent she is paying.

23 In fact, we are paying our increases in
24 escrow because we have two suits in the court at
25 present. She called me just the other day in

1 tears saying I can't pay my increase, but for-
2 tunately there are some people who are willing
3 to meet her increase where the court says that
4 the escrow money will be turned over to the proper
5 people.

6 In all fairness to the majority of
7 people of the State of New Jersey, Bill A-1032
8 should be taken out of the committee at once and
9 passed so that no more conversions can add to
10 the now critical housing shortage. Bill A-2286
11 will provide a limited protection to the remaining
12 rental housing stock while still permitting par-
13 tial conversions without the prospect of massive
14 tenant displacement.

15 In Atlantic County, every major building
16 has been converted but one, including many of the
17 substandard, 80 and 90 years old "Sold as is."
18 Would you like to pay \$150,000 for a one-bedroom
19 apartment in a substandard property?

20 In the 5000, I have a one bedroom on
21 the sixteenth floor. My apartment sells for
22 \$168,500. I can afford it, but I will not be
23 ripped off. I have worked hard for our money,
24 saved it, and I'm going to live comfortably.

25 Many of the people of the State of New Jersey

1 have moved to Florida where you can get a two-
2 bedroom apartment for under \$100,000. The state
3 is losing voters because the people who are buying
4 properties in these conversion buildings are people
5 who are only here for the weekend and this is their
6 second or third home. They stand to make a con-
7 siderable amount of money if they sell their property
8 at 5000 Boardwalk.

9 I urge you to pass both of these bills.
10 It is your duty to decide which is more important,
11 the vote of the senior citizens or the dollar of
12 the speculators.

13 Finally, long-term residents face
14 serious psychological and social deprivation
15 when they are confronted with the prospect of
16 having to leave the neighborhood and community
17 they have long called "home."

18 In the seashore area of Atlantic County,
19 65 percent of the rental units have either been
20 converted or demolished to make room for casinos
21 and parking lots. Prior to casino referendum,
22 Atlantic City had 80 acres of urban renewal. For
23 20 years, we lost the taxes on that. Today a
24 casino holds it for \$200,000 not paying taxes on
25 it.

1 To add insult to injury, we have
2 another 200 acres of barren land held by specu-
3 lators, and the majority of them are delinquent
4 in their taxes.

5 The rental crisis should be treated
6 as you would a national catastrophe such as a
7 flood, earthquake, or a crop failure.

8 It is urgent that we all fight for
9 Bill A-2286 and let's pray that Assemblyman Baer
10 gets the support from the assembly and the senate
11 for the passage of that bill, which will mean
12 more lives, more years, and more confidence and
13 happiness to the people of New Jersey.

14 Thank you for giving me this opportunity
15 to speak.

16 MR. O'HERN: I have a couple of questions,
17 Mrs. Cramer.

18 First, I am sorry you didn't get out
19 before two. I know you had a commitment to get
20 back to the city.

21 Tell me where 5000 Boardwalk is.

22 MRS. CRAMER: 5000 Boardwalk is two
23 blocks southside of Atlantic City.

24 I would like to state another comparison
25 about how the realtors are manipulating and preying

1 on the casino industry for unconscionable profits.
2 The Vassar Arms is a beautiful building just two
3 years older than the 5000 and just two blocks
4 away. The Vassar Arms is at 4800. They sold
5 six months prior to the 5000 for \$75,000 for a
6 beautiful one-bedroom apartment and under \$200,000
7 for a two-bedroom. And here we get these Penn-
8 sylvania attorneys coming in forming an organization
9 called Atlantic Oakland because our building is
10 on Atlantic and Oakland and charging \$158,500 for
11 a one-bedroom and \$250,000 to \$300,000 for a two-
12 bedroom. That is unconscionable and ruthless.

13 MR. O'HERN: Okay. You said that
14 every apartment house, I think you said with the
15 exception--

16 MRS. CRAMER: Every building, and I
17 would like to take you and the Governor on a tour
18 of Atlantic County to see other areas from Longport
19 to Brigantine.

20 MR. O'HERN: Everyone with the exception
21 of either publicly owned or publicly managed
22 housing has been converted with the exception,
23 you said, of one?

24 MRS. CRAMER: Yes, that is right.

25 Furthermore, the rumors are, that is

1 bringing dramatic shock to the people of Atlantic
2 City, that all the subsidized housing will be
3 eventually be sold and they will be displaced.
4 The rumors are that the casinos are going to buy
5 these properties.

6 Now, there is one property that is pur-
7 chased by the casino. In fact, two properties:
8 the Bally Warwick and the Mayfair.

9 Now, we visited Mr. Lordi when the
10 first casino was built and Caesar's was ready
11 to open. We told him we weren't affected then,
12 but we could see the handwriting on the wall.
13 We organized and we asked what the casino com-
14 mission was going to do to make preparations in
15 protecting the voters that voted for casino gaming.
16 Mr. Lordi did say that he would consider doing
17 something before anymore casino licenses were
18 issued. Now we have three more casinos ready
19 to open. Where are those people going to go?

20 Land is vacant. There's over 280 acres
21 of wasteland in the most beautiful area of Atlantic
22 City and not developed because of manipulative
23 realtors and out-of-state speculators.

24 MR. O'HERN: All right. Thank you.

25 I just wanted to say one thing about

1 Atlantic City, which does appear to be a separate
2 situation. The Governor has endorsed what we
3 call the "Atlantic Regional Commission Bill."
4 There's a lot of question about whether it is
5 too much government, but the point is he is con-
6 cerned, as our cabinet officers, about the con-
7 dition of housing in Atlantic City. I hope
8 the legislature can sense some of the human
9 problems which are facing the people down there.

10 MRS. CRAMER: If you would send a
11 committee down, I'd be happy to spend a day with
12 you and show you the true conditions. I've
13 lived there all my life.

14 MR. O'HERN: Thank you.

15 MRS. CRAMER: I owe Atlantic City a
16 great deal because when I came to Atlantic City,
17 I was given less than a year to live. I was
18 five years old. I have been worked, been edu-
19 cated, and lived there and I hope to spend the
20 rest of my life there, if I can. I feel sorry
21 for the people that live there and I feel sorry
22 for the city itself because of the administration.
23 I agree with the Governor and I believe the
24 Governor knows that I was president of TEARS.
25 I had quite a few confrontations with him on the

1 tax problem and the operations of the city.

2 MR. O'HERN: Okay.

3 MRS. CRAMER: I'd like to ask the
4 people who are here with my bus to please leave
5 with me.

6 Thank you again.

7 MR. O'HERN: Thank you.

8 Richard Toch.

9 MR. TOCH: My name is Richard Toch.

10 Stability in housing is a great concern
11 to senior adults in New Jersey. Older adults
12 occupy apartments where they can no longer maintain
13 homes. Chores such as shoveling snow, paying
14 to heat whole houses when only two or three
15 rooms are utilized, isolation and loneliness in
16 single dwellings are but a few reasons why older
17 persons prefer apartment living.

18 Moving is so stressful to the elderly
19 that many remain in substandard apartments,
20 despite unpleasant environs rather than seek
21 alternatives. Lack of adequate subsidized and
22 the ineligibility of many seniors to qualify
23 further exacerbate the condition.

24 The problem is particularly dire in
25 New Jersey because of its large numbers of

1 retired persons. Social Security statistics
2 in this state reveal the number of senior citizens
3 has increased by eleven and a half percent in the
4 past five years to a total of 1,225,800 persons.
5 According to available data, from the Bureau of
6 Rental Assistance, as of June, 1980, there were
7 664,294 apartment units in multiple dwellings
8 containing three or more units.

9 Further information, provided by the
10 office of the ombudsman for the institutionalized
11 elderly tells us that there are approximately
12 95,000 persons residing in long-term care
13 facilities such as homes for the aged, nursing and
14 boarding homes in the state. Simple arithmetic
15 indicates a terrible apartment shortage. In
16 fact, there are 1.7 senior citizens for each
17 existing apartment unit. By choice most older
18 persons prefer living alone. Young married
19 couples, single-parent families, families unable
20 to afford down payments for homes, single adults
21 and couples whose children have left home are
22 also competing for the existing rental units.

23 Conversion of existing apartments into
24 condominiums has distressed many person, but it
25 is especially threatening to senior citizens.

1 They fear depleting their capital which they
2 need in order to maintain their existent standard
3 of living. This coupled with exorbitant main-
4 tenance fees and taxation has placed reputable
5 housing beyond most persons reach.

6 Banks and other lending institutions
7 have a legitimate concern that senior citizens
8 seeking condominium mortgages will be unable to
9 sustain their commitments and are therefore
10 reluctant to provide needed funds to them.

11 The purpose of Assembly Bill A-2286 is to give
12 senior citizens a sense of permanence.

13 Governor Byrne, we must have a place to
14 live. We must have security, especially at our
15 age. We are not rich. We are not poor. We
16 have our pride and we need your help. As our
17 Governor, you have the power to see that we can
18 live in our apartments for the rest of our lives.
19 Help us keep our homes.

20 Thank you.

21 MR. O'HERN: Incidentally, something
22 that struck me during the testimony is that no
23 one here is really asking for financial aid of
24 the government. They are really asking for
25 something else.

1 Next is Evelyn Frank, president of the
2 Senior Citizens Council of Union County.

3 MRS. FRANK: Good afternoon, Commis-
4 sioner. I'm very pleased to be able to par-
5 ticipate in this hearing today.

6 My name is Evelyn Frank. I am presi-
7 dent and director of the Senior Citizens Council
8 of Union County. I serve as chairman of the
9 Governor's Technical Committee on Living Arrange-
10 ments in preparation for the White House Con-
11 ference on Aging in November, 1981. I am also
12 vice-president of the Housing Corporations in
13 Union Township.

14 The incoming calls to my Council office
15 for apartments throughout the county prove without
16 a doubt that there is a shortage of living arrange-
17 ments, particularly apartments. I serve on the
18 Tenancy Committee of the Housing Corporation,
19 and by the time Unit 2, which is our second
20 housing in Union Township, was ready to open
21 its doors, there was a waiting list of 2,000
22 applying for 235 apartments.

23 Statistics from "A Community Guide:
24 Housing New Jersey's Elderly" states "nearly
25 two-thirds of New Jersey's older population

1 are homeowners; nearly one-third are renters;
2 four percent are in institutions."

3 The New Jersey Tenants Organization
4 states: "The number of residential apartments
5 being converted to condominiums is escalating
6 at an alarming rate throughout New Jersey. In
7 1979, the number of conversions totalled approx-
8 imately 5,000 and were limited to a few com-
9 munities within the state. In the first nine
10 months of 1980, 9,000 units have been converted
11 in more than 50 communities, up more than 300
12 percent over the first nine months of 1979."

13 We cannot make a generalization on why
14 condominium conversions discriminate against
15 senior citizens.

16 A 1979 HUD study showed that nearly
17 50 percent of the tenants in buildings being
18 converted could not afford to purchase their
19 units. Some tenants could handle the financial
20 and emotional aspects of purchasing a condo.

21 Most tenants on fixed incomes would
22 not be able to buy a condo. It might be a good
23 investment for young people. This would not be
24 true of the elderly. The benefits to accrue to
25 them is too much into the future. The principal,

1 interest, maintenance fees, and taxes would double
2 their shelter costs. Many tenants who have
3 some assets need these assets to produce addi-
4 tional income to pay their current rent and to
5 buy food. If they took their assets and bought
6 the condo, how could they live on only their
7 social security?

8 What about those on fixed income and
9 very little in assets? They are unable to compete
10 for housing in the open market. I should not
11 make the last statement. I must say what market?
12 Where are the vacant apartments? Extending the
13 time period to move out to three and a half years,
14 five years, or ten years is meaningless. We see
15 no change in the future that will create empty
16 apartments.

17 We cannot generalize on the problems
18 that face each senior citizen residing in apart-
19 ments up for condominium conversion.

20 Crises for the elderly takes many forms.
21 Some tenants could handle both the financial and
22 emotional aspects. Then there is the financially
23 able older person who could not deal with the
24 transaction emotionally. A transaction of this
25 kind looms up as an unknown nightmare to them;

1 it becomes too much for them to comprehend the
2 how and why. This traumatic experience could
3 unbalance them mentally and cause a state of
4 confusion and depression.

5 I just heard today that in Springfield
6 where they are converting, they did lose one of
7 their tenants. She had a stroke and just passed
8 away. So it does happen.

9 I have no other statistics available
10 on case histories of the elderly who suffered
11 an irreversible loss of intellectual capacity
12 and a general deterioration of mental functions
13 because of a condo conversion. But I do know
14 this happened.

15 Last year our council began to hold
16 workshops to examine and explore the medical
17 and legal aspects of senility. It was then
18 brought to our attention that, in many cases,
19 making an elderly person change their environ-
20 ment will cause confusion and senility. It is
21 a known fact that older persons going into the
22 hospital or nursing home become disoriented
23 until they return home. One way for elderly
24 to cope with everyday living is to avoid change.

25 At a time in history when we are preparing

1 for the 1981 White House Conference on Aging and
2 recommendations will be coming in with concern
3 for the elderly, recommendations for protective
4 services, home supportive services, continuum of
5 care, et cetera, we are facing the most negative
6 situation to confront our elderly.

7 Elderly people are less mobile and
8 less apt to make changes. Ninety percent do
9 not move after the age of 65. They think of
10 their dwelling unit as their home, their private
11 place, and not as transient housing.

12 Housing for the elderly should be con-
13 sidered not just as an address. Advocates for
14 the elderly have been moving forward to examine
15 the problems in housing facing the elderly today.
16 We recognize the need for protective services,
17 the need for supportive services, the need to
18 help them maintain their independence and to
19 help them function where they now reside.

20 Then we look at the deleterious situ-
21 ation that arises when they are notified that
22 their apartment, their home sweet home is being
23 taken away from them. The seriousness of this
24 situation cannot be stated strongly enough.
25 Their independence is threatened; insecurity

1 debilitates their mental state; their neighborhood
2 and community is taken away from them. This
3 could be a community where they have lived all
4 or most of their lives.

5 The elderly who do not have the inner
6 strength to cope with the move from their familiar
7 surroundings may suffer irreversible senility
8 conditions.

9 We must consider some solutions to this
10 problem. We must speak out on behalf of a group
11 that is being discriminated against because of
12 their age.

13 The federal government has a respon-
14 sibility to increase the nation's housing stock.
15 In this upcoming White House Conference on Aging,
16 we will seek some solution to create more housing,
17 to produce more rent assistance in existing housing,
18 and to give assistance to those tenants who might
19 wish financial assistance to buy their apartment.

20 The state government has a responsibility
21 to protect its elderly from the cruel future
22 facing them as condominium conversions continue.

23 The Assembly Bill A-2286 contains
24 solutions that might alleviate the problem.

25 The one point in this bill we particularly wish

1 to point out is that senior citizens could remain
2 as tenants, but probably with an increase in rent.

3 The senior citizen renter I have spoken
4 to has never denied that the landlord is entitled
5 to an increase when he proves a hardship. Many
6 landlords, where there is a rent leveling board,
7 do not wish to be bothered with presenting their
8 books to receive an increase.

9 The state government has an obligation
10 to make haste to give assistance to renters as
11 stated in the New Jersey law using casino monies.

12 I am not a tenant, but let today's
13 hearing move swiftly to give hope and courage
14 to our elderly tenant. Let positive attitudes
15 come from our state and remove any doubt the
16 elderly may have that government does not care.

17 Thank you.

18 MR. O'HERN: Thank you, Mrs. Frank.

19 Just tell me a little bit about Union
20 County. Where are the conversions occurring in
21 Union County?

22 MRS. FRANK: The one I know about is
23 in Springfield, Troy Village, and I have somebody
24 with me--

25 MR. O'HERN: Places like Elizabeth,

1 what's happening there?

2 MRS. FRANK: I haven't heard of any
3 movement like that in Elizabeth. I know that
4 there is federal housing in Elizabeth.

5 MR. O'HERN: Would it be fair to say
6 that those would be the two principal places
7 where tenant housing is located in Union County?
8 No?

9 MRS. FRANK: There are housing com-
10 plexities throughout the county. Cranford
11 has some housing. I think many of them have
12 many units. Elizabeth is more urban whereas
13 the others would be suburban.

14 MR. O'HERN: All right. Thank you.

15 Next is Dr. Philip Ginsberg, Pace
16 University.

17 DR. GINSBERG: Thank you, sir.

18 My name is Philip Ginsberg. I'm
19 an economist. I reside in Mountainside, New
20 Jersey.

21 I'm on the faculty of Pace University,
22 Graduate School of Business. I teach a course
23 in public finance. For five years I taught
24 courses in price theory at Rutgers University,
25 and I have also taught courses in investment

1 theory finance at the Graduate School of Manage-
2 ment at Northwestern University.

3 I've also consulted at private organ-
4 izations, belonged to the National Science Founda-
5 tion where we did a study on petroleum activity
6 at the Delaware estuary. I've been consultant
7 for Princeton University and currently with the
8 Internal Revenue Service.

9 MR. O'HERN: You should be down in
10 the other room with the Governor who is presenting
11 his budget to the press now.

12 DR. GINSBERG: The problem is to
13 provide adequate housing in all of its myriad
14 of forms. In trying to solve this problem,
15 there are two major groups and some of them have
16 spoken here today: individual property owners
17 and tenants.

18 Often a man or woman in the street say
19 a landlord is a fat man with a passion for cutting
20 off heat and perpetuity for stealing bread from
21 the mouths of tenants.

22 To the real estate industry, a landlord
23 is a noble hero who takes upon his shoulders the
24 burden of housing our citizenry and does so with
25 little financial reward.

1 As for the tenants, he is either a
2 spoiled free rider who wants everything for a
3 pit, or to rent organizations he is an individual
4 who must fight for adequate living quarters in a
5 battle that makes the landlord ever richer at
6 his expense.

7 Personally, that kind of behavior might
8 be called vulgar for any of its sophisticated
9 versions is not the point of my discussions today;
10 however, the following areas need to be addressed
11 in any discussion of the issues that are before
12 the assembly. I would like to talk about the
13 following issues and areas: the taxation and
14 revenue sources, the current and prospective
15 financial climate and efficient concept of
16 regulation, alternatives for senior citizens,
17 rights of prospective owners, rights of the
18 next generation of senior citizens, and pro-
19 perty rights of both tenants and landlord.

20 Let us look at some tax issues.

21 Currently \$3.7 billion is raised by munici-
22 pality and property taxes in the State of
23 New Jersey; six percent of which--approximately
24 \$225 million--is from the apartment sector.
25 The total property in the State of New Jersey

1 is assessed--

2 MR. O'HERN: You mean billions, don't
3 you? You said millions?

4 DR. GINSBERG: There is six percent
5 coming from the apartment sector.

6 MR. O'HERN: Oh, all right.

7 DR. GINSBERG: About 65 percent from
8 residential.

9 MR. O'HERN: All right.

10 DR. GINSBERG: The assessed value of
11 real property in New Jersey is approximately
12 \$100 billion. Hence, we have approximately
13 \$6 billion of assessed property in the apartment
14 sector.

15 It turns out when we look at history,
16 apartment values nearly have not kept pace with
17 the residential sector. What is somewhat
18 strange about that is that apartment houses
19 and the services they furnish are relatively
20 fuel efficient. We all know there is a great
21 demand for these properties. Hence, values
22 should increase and not decrease. With this
23 fact, it puts a hidden burden on municipalities.
24 One of the reasons for this, of course, rent
25 control.

1 The two issues of rent control and
2 restrictions on property and rights are, unfor-
3 tunately, intertwined. Taxation is based on
4 value and also alternatively sales of property.
5 What is being addressed here is to ask for more
6 extreme restrictions on the right of a property
7 owner. The question that must be addressed is
8 if the value does not come from the income stream
9 of these properties and it is not in today's
10 environment, then where would the value come
11 from if, in fact, the potential for making a
12 return is also restrictive because who would
13 want to purchase a property for a price that
14 cannot be substantiated by present income but
15 maybe future income? Then value would be
16 further deteriorated.

17 What we have presently is a situation
18 where many property owners are providing in-
19 direct subsidy to the renters. I know this
20 may be hard to believe, however, facts bear
21 this out especially under rent control. Cur-
22 rently many property owners have fuel costs
23 are are exceeding twenty percent of their
24 gross revenues. This kind of situation makes
25 it extremely difficult to keep property in its

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useful use as a rental service.

What we have is a specter of bankruptcy in the housing sector, especially the rental housing sector. Even if we have only one percent bankruptcy rate, this will destroy \$60 million of ratables. At a five percent rate, \$300 million will be lost. Namely, I do not believe that local governments should neither become real estate operators nor suffer revenue losses.

To further restrict the property rights will further put a restriction on the ability of local municipalities to raise revenues. The overspill, overeffect, may be that homeowners may not like to pick up this burden.

Let us look at the next area; namely, prospectus from the present financial climate. We all know that each real estate is purchased with borrowed capital. Many of the apartment houses have been purchased in the past with borrowed capital. It is also true that the nature of financing arrangements with respect to investment properties is not exactly similar to that of the homeowner. Not only that, the poor homeowner today, the current new homeowner, will not be able to finance his real estate

1 purchase as he has in the past. The days of
2 30-fixed rate mortgages are gone.

3 Many landlords within the next several
4 years will be facing refinancing of their properties.
5 In the current climate where they will not be able
6 to finance with fixed rate mortgages, the further
7 specter of either drastic rent increases or bank-
8 ruptcy will ensue.

9 In the present climate and if we talk
10 about the ability to have some kind of conversion,
11 what we also will see is what people will attest
12 that many banks will not want to finance con-
13 version of condominiums. What we have happening
14 is the property owner himself is financing these
15 purchases. Namely, there is a subsidy that will
16 be granted to a prospective buyer.

17 Furthermore, what will the new property
18 owner and also the old property owners do with
19 the capital they receive? They know the business
20 of building and running apartments. Hence, we
21 have an ability to have the seed for further
22 investment by these capitalists into providing
23 new housing because that is their business.
24 Namely, they can correspond with the new national
25 thrust of encouraging capital growth and ability

1 to try and maintain our climate and equipment.

2 No one wants to see property deteriorate;
3 neither the landlord nor the tenant. When we
4 talk of some kind of efficient concept of regu-
5 lation--

6 MR. O'HERN: Two minutes.

7 DR. GINSBERG: Typically based upon
8 some idea of service of fair rate of return,
9 under rent control and further restrictions,
10 fair rates in return are not being made. To
11 guarantee service is what regulations are typically
12 all about.

13 Here we are asking a landlord or a
14 property owner with no monopoly rights granted
15 or applied to provide service and not provide
16 a fair rate of return. This would not happen
17 to the fair sector, which is also of a great
18 necessity of life. We all have to eat just
19 as we all need a roof over our heads.

20 Furthermore, the tender of the times
21 is deregulation, not more. We have to free
22 the sleeping giant which is in the walls of
23 the American citizenry and the capitalists
24 sector to produce more and not restrict less.

25 Let's talk about some alternatives

1 for senior citizens.

2 MR. O'BRYEN: You have one minute.

3 DR. GINSBERG: There are ways in which,
4 perhaps, imaginative tax credits can be granted
5 for the senior citizens to provide them with
6 adequate housing which, perhaps, can be discussed
7 later.

8 When we talk about the rights of owners
9 and also future owners, people who may want to
10 purchase condominiums will not be allowed to
11 purchase them. We also must consider the
12 future generation of senior citizens who will
13 require more rental housing.

14 Let me conclude then. What is unfor-
15 tunate is that what may have given impetus to
16 just legislation is the monster of inflation.
17 It destroys savings and pensions, transfers
18 wealth and coupled with rent control forces
19 financial burdens to be borne by those providing
20 productive assets. It turns allies of landlords
21 and tenants into enemies.

22 Unfortunately, passage of some of the
23 legislation considering would only force puni-
24 cipalties, protective apartment purchasers,
25 tenants who want choices, the labor force in the

1 public service and landlords to be further
2 crucified upon the cross of inflation.

3 Thank you.

4 MR. O'HERN: Thank you.

5 Next is Joel Seiden.

6 MR. SEIDEN: First, my name is Joel
7 Seiden. I am an investment real estate broker
8 with the firm of Gebreo-Hammer. We specialize
9 in the sale of apartment houses both to investors
10 and to condominium converters. I also have been
11 a tenant in the State of New Jersey for approxi-
12 mately five years.

13 I would like to think because I have
14 both areas open to me and the exposure to tenants
15 as well as investors and converters that I'm
16 mutual. I guess everybody thinks I am objective.

17 I believe that the conversion market
18 creates the only affordable housing for many
19 young people like myself today. I have recently
20 had the good fortune to be a part of a conversion,
21 which took place in Fort Lee. I would not pur-
22 port to say that I am elderly or that I am on a
23 fixed income. However, I do not think that I
24 should be discriminated against either.

25 I think there are many people like me

1 who want to have a first home, want to be able
2 to afford a first home. The housing market
3 has gotten crazy. The condominium conversion
4 creates an ability to have that first private
5 ownership, which is exactly what occurred for me.
6 It also creates the opportunity because tenants
7 are given in most cases a discount the ability,
8 if they desire, to resell, make up that discount,
9 reinvest the proceeds tax free in another home
10 and, in fact, can create upward mobility for
11 people in a situation--

12 MR. O'HERN: Let the gentleman finish.
13 You're talking about young people?

14 MR. SEIDEN: I am not speaking of
15 elderly people. I hope that I am able to be
16 the age of the people who are sitting here today,
17 and I wish everyone well.

18 MR. O'HERN: I have listened to this
19 many times. I really want to tell you something.

20 Sometimes it is the technique of the
21 lobbying organization which works against itself.
22 Just really bear that in mind. In dealing with
23 the legislature, sometimes it doesn't pay to be
24 unreasonable.

25 MR. SEIDEN: Thank you.

1 In summary, what it did for me is
2 create an opportunity to make a nice profit
3 and reinvest the proceeds tax free with the
4 opportunity of going into a home.

5 Now, without speaking as a tenant,
6 in my connections in my business with the
7 exposure to investment-oriented people, I think
8 that in the State of New Jersey where you have
9 many conversions taking place, rent control is
10 a factor, particularly the owners rent control
11 ordinances which exist in many towns. Primarily,
12 the increase of fuel and other expenses have taken
13 a property.

14 For example, a 50-family building which
15 may have been using 50,000 gallons in an apartment--
16 that's an approximate number--of oil in an older
17 building where just two winters ago where fuel
18 was fifty cents a gallon today is a dollar a
19 gallon. That difference is \$25,000 in cost to
20 a landlord. That same building which might
21 have an income of \$150,000 in a five or six
22 percent rent controlled community, which is
23 not urban, would have an increase in rents of
24 \$18,000 over that same two-year period.
25 Obviously there is a net difference of \$7,000

1 before you even assume that any other costs went
2 up, which is not a fair assumption.

3 Therefore, what this is causing--and
4 I speak to many of the owners--they want to be
5 in the real estate business. They are in the
6 real estate business. They are not looking to
7 sell. They sell a conversion, which is a sale.
8 It is still a taxable event. They are not look-
9 ing to be rid of this property. However, they
10 are put in a position where rent control does
11 not permit them in their opinions fair return
12 and they see no light at the end of that tunnel.
13 Consequently they say my way out is to convert.

14 The other reason I believe that causes
15 conversions is the interest rate market today.
16 We have many properties with mortgages coming
17 two, three year hence that were bought four,
18 five years ago. In summary, the ideas of where
19 the refinance proceeds will come for this pro-
20 perty when it comes through is another reason.

21 Finally, I think that the government
22 can provide an equitable solution. I think
23 somebody here mentioned Shared Appreciation
24 Mortgage as a potential for elderly. I think
25 tenants are entitled to protection. I think

1 elderly are entitled to protection. I am not
2 sure that a subsidy by the landlords is the
3 right approach, but I am confident that the
4 government without overregulation would do the
5 right thing.

6 Thank you.

7 MR. O'HERN: Thank you.

8 Harriet Kasnetz, Fort Lee, New Jersey.

9 You look like a landlord.

10 MRS. KASNETZ: No.

11 First, I would like to thank all of you
12 for being here today.

13 Fortunately, I am a former president
14 of a tenants organization.

15 What is a good way to describe conversions?
16 To many, conversions is the best form of terrorism
17 to a tenant where a landlord can get away legally
18 and even be financially rewarded with. You must
19 either buy your apartment and buy monthly payments
20 that are double the amount of the rent that you
21 are paying or choose not to buy and be forced
22 out of your apartment in three years. Of course,
23 there is also a possible extension of five extra
24 years, which you must go to court each year to
25 get them. And there is no guarantee that the

1 judge will grant them to you.

2 This year, the issue of conversion is
3 a real problem for everyone, especially for the
4 people in the middle and low income brackets.
5 These people do not need an investment in a
6 tax shelter with the amount of money that they
7 are making. People in these brackets are faced
8 daily with just making ends meet, putting food
9 on their tables, keeping up with car payments.
10 So now considering all of this, isn't it now
11 ridiculous that their landlords now put them in
12 a position where they must consider becoming an
13 entrepreneur of real estate? Where will they
14 get the money for this?

15 Anyway, they are left with a decision
16 of pressure; should I buy my apartment knowing
17 that I will not be able to keep it up and chance
18 personal bankruptcy, or should I stay on as a
19 tenant and be forced out in three years knowing
20 that before time is up I will have to find com-
21 parable housing that I know doesn't exist in
22 New Jersey.

23 That's right. Tenants have three
24 years to look for something that doesn't exist.
25 But if you're lucky and, say, you are and you

1 find another apartment, who is to say that that
2 building won't also go to co-op and you will
3 be put back where you started from. In three
4 years, you will be looking for another apartment
5 that doesn't exist. At that rate, there is
6 no place to go in three years to get there.

7 If you keep going on like this, the
8 word "tenant" and "gypsy" can be used synonymously.
9 Are tenants transient like gypsies? No way.
10 I have lived in my apartment for nine years and
11 most of the tenants I know have lived in their
12 apartment for that amount of time and much longer.
13 We have been very active and we have taken a great
14 interest in our community without our being owners
15 of real estate.

16 Now all of these fine people are going
17 to be uprooted from their homes so that a landlord
18 can make a fast profit and leave. Unfortunately,
19 he's taking all of these people with him but not
20 of their own free will. The landlord makes the
21 extra money, but the tenants are now going to
22 have to spend a lot of their money to move and
23 settle into another home. That is, if they are
24 fortunate enough to find one.

25 Moving is very expensive and a move can

1 affect the lives of many people. For example,
2 a move can be a traumatic experience for my
3 children. Their lives will become upset when
4 they must transfer to a new school and start a
5 new period of adjustment. They must leave
6 their friends behind and wonder when or not
7 they will be accepted by another group of
8 children. This leads to a lot of unnecessary
9 problems.

10 Also, when you're moving, if your
11 husband is located in that position for a
12 certain area, he has to travel further and it
13 also adds to car expenses. If you have a
14 family in a certain area that you see on a
15 daily basis, you're not going to be able to
16 see them as often because it will be a lot
17 further to reach them. So in other words,
18 you're not moving just your furniture from one
19 apartment to another. It means disrupting
20 your family lifestyle and it is not for your
21 betterment because it's not being done out of
22 choice. You are being forced to do it against
23 your will, and that's indigity.

24 Many times your apartment is not even
25 being sold to another family but to a speculator

1 who buys three or four apartments. In fact,
2 in my building very few tenants bought. The
3 majority of the units were sold to outsiders
4 buying to sell fast to make a quick profit
5 because the deals in our apartments were so bad
6 that the people must try to get rid of the apart-
7 ments as soon as they close with the landlord.
8 That's what the landlords are trying to stick
9 us with.

10 This also means that the tenant must
11 show his apartment to whoever wants to buy it
12 or who is thinking of buying it, which becomes
13 an invasion of your family's privacy as well
14 as infringes our human rights.

15 The State of New Jersey always seems
16 to be involved with protecting the human rights
17 of criminals. So why should the human rights
18 of tenants be ignored when the only crime that
19 they have committed is not being able to afford
20 to buy their apartments. In fact, the tenants
21 should be considered the victims as everything
22 that has to do with conversion seems to be
23 against their best interests, including the
24 laws or the lack of laws at the present time.

25 The only law that could possibly help

1 tenants tolerate conversion would be like asking
2 for life tenancy, which is not reasonable because
3 of attrition. For example, if a building with
4 100 tenants should convert and 75 tenants couldn't
5 afford to buy, the factor of attrition would
6 enable the building to convert, perhaps, at a
7 slower pace, but it will be converting in a more
8 humane way through attrition. People will be
9 relocating through jobs; semi-retired to other
10 areas. Some might pass away and others would
11 just want to move elsewhere.

12 However, at the end of three years,
13 you will not be left with the same 75 people.
14 That number will have diminished considerably
15 through attrition, and those who are left, well,
16 they really have no place to go. If they were
17 forced out in three years, you would literally
18 have pushed innocent families out into the
19 street.

20 Isn't there a line that is drawn
21 between making profit and compassion for our
22 human beings? The landlords will not lose
23 money because when they are trying to sell
24 you their apartment, they tell you that real
25 estate values will appreciate as time goes by.

1 So it would be all the more profitable for them
2 by the time you do leave because they will be
3 able to sell the unit at appreciated price.

4 So nobody will get hurt in this circumstance.

5 The landlord will still make his money and,
6 most important, a family will not be homeless.

7 In conclusion, it is up to you to see
8 that thousands of tenants are not put out in the
9 streets homeless. There is nothing that we can
10 do as tenants unless you give us the support and
11 help that we need to save our homes. I strongly
12 urge that you vote and put through the bill A-2286
13 in life tenancy as the bill has been introduced
14 to you.

15 If you should forget about the thousands
16 of tenants who are depending on you when you
17 discuss and vote on the bill in the spring,
18 remember, it will be on your consciences for
19 the rest of your lives that you have put thousands
20 of people out of their homes with no place to go.
21 But before you vote, I would like you to think
22 about your own families, your parents, your
23 spouses, and your children and say to yourself,
24 for the grace of God go I.

25 Thank you.

1 MR. O'HERN: I have a question.
2 Would you apply that principle of life tenancy
3 regardless of income?

4 MRS. KASNETZ: What do you mean regard-
5 less of income?

6 MR. O'HERN: Let's say you have an
7 illustration of a person with an income of
8 \$100,000. Should they be given a life tenancy?

9 MRS. KASNETZ: If they have been living
10 in the apartment for five years, I don't think
11 that is unreasonable because when you're moving,
12 it's not just getting up and finding a new place
13 and moving. You are uprooting your whole
14 family and you have your doctors, your drug-
15 stores, you have everything in your community.
16 When you move, you have to start a whole new
17 life and it is a traumatic experience.

18 I do, of course, feel that the pro-
19 visions in the bill are very adequate, but I
20 also feel that the people who have lived in an
21 area for a long time do desire some consideration.

22 MR. O'HERN: Okay. Thank you.

23 MRS. KASNETZ: Excuse me. Can I
24 just add one thing?

25 You know, I feel like I want to talk

1 for everybody, but I think it hurts me so much
2 to see what's happening especially to our senior
3 citizens because I feel one day, a young person
4 as myself, I'm going to be there. I think it's
5 a very traumatic thing for these poor souls to
6 have to go through at this time in life.

7 MR. O'HERN: Thank you.

8 Phyllis Hoffman, Fort Lee.

9 MRS. HOFFMAN: I'm Phyllis Hoffman.
10 I live in Fort Lee.

11 I want to thank you for inviting me
12 to speak to you today. I will try to give you
13 the true feelings of a tenant, not figures.
14 I'm not an economist or a landlord, just a tenant
15 housewife.

16 Being sensitive to the human needs as
17 you are, how would you feel if you or a member
18 of your family were caught in the thrills of
19 condominium conversion? May I take the liberty
20 of explaining a tenant's position to rent con-
21 version.

22 The conversion movement is placing
23 strains on existing housing. Due to the fear
24 and anxiety of losing my home because of a con-
25 version craze, I suffered a serious heart attack

1 on May 5th.

2 You'll have to excuse me.

3 After leaving the hospital, I had to
4 come back to more frightening fear. The con-
5 version was a reality. I am a widow living in
6 an apartment building many years with a sister
7 who is an amputee.

8 Recently at my doctor's checkup, I was
9 advised that all this stress can cause a fatal
10 heart attack. What will happen to my sister
11 who needs me? May I ask you, where can we go?
12 Billions of dollars are being spent on national
13 health only to have our bodies and spirits
14 destroyed by the stress and anxiety of losing
15 our homes seemingly only to please the greedy
16 profiteering landlords.

17 Have you ever seen a U-haul truck
18 behind a hearse? We are talking about tenants
19 who help build up their equity. We are not
20 talking about brick and mortar. We are talking
21 about flesh and blood that is being destroyed.
22 Tenants should not be pushed around like a
23 commodity.

24 I am not only speaking for myself but
25 for the many thousands of New Jersey citizens

1 who are in the same position as I.

2 Last but not least, our government
3 is fully aware of the people's mandate for
4 economy from our last election. The problem
5 of rental conversion presents a unique situation
6 where many thousands of families can either live
7 in dignity in their home surroundings without
8 costing our state government one red cent or
9 be uprooting which may eventually directly or
10 indirectly cause considerable large sums of money
11 in addition to the hardship created in the families
12 with many possible health ramifications.

13 Being made homeless in such an increas-
14 ingly tight housing market would incur. Tenants
15 are not looking for a handout or a subsidy of
16 any kind, but we do want the right to live in
17 dignity which we have rightfully earned over
18 the many years of our labors. Dignity is the
19 moral fibers necessary to keep us from becoming
20 a decaying nation.

21 I urge you to support Bill A-2286 which
22 makes it possible to keep a roof over one's head.
23 Shelter is a must; life demands it.

24 Thank you for your patience and attention.
25 May God bless all.

1 MR. O'HERN: Thank you.

2 Sondra Friedman.

3 MRS. FRIEDMAN: Commissioner LeFante,
4 members of the legislature, I'm Sondra Friedman,
5 private citizen.

6 I have been--

7 MR. O'HERN: And I'm Dan O'Hern. We
8 really didn't introduce ourselves in the beginning.

9 Commissioner LeFante left, and this is
10 Amy Piro. She's assistant counsel, and I'm
11 counsel to the Governor.

12 MRS. FRIEDMAN: Thank you.

13 I want to say I've been a happy apartment
14 dweller, happy homeowner, and I'm very sad to say
15 a very disenchanted condominium converter pur-
16 chaser. I would like to explore with this
17 council today some of the problems that have
18 ensued in my purchasing action in the last 16
19 months.

20 Condominium offerings, whether con-
21 version or new, are a burgeoning big business
22 in the State of New Jersey. The more regulated
23 they are, the more deregulated they have become.
24 I'd like to explore with this council issues
25 which have had severe legal and financial rami-

1 fications for me as a purchaser, other condo-
2 minium purchasers, current tenants living in the
3 building during a conversion, and unfortunately
4 or fortunately the sponsors of these conversions.

5 I would like to begin with the condo-
6 minium documents, which include the offering
7 plan, master deeds, prospectus, amendments to
8 the master deed, and state statutes regulating
9 condominiums under the Condominium Act. The
10 aforementioned documents are currently riddled
11 with ambiguities, legal jargon, and subjectivity
12 for the interpretation by attorneys, enforcement
13 agencies, and the courts.

14 Ladies and gentlemen, please consider
15 what every consumer understands, plain English.
16 We need legislation written in plain English.
17 Hopefully the documents could be shorten to
18 explain the buyer's rights, the tenant's rights,
19 the seller's rights, default and recourse of any
20 party through a specific enforcement agency or
21 through the courts.

22 I feel that this could be an appropriate
23 time, but I know time is short, to identify
24 specific problems which have led up to looking
25 into these documents as a private citizen

1 spending months in the law library, going to
2 municipal, county and state organizations,
3 especially the Department of Community Affairs
4 in this state who have the problem, and it is
5 a vast one of investigating the problems con-
6 cerning the senior citizens, the tenants in the
7 building, the sponsors and those like myself,
8 the condominium purchaser.

9 Tax structures for the buyer and for
10 the sponsor have to be clearly delineated prior
11 to purchase. Municipal, county, and state
12 statutes have to be made uniform.

13 Today the sponsor of any condominium
14 conversion is getting a tremendous tax break.
15 The immediate purchaser becomes encumbered
16 with that lease of 300 percent increase within
17 three months of purchase, and that is unconscionable.
18 I do have documentation, if the council cares to
19 have it presented to them in a written form.

20 Operation and maintenance of a condo-
21 minium by sponsor and unit owners requires more
22 specific state statutes, not just guidelines.
23 Owner's rights, tenant's rights, and sponsor's
24 rights, while the condominium is in the process
25 of conversion, requires closer scrutiny by the

1 legislature or legislation which will identify
2 and enforce the rules for both owner, tenant,
3 and sponsor without the need for litigation.
4 Our courts are brimming over with litigants.

5 I and 50 other members of our building
6 are presently litigants, and we only purchased
7 within the last 16 months. We are already
8 in court.

9 MR. O'HERN: On what? Warranty
10 defects?

11 MRS. FRIEDMAN: We are in court, I
12 would say, for many, many things. If you'd
13 like me to identify them now, I will. If you
14 care to have me submit them to you in writing,
15 I will.

16 MR. O'HERN: Well, is it the condition
17 of the premises?

18 MRS. FRIEDMAN: The condominium docu-
19 ments, for instance, stated the complexion and
20 use of the facility. Okay. We were in the
21 building three months and the condominium docu-
22 ments were violated by the sponsor. He decided
23 to allow a commercial and professional use of
24 that building without consultation, without
25 amendments, and without meeting. We knew nothing

1 about it. It was done.

2 We went to the Department of Community
3 Affairs. They sent an investigator to the
4 building. He said, well, that's true. He
5 can't do that. What was done? Nothing.

6 As a result of that, we did go into
7 negotiation with the sponsor, with the sponsor's
8 attorney--

9 MR. O'HERN: What kind of building?
10 High-rise or garden?

11 MRS. FRIEDMAN: It is a high-rise and
12 it's in Hackensack.

13 That was one problem.

14 When we first purchased at our closings,
15 we were told we were to pay the taxes to the
16 sponsor of the corporation who would pay them
17 to the city. We did so. When the condominium
18 plan was declared effective, which was about eight
19 months later, we were told to pay our taxes to
20 the City of Hackensack, at which time the tax
21 for the individual purchaser was then based on
22 the 89.9 percent of the purchase price of the
23 apartment and cost a 300 percent increase im-
24 mediately. The sponsor is still not paying
25 that increase. We are. He is still taxed at

1 the same rate he was before the bill.

2 MR. O'HERN: On his other units?

3 MR. FRIEDMAN: Yes. We did take it
4 to the county. We appealed. We won a judgment
5 from the county. The city is taking us to the
6 state court of appeals now. That's the situation
7 with the tax structure.

8 Operation and maintenance of the condo-
9 minium by the sponsor has been another severe
10 problem for us. We have not yet had a real
11 board of directors meeting. We don't have
12 minutes of the meetings. We don't have active
13 committees in our building because the sponsor
14 does not deem it necessary. Doesn't feel--

15 MR. O'HERN: The sponsor still controls?

16 MRS. FRIEDMAN: He no longer has the
17 51 percent interest in the building, but he is
18 not working with us. He is working against
19 us. He has also alienated tenants who still
20 live in the building--many of whom are senior
21 citizens--against the owners telling them that
22 the owners are causing some of the problems that
23 exist in the building.

24 We could not look into the budget for
25 last year. We got a 21 percent budget increase.

1 MR. O'HERN: The association budget?

2 MRS. FRIEDMAN: Yes. These are just
3 a few of the things, and I have documentation.

4 MR. O'HERN: Those are all the reasons
5 why we shouldn't buy a condominium, right?

6 MRS. FRIEDMAN: I'm saying I am a
7 disenchanting purchaser.

8 MR. O'HERN: Eventually what may
9 change this is the realization that there are
10 many unforeseen perils in condominiums.

11 MRS. FRIEDMAN: Yes, but the documents
12 do not spell those out. When you read the docu-
13 ments, you read the bylaws. You take it to a
14 private attorney and you have a closing, and
15 you think a conversion is what you see is what
16 you get because there's no building involved.
17 It is already there. It is in existence and
18 you move in, and three months later the com-
19 plexion and use of the building is changed
20 and that has become a problem.

21 MR. O'HERN: Yes.

22 MRS. FRIEDMAN: Lastly, there is
23 a great and immediate demand for an enforcement
24 agency, such as Consumer Affairs, as large as
25 necessary and someone alluded to this at this

1 morning's session. Even if it consists of
2 consumer input, such as someone from the
3 Public Advocate's office, it would be not
4 only to investigate but to study and use its
5 enforcement power in any way necessary to have
6 the sponsors, the owners, the tenants, the
7 municipalities, the county agencies, uphold
8 the rules and regulations governing condominiums
9 without burden on our already overburdened courts
10 with litigation.

11 I thank you.

12 MR. O'HERN: Thank you.

13 Next is Howard Koval.

14 (No response.)

15 MR. O'HERN: Lyn Hurwitz.

16 (No response.)

17 MR. O'HERN: Theodore Murnick.

18 While you're walking away, Mrs. Friedman,
19 I had an old thing here, a 1907 message of the
20 Governor to the legislature. "One of the needed
21 referendums in government is that the phraseology
22 and the language of the laws continues to obscure
23 and confuse and should be made to be simpler
24 said."

25 Yes, sir.

1 MR. MURNICK: Good afternoon.

2 My name is Theodore Murnick. I am a
3 property owner of residential apartment complexes
4 in such garden spots of the Garden State as Newark,
5 East Orange, Asbury Park, and Trenton. I, there-
6 fore, believe I can speak knowledgeably about
7 what has been happening to the housing stock in
8 these areas.

9 The purpose of my comments today is to
10 point out the many benefits that can accrue to
11 urban areas and in particular the urban aid cities
12 if condominium conversions are encouraged and
13 aided by state action and legislation.

14 While there is obviously much debate
15 concerning the issue of condominium conversions,
16 most, if not all, with the exception of Atlantic
17 City situation that we have heard about here
18 today, of the activity has involved quality
19 properties in stable and generally affluent
20 communities. While the legislature appears to
21 be focusing on the evils of conversions and can
22 and probably will face further restrictions on
23 the conversion of what are essentially high rent
24 luxury apartments, little, if anything, has been
25 said about the very real benefits that can result

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from condominium conversions in urban areas.

The Governor's press release announcing this hearing, however, correctly referred to the benefits of property being upgraded, housing preserved, tax revenues increased, and the potential for conversions to aid in the "back to the city" movement.

I am here today to urge this committee to recognize that condominium conversions in urban aid cities will be beneficial and can result in stemming the tide of decline that billions of dollars of state and federal monies have been unable to do. With a great deal of encouragement and incentives, but with very little public money, a program of condominium conversions in the urban aid cities can and will result in the upgrading of property, the preservation of a declining housing stock, a reduction in urban abandonment and blight, and the maintenance and possible increase of property tax revenues--to say nothing of the vast side effect of these areas. Whether or not additional restrictions are placed on certain types of luxury condominium conversions is not my concern, although I am against any such restrictions.

1 My concern is to urge the Governor and the legis-
2 lature to take all necessary steps to encourage
3 condominium conversions in urban aid areas in
4 this state.

5 I am sure you are all aware of what
6 has been happening to the housing stock in most
7 urban areas of the state. Solid, well con-
8 structed buildings are being abandoned and
9 destroyed at a rate two or three times faster
10 than new subsidized housing units can be con-
11 structed. For all practical purposes, there
12 is and has been no privately owned free enter-
13 prise new construction in these areas during
14 the past decade.

15 The result has been a substantial
16 decline in available housing, a decline in the
17 maintenance of remaining housing, a decline in
18 tax revenues, and an overall decline in the
19 quality and character of urban areas.

20 For example, in 1970, the City of
21 Newark had 3,571 real apartment assessments
22 on the books with a taxable valuation of
23 \$165, 319,400. However, by 1980 the number
24 of assessments in this category had dropped
25 to 1,991 for a decrease of 44 percent with a

1 valuation of \$108,822,900 or a decrease of 34
2 percent. I might point out that during this
3 same period, the tax-exempt valuation in the
4 city exploded from \$651,718,600 to \$1,461,983,800
5 or approximately 124 percent.

6 We are obviously losing housing in
7 urban areas and the tax revenues from these
8 properties. In addition and just as important,
9 we are losing the middle class and everything
10 they bring to the areas in which they reside.
11 Do you believe for one minute that there would
12 have been the wholesale abandonment of solid
13 viable buildings in urban areas if the people
14 who lived in these buildings were condominium
15 owners rather than tenants? If you believe
16 the answer to this question is no, as I strongly
17 do, you can begin to realize why condominiums
18 in urban areas would be a good thing and should
19 be encouraged. Middle-class homeowners usually
20 cannot and do not run from urban blight and
21 problems. They try to fight back as best as
22 they can. Tenants do not. Homeowners would
23 have a strong ally in a stable condominium
24 neighbor as opposed to transient apartment
25 tenants who run at the first sign of problems.

1 If condominium conversions in urban
2 areas could prevent abandonment, wouldn't it
3 be beneficial? If condominium conversions
4 could stabilize the tax base in their urban
5 areas, wouldn't it be beneficial? If condo-
6 minium conversions could attract and build a
7 middle class in urban areas, wouldn't it be
8 beneficial?

9 The cynics and tenant association
10 leaders will obviously say this is just a way
11 for landlords to unload unsalable property.
12 This is a typical smokescreen. Wouldn't it
13 be better to have a landlord realize a return
14 than to have the tenants lose their housing, as
15 they have and surely will? Wouldn't it be
16 better to have a landlord make a profit than
17 to have the city lose the tax revenues from
18 these properties, as they have and surely will?

19 Wouldn't it be better to have a land-
20 lord make a profit than to drive all the middle
21 class out of urban areas, as they have been and
22 will continue to do?

23 Obviously checks and balances must be
24 placed on the system so that the benefits derived
25 can be shared by all: the landlord, the tenant,

1 and the municipality. On an overall basis,
2 however, the conversion of apartment units in
3 urban areas would be beneficial to all and should
4 be actively encouraged and aided by the State.

5 As a first step, I believe the New
6 Jersey Mortgage Finance should have a substantial
7 bond issue specifically to finance condominium
8 purchases in urban aid cities. Although I have
9 not mentioned it previously and do not have the
10 time to go into details concerning pricing of
11 units, I believe it is safe to say that the full
12 purchase price of most units in urban areas would
13 be less than \$30,000 and for some smaller units
14 could be in the \$10,000 to \$15,000 range. I
15 dare say the apartments that I have would go for
16 \$150,000, two hundred some-odd thousand, et
17 cetera.

18 It should be pointed out that these
19 prices and my whole discussion relate to sound
20 housing in decent areas, in decent neighborhoods,
21 not slum dwellings which are physically and
22 economically not worth saving. Since the
23 prices of units would be most reasonable on
24 both an actual and comparative basis, the com-
25 bination of low prices and attractive financing

1 should act as an incentive for the purchase of
2 the units being offered.

3 In conjunction with this financing,
4 I believe that legislation should be enacted to
5 freeze the taxes on converted properties in
6 urban aid cities that have used Mortgage Finance
7 Agency financing for a period of, at least, 20
8 years. This would act both as an incentive to
9 the purchaser and as protection for the lender.
10 If the price and terms are right, I strongly
11 believe that condominium conversions can act
12 as a stimulus to the revitalization of New Jersey's
13 depressed urban areas.

14 In order to qualify for the incentives--

15 MR. O'HERN: One minute.

16 MR. MURNICK: In order to qualify for
17 the incentives mentioned before, there should be
18 a requirement that capital improvements or up-
19 grading in an amount equal to at least 25 percent
20 of the latest assessed value be made to the pro-
21 perty. Compliance with this requirement would
22 be evidence of good faith on the part of the
23 owner and would help assure that the units
24 being offered were in good condition prior to
25 sale.

1 Although there is obvious strong
2 opposition to condominium conversion in certain
3 areas, I believe that reasonable, rational, and
4 concerned persons will agree that the benefits
5 of condominium conversions in urban aid areas
6 with proper safeguards far outweigh any so-
7 called disadvantages. Remember, for the most
8 part the areas that I am directing my remarks
9 to, the choice is not between renting units or
10 condominium conversions. The choice is between
11 loss of housing from abandonment or condominium
12 conversion.

13 Hopefully my remarks today will lead
14 to a broadening of the study of the conversion
15 issue and a program along the lines I have
16 discussed will be developed. I stand ready
17 to provide any assistance and information you
18 may require.

19 Thank you.

20 MR. O'HERN: Next is Ruth Friedlander.

21 While she's walking up, I think there
22 are some points on which everyone agrees, although
23 we are sort of talking passed each other.

24 That is, there's nothing intrinsically
25 wrong with condominium conversion, particularly

1 of what we would describe as under utilized or
2 even abandoned properties. That's not an issue,
3 I don't think.

4 Ms. Friedlander.

5 MS. FRIEDLANDER: How do you do. My
6 name is Ruth Friedlander, and I'm a lifetime
7 resident of the City of Asbury Park.

8 I'm here to tell the tale of what
9 happened when the building in which I lived
10 became the first building in Asbury Park to
11 be converted to a condominium. I think it is
12 important that this be told because it's not
13 just an abstract matter. It's something that
14 I saw happen myself and lived through and
15 something that I think must be prevented in
16 the future in other parts of the state and in
17 other cities.

18 The building had 50 units in it.
19 They were always fully occupied and they always
20 had a waiting list of people.

21 MR. O'HERN: What building is that?

22 MS. FRIEDLANDER: The building was
23 called 321 Sunset Avenue, Sunset Terrace Apart-
24 ments. It is now called Esplanade. It is
25 two blocks oceanfront across from the lake and

1 a nice area. It was always in good condition.

2 All of the tenants were senior citizens,
3 most over the age of 70. Some were over the age
4 of 80 and two who were 90. Almost everyone
5 lived in the apartment for over ten years, many
6 for 20, and several for the entire 27 years that
7 the building was in existence. All of these
8 people are the kind of people who are an asset
9 not only to a building but to a city; the kind
10 of people who always paid their rent on time,
11 who never created a police call, who didn't
12 add children to the school system, who voted
13 regularly and felt a responsibility to partici-
14 pate in civic activity, supported the local
15 houses of worship and purchased their merchandize
16 wherever they could in local stores because they
17 were elderly and would like to buy in the local
18 area.

19 Now, a lot has been said here about
20 the fact that condominium conversion will improve
21 the type of citizen that lives in the building.
22 I think it would be hard to improve on this
23 type of person. These people in their lifetime
24 were all very responsible people. Some were
25 professional people. Some ran very large

1 businesses. I think when they were retired,
2 they were all considered very well to do people.
3 But they had been retired for many years, and
4 I don't have to tell you what happened to the
5 value of the dollar. Today they are not people
6 who ask for handouts or people who want help
7 financially or who want the government to sub-
8 sidize them. However, they are no longer
9 wealthy, and I would say that the average one
10 has an income of between \$20,000 and \$25,000
11 a year.

12 In September of '79, a faceless cor-
13 poration came along and bought this building.
14 They announced immediately that the building
15 would be converted to condominium. They said
16 that with three years you would be evicted from
17 the building if you did not purchase. They
18 also said that in the interim your rent would
19 be increased in several stages 58 percent. In
20 addition to that, they were immediately tearing
21 out the heating system and placing electric
22 individual heating in your apartment, which
23 you would have to pay for, and this would add
24 an additional 15 to 20 percent to the 58 percent
25 increase.

1 They said, however, they would reward
2 you for being a tenant by giving you a very
3 large bargain price if you purchased your unit.
4 They would give you the enormous discount of
5 five percent. We soon found out from their
6 advertisements, from their conversations with
7 prospective buyers, that anybody could buy at
8 this very rate bargain price. From their own
9 figures, which they had to give us because the
10 law so stipulated, they showed that they intended
11 to make a \$2.5 million profit on the sale of 50
12 units.

13 Now, who would ever choose to build a
14 new building if they could go in and buy an
15 old building and make this kind of profit on it?
16 I'm sure this is not an inducement for anyone
17 to invest in a new building.

18 The tenants also found out now that
19 the amount in which they lived in for, roughly,
20 \$400 a month would now cost them, if they pur-
21 chased it, over \$1,000 a month to live in.
22 This does not include the fact that the roof,
23 the plumbing, and the elevators are 27 years old
24 and there has been trouble on and off with those
25 things. They have not been touched.

1 When they walked around on the roof
2 doing some of this repair work to change the
3 heating, they created a little disturbance.
4 When it rained, a lot of apartments really got
5 a shower bath and they went upstairs with a
6 little hot tar and temporarily repaired it.
7 Now, I don't know, but I had always lived in
8 a private house and when I thought in terms of
9 a roof being replaced, you know, I thought a
10 big building, all right, it will be \$3,000,
11 \$4,000, \$5,000. But we have found out since
12 that it costs over \$100,000 to replace a roof
13 on that type of building, and they are making
14 no move to replace that.

15 They are not replacing any of the
16 bathroom equipment or doing anything in the
17 bathrooms and tubs are beginning to peel and
18 crack because they are 27 years old. None
19 of these things last forever.

20 In addition to all of these other
21 raises to the tenants, they have announced
22 that they will no longer do any kind of painting
23 or decorating or anything inside the apartment.
24 We found out this included even when they broke
25 your wall down and patched it up quickly with

1 plaster board or changed the windows and put
2 plastic board pieces of wall. Because the
3 window was now a different size, this also
4 would not be properly decorated or changed.
5 This was your expense.

6 Within six months of these people
7 having come in to convert this building, 25
8 tenants were actually harassed out of the
9 building by unconscionable rent increases and
10 the rude almost cruel manner in which they
11 began their repairs. These were, by the way,
12 all cosmetic repairs, some which we feel made
13 the building much worse than it was before,
14 incidentally.

15 But I can't in a brief time tell you
16 of the terrible indignities that people suffered
17 during the time that they did these repairs.
18 They ripped the heating system out when it was
19 freezing cold. We had no snow and rain during
20 the four-week period when there was no heat in
21 the building, and they made no provisions for
22 any kind of auxiliary heat until we went to the
23 board of health and forced them to put electric
24 heaters in, which, incidentally, were very
25 inadequate. They chopped holes actually

1 through the building in order to put these
2 heating units in and there were large holes
3 actually out to the street. People walking
4 by in the street could see your feet and would
5 kid you about it the next day, and the workmen
6 would go home at night and leave those holes
7 open until tenants screamed and yelled about
8 it. Then they would take a thin cardboard
9 box and put it over this hole. If it rained
10 or snowed, that got soaking wet and your
11 furniture and your rugs and everything were
12 soiled. They felt no responsibility to repair
13 any of this or take care of it. If anyone
14 complained, they would say, "Well, if you don't
15 like it, you could move."

16 Thus, the building now is standing
17 one-half empty and not one tenant bought. That
18 would give you some idea of about what a great
19 bargain they thought it was. I personally
20 saw people who, although they were elderly,
21 were lively and active and alert actually
22 disintegrate before my eyes. One man who
23 was the head of one of the largest psychiatric
24 hospitals in the United States in his youth
25 became disoriented and wound up in the hospital

1 with bleeding ulcers. Another man who was still
2 active was one of the largest commercial real
3 estate outfits in the state had a stroke and
4 will probably never be able to live alone again,
5 and one of our very active woman is now in a
6 nursing home.

7 I can't prove that these things happened
8 as a result of these traumatic incidences, but
9 I think it is pretty obvious that it certainly
10 contributed greatly to it.

11 I just want to say that with our apart-
12 ments, they asked a price of 200 times the monthly
13 rental when they put it up for sale. When you
14 say that you can't buy houses, that this is an
15 alternative to expensive housing to buy these
16 apartments, these apartments were put up for
17 sale at \$55,900 to \$143,000 and the 55,900 was
18 only a one-bedroom apartment that was in an
19 unlivable part of the building over the heating
20 units and hot water units. There was always
21 vibration noise in there.

22 I feel that people who have lived in
23 a community and have been good citizens of that
24 community and that state and in this country
25 for a long, long lifetime are entitled to some

1 kind of legislative protection from carpetbaggers--
2 actually, that is what I feel they are--who come
3 in and want to make unconscionable profits at
4 their expense. I hope you will give that con-
5 sideration.

6 MR. O'HERN: You should have sent in
7 a resume.

8 Next is Milford Inganamort of Wood
9 Ridge, New Jersey.

10 (No response.)

11 MR. O'HERN: William Palmer, Mobile
12 Homeowners Association.

13 MR. PALMER: I am William Palmer
14 representing the Mobile Home Owners Association
15 of New Jersey, and I am a member of the Lake
16 Study Commission. We are the occupants of
17 mobile homes, 98 percent which live in mobile
18 home parks in New Jersey.

19 Our serious concern is that a wave
20 of conversions in the south, the west, and the
21 southwest and mobile home parks is about to
22 evade New Jersey.

23 MR. O'HERN: Conversions to condo-
24 minium?

25 MR. PALMER: Conversions to condominiums,

1 co-ops. Most of them seem to be going co-op.

2 MR. O'HERN: Yes.

3 MR. PALMER: In the face of condo/
4 co-op conversion or close down for change of use,
5 the mobile home owner is in a unique position
6 is in a unique position compared to other types
7 of renters. He or she has a substantial in-
8 vestment in that mobile home. Since there are
9 few, if any, alternative sites to move the home
10 to, sale of a mobile home under such duress is
11 usually at a substantial loss. It's usually
12 to a speculative buyer who plans to move the
13 home out of the state.

14 In the recent case of Ray Guy's Mobile
15 Home Park at Fort Lee threatened with shut-down
16 as of last October 1, a number of panicked
17 residents have sold their homes for as little
18 as 10 percent of true value.

19 Condo conversion, if the tenants cannot
20 buy, result in similar losses.

21 Many such homes throughout the state are
22 the sole major physical asset of a senior citizen
23 or couple, perhaps aside from a car. Distress
24 sale can force such folks onto welfare. For
25 many younger couples, a sizeable installment

1 loan is only partially paid for. Distress sale
2 of the home makes it no longer available, even
3 while the resident is still saddled with the
4 loan payments. Abandonment is a very probably
5 solution.

6 Mobile homes are sold with the implied
7 warranty of permanent use of the spaces they
8 occupy for in New Jersey one has always had to
9 buy the home in order to occupy the space.
10 Few parks would accept a home brought in by a
11 prospective tenant, except for payment of a
12 sizeable fee to offset the dealer/landlord's
13 anticipated profit on sale of a new home. This
14 applied warranty is inherent in the mobile home
15 bill of rights, which insures the right of home
16 owners to sell the home in place with the buyer
17 able to keep the home there.

18 The Mobile Home Study Commission found
19 that new homes are sold at typically high markups
20 to, at least, partially paid for the dealer/
21 landlord's site development cost. This creates
22 the vested interests in the site that is recog-
23 nized in the mobile home bill of rights.

24 If a conversion is involved, we suggest
25 a resident who cannot buy be permitted to remain

1 indefinitely as a tenant of the condo or co-op
2 association at reasonable rentals and reasonable
3 increases.

4 If a change of use is involved, we urge
5 that the developer be responsible, as in urban
6 renewal projects, for relocation of the mobile
7 home residents into equally suitable sites else-
8 where at the developer's expense.

9 Respectfully submitted.

10 MR. O'HERN: Before you leave, this
11 is an extraordinarily complex issue, as you know.
12 The bill we have been talking about doesn't cover
13 this at all, does it? I am speaking of Assembly-
14 man Baer's bill?

15 MR. PALMER: Not that I am aware of.

16 MR. O'HERN: Is the Mobile Home Study
17 Commission including in their study these subjects?

18 MR. PALMER: No, we haven't covered this
19 because the feeling was that it was not in mandate
20 but was something that along with construction
21 standards and so forth should be resolved outside
22 the immediate mandate of the study commission but
23 should not be.

24 MR. O'HERN: All right. This is going
25 to be hard because it is complex. We had this

1 bill, which the Governor just did sign, but our
2 problem is what does the property owner with the
3 bare property do and half of the mobile homes
4 are gone and the statute mandates that the others
5 have a life tenancy? You can't operate the land
6 that way.

7 MR. PALMER: I don't understand your
8 question.

9 MR. O'HERN: Let's assume that he decides
10 to move the property from the rental.

11 MR. PALMER: You changed your views.
12 Go ahead.

13 MR. O'HERN: Yes, and if the statute
14 creates a life tenancy for people who are there
15 and half of them leave anyway feel we want to
16 get out now, it seems to me--

17 MR. PALMER: Well, it is my understanding,
18 for instance, in Pleasantville or in Egg Harbor
19 that the Pleasantville Mobile Home Park was going
20 to be sold to a mall developer and they were
21 given the statutory 90 days or six months to get
22 out. There's no place to go.

23 But the developer backed out when he
24 found out that with government financing, which
25 was only involved here, the urban land renewal

1 provisions contained--

2 MR. O'HERN: Relocation?

3 MR. PALMER: Yes, and he would have
4 to relocate. All we are saying is that this
5 provision be for any developer who is going to
6 buy and develop such a site. It is kind of a
7 Catch-22 situation right now because he won't
8 have any place to put the homes unless he went
9 and built a new park.

10 In the case of Pleasantville Park,
11 they had to build a park somewhere for 300
12 homes.

13 MR. O'HERN: Okay.

14 Anyone else?

15 Russell Heren.

16 (No response.)

17 MR. O'HERN: Elliot Alkow.

18 (No response.)

19 MR. O'HERN: Those are all the listed
20 witnesses we have.

21 We have a few more minutes. Does
22 anyone want to address us?

23 One minute.

24 MR. PENNESTRI: Jim Pennestri,
25 Director of the Division on Aging with the

1 Department of Community Affairs.

2 I just want to take this opportunity
3 on behalf of Commissioner LeFante and myself
4 to thank and commend the Governor and you,
5 Commissioner, for holding this public forum to
6 address--

7 MR. O'HERN: Remind him that I was
8 mistaken for him.

9 MR. PENNASTRI: --the whole issue of
10 condominium conversion.

11 I am sure he is well aware that the
12 Department of Community Affairs has a twofold
13 interest in this. The Division of Housing is
14 primarily a regulatory agency with multiple
15 responsibilities in this area. Our division
16 has a major role in the advocacy of presenting
17 these public policy issues that are favorable
18 to the elderly.

19 In looking at the whole issue of
20 housing, I'm sure we are aware of the situation
21 that our older residents in our state are faced
22 with. We constantly look at all of the rami-
23 fications.

24 In a recent study that we conducted
25 on subsidized housing within the state and at

1 that time there were close to 35,000 units,
2 there were an additional 35,000 people waiting
3 for those particular subsidized units. As we
4 look at the next decade with a limited number
5 amount of subsidized housing even on the drawing-
6 boards that are planning to be built, we will
7 take very careful consideration if we lose
8 these rental units, and we ask that all issues
9 be looked at and how it affects the lives of
10 our older people in the state.

11 Thank you very much.

12 MR. O'HERN: Thank you.

13 I know the Commissioner has a few more
14 studies to make, but I assume that there will
15 be a clear recommendation from the Department
16 to the Governor in short order?

17 MR. PENNESTRI: Yes, yes.

18 MR. O'HERN: Okay. Just a few last
19 moments.

20 Is it Mr. Murnick?

21 MR. MURNICK: Yes.

22 I would just like to make a few addi-
23 tional comments because we have heard really
24 about people discussing what you call desirable
25 housing, but what can be done, as I have indicated,

1 is in urban areas where there are still good
2 areas left. Yet, most administrations,
3 whether it is city, federal or state, have
4 given no concern or credence to these areas,
5 quite frankly.

6 You can come down into Newark, as
7 I am sure you have, and look at a neighborhood
8 and say, hey, it's pretty good and come back
9 four years later and say what happened to this
10 neighborhood. What is happening in the South
11 Bronx is happening in many areas of New Jersey.
12 Rental housing just is not a viable type thing
13 without some sort of subsidy. You have Section 8
14 subsidy, but you have no subsidies for landlords.

15 Therefore, especially with this last
16 energy crisis, buildings are being walked away
17 from left and right. You have energy subsidies
18 too, I guess, the aid dependent and social
19 security people. People are getting aid for
20 fuel that they are not even paying. Landlords
21 need some help, and whether it is by way of
22 suggested help in converting--and I'd be very
23 happy not to make a profit but to sell any
24 building for what I paid for them ten years ago,
25 and I am sure that most landlords would do that.

1 I have 777 West State Street, probably the finest
2 building in Trenton. I have a building in
3 Asbury Park where I'd sell units at \$15,000
4 to \$20,000, not 55 to 100. They are the nicest
5 ones in the Esplanade.

6 MR. O'HERN: Do you think that the
7 tax freeze would do that?

8 MR. MURNICK: Well, I think you have
9 to start in a number of areas. One not so much
10 tax free, but--well, yes, okay. So you'd have
11 to reduce your interest rates. That's number
12 one, so you'd made financing under the last
13 proposal. Monies could be used for condominiums
14 actually, but there's none available now.

15 But one of the concerns that one of
16 the ladies had here was with taxes. You can't
17 sell a unit or pay taxes right now on an income
18 basis. As I mentioned, in most urban areas
19 the taxes I pay on every building today are
20 less than they were ten years ago. Homeowners
21 are paying double and triple because my income
22 just keeps coming down.

23 In East Orange look what's happened
24 to the amounts of taxes collected on the primary
25 buildings. You know, this was a luxury suburb

1 such as Fort Lee is. Maybe the same thing is
2 going to happen to Fort Lee in 20 years from now.
3 So you'd have to have some fix on the taxes.

4 They made a special deal for James
5 Street. Why? Because you had powerful lobby-
6 ing groups. That same special legislation should
7 be elsewhere. If anybody wants to come into
8 Newark to live there, they should be rewarded
9 because what you need are people who are going to
10 support the stores, send their children to school
11 and not come in and really be a burden on the
12 rest of the state.

13 As you well know, Newark is a subsidized
14 city with, I think, probably, 60 to 70 percent of
15 their budget today provided by either state or
16 federal government. They have not collected
17 any more in tax dollars in 1980 than they had in
18 1970, and you have had a 125 percent inflation.
19 So I think this is an area that needs very con-
20 siderable study, but also the state has to promote
21 and not say condominium conversions are bad but
22 say that condominium conversion in cities may be
23 the best thing that ever happened to them.

24 Thank you.

25 MR. O'HERN: Thank you.

1 There is no one else.


2 I'm going to declare the hearing con-
3 cluded for the record. We will thank everyone
4 who did appear, the stenographer, and the tran-
5 script will be requested to be made available to
6 the Governor.

7 (Whereby, the public hearing adjourned
8 at four o'clock p.m.)
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C E R T I F I C A T E

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I, CAROLYN CUMMINGS, do hereby depose
and certify that the foregoing is a true and accurate
transcript of the proceedings as taken steno-
graphically by me at the time, place and on the
date hereinbefore set forth.


CAROLYN CUMMINGS, C.S.R.

DATED: 2-26-81

TESTIMONY FROM: ELIZABETH GOODWIN

WHAT EFFECT DO CONVERSIONS HAVE UPON THE COMMUNITY?

First of all, property tax income increases. Apartment buildings, as opposed to condominiums, are assessed lower and, consequently, taxes are lower. HUD's study again bears out the hypothesis that condominium units produce property taxes in excess of that realized when the converted building existed as a rental, New Jersey law expressly allows increased property taxes upon conversion. Especially in rent controlled areas where rental property owners have had numbers of tax reductions as a result of appeals, conversions have had a significant positive impact on the tax base.

It stands to reason that income producing property be assessed for tax purposes on the basis of the income realized, as they are in New Jersey. Upon sale, however, a new market value is established, whether the sale is to a single owner or multiple owners, as in a conversion. Value increases, so do property tax revenues.

Conversions have also played a significant role in helping to reverse urban decay in many areas. Washington D.C. and New York City are prime examples, but here in New Jersey we have seen this positive trend beginning in Jersey City and Hoboken. As the suppliers of housing, we will build, renovate and reconstruct in these areas of New Jersey where it makes economic sense. Builders have not resisted returning to the cities of New Jersey, it is buyers who are deserting the urban areas. The trend of customer willingness to return to our urban areas is only beginning. It would seem the cost of energy is certainly an element of this reemergence of interest in the market. The issues of safety, convenience of facilities and long-term costs still remain to be resolved, but when they are, it will be through the conversion of existing, viable units that we, the suppliers of

housing, will be able to meet this urban redemand most quickly and in the most co: effective manner.

HOW DO CONVERSIONS AFFECT TENANTS, ESPECIALLY THE ELDERLY?

New Jersey's current conversion law is still the strongest in the nation. In fact, only about half the states have even found it necessary to legislate conversion practices. Tenants here have a laundry list of protections both day-to-day and upon conversion.

If a tenant's building is to be converted, he has an automatic right to buy his apartment. It cannot even be offered to an outside buyer for three months. If the tenant still elects not to buy, for whatever reason, he has an automatic right to live in that same unit, as a tenant, for at least three, and so long as eight years. This is the current law. The only way in which the developer can remove a tenant from a converting building is to find another apartment for him. That apartment must be comparable in rent, size, proximaty to employment, etc., etc. Alternatively, the owner can give the tenant six months free rent, or a cash payment of equal amount, essentially as a payment for the tenant to move after three years.

Among members of the Apartment House Council, we know of no eviction ever in New Jersey because of conversion. Considering apartment tenants demographically are one of the most voluntarily mobile segments of the population, we doubt that it would ever be the case that large numbers of tenants would face eviction because of conversion of their homes.

The AHC and the NJBA has long recognized the crucial shortage of affordable housing in New Jersey and have urged Administration response. We further acknowledge that one particular segment of the tenant population is vulnerable to hardship upon conversion; elderly people of modest means who live in converting apartment buildings.

It is the responsibility of all of us in New Jersey to assist these people and spare them as much hardship as humanly possible. We have a proposal to do so.

In 1976, voters in New Jersey made the decision to allow casino gambling in Atlantic City. Primary among the public interest reasons for the acceptance of the referendum were two factors; revitalization of Atlantic City and the surrounding area and assistance through the new revenues which would flow to the state, for New Jersey's elderly population.

It cannot be argued that casino gaming has brought new life to a decaying resort city, but significant help for the elderly has yet to arrive. The area of possible conversion hardship among senior citizens is an appropriate place to begin.

One of the recent imaginative developments in home financing presents an excellent framework for the state to begin to fulfill its obligation to New Jersey's elderly at an extremely low cost. The idea of shared appreciation, or equity, between the mortgagee and buyer is a new concept. We see it as an elegant and totally equitable way in which elderly tenants of limited means can be saved from hardship if the building in which they reside converts to a condominium or cooperative.

We propose this plan for elderly people, 62 or older, of modest income, say for instance twice the state median, who live in a converting building as their only residence and have lived there for a certain period of time. We suggest this be two years prior to the application for conversion and filing of the master deed.

These tenants, upon proof that they meet the above criteria, would be eligible to receive a kind of Shared Appreciation Mortgage (SAM) directly from casino revenue funds. These people would receive a subsidized interest rate or downpayment assistance or assistance with monthly maintenance charges, or a combination of all three. In return, the state would receive one-half of the appreciation on the unit upon sale or other change in title. A surviving eligible spouse would continue to enjoy the same favorable mortgage terms.

The operation of this plan would enable conversions to continue with all their positive effects while placing the protection of the potential victims of the process where it belongs. The funds available from casino gaming are certainly sufficient to subsidize mortgage rates down to, say, 7 percent, reduce the required down-payment, and in a high maintenance charge corporation like a cooperative, assist there. In return, when eventually a sale occurs, New Jersey stands to recoup more than the outlay and other costs involved in the program.

We are certainly willing and eager to work with the Administration in formulation of legislation to put this plan into effect. In fact, we urge it be given top priority.

Thank you for your attention.

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TESTIMONY OF WENDELL A. SMITH, ESQUIRE
GOVERNOR BYRNE'S HEARING ON
CONDOMINIUM AND COOPERATIVE CONVERSIONS
JANUARY 31, 1981

My name is Wendell A. Smith and I am a partner in the law firm of Greenbaum, Greenbaum, Rowe & Smith with offices in Newark and Woodbridge. I'm a member of both the New Jersey and the New York bars and have practiced almost exclusively in the area of real estate law for the last 20 years. I have been involved professionally with condominium projects, in general, for over 15 years and have been dealing with conversions specifically since approximately 1973. Today, well over 50% of my practice deals with condominiums, co-operatives and other common ownership developments, currently including approximately 40 condominium and co-operative conversion projects in various stages of planning and development totaling over 9000 units.

Over the years, I have lectured extensively on condominiums in general, and conversions in particular, for various groups such as the New Jersey Institute for Continuing Legal Education, the New Jersey Association of Realtors, the New Jersey Builders Association, the New Jersey Mortgage Bankers Association and the Society of Professional Assessors. I also served as Charter President

of the New Jersey Chapter of Community Associations Institute and currently am a member of its Board of Directors. In addition, I serve as a member of the national CAI Practitioners Council and as Co-chairman of the national Publications Committee of the Institute.

Hopefully, the scope of the experience which I have outlined for you has given me some perspective and knowledge about condominium and cooperative conversions which I can share with you today. I shall endeavor to concentrate my remarks on the legal, rather than the philosophical, sociological or demographic aspects of conversions upon which I shall also touch.

At the outset the real issues should be identified. In other words, what would we really intend to accomplish by the adoption of additional legislation or regulations?

Assuming that our disclosure laws are adequate to protect purchasers, the primary legitimate purpose of any additional restrictions on conversion would be to protect tenants from being unfairly displaced from their apartments if they do not wish to or cannot purchase them and cannot locate or afford alternate comparable housing within a reasonable time. However, if the existing protection is sufficient, and I feel that it is..., I would hope that the government and the real estate industry would concentrate on constructive solutions to provide for those who need affor-

dable housing of all types, both rental and for sale, through the development of innovative programs in both the private and public sectors.

If one agrees with my basic premise, then a good place for me to start would be to outline for you the provisions of our existing law governing displacement of tenants, adopted in 1975. I refer to it as the "Fair Eviction and Notice Law" and you can find it in N.J.S.A. 2A:18-61.1, et seq. and the regulations promulgated pursuant thereto (N.J.A.C. 5:24-1.1, et seq.).

In essence, this Law provides that as a practical matter, each existing tenant who does not choose to purchase his apartment will have a minimum period of 4 years and 2 months before he can be evicted, starting with receipt of official notice that the building in which he resides is being converted to a condominium or co-op. This period can stretch out to more than 8 years if the landlord chooses not to waive payment of 6 months rent after the end of the first 50 months, 5 months of which rent is labelled "hardship relocation compensation" and the other month of which is labelled "moving expense compensation". This also assumes that the conversion plan of the landlord contemplates the eviction of tenants which, in my experience, is often not the case, since many converters would prefer to permit apartments to become vacant and available for sale through

the normal attrition process or to sell apartments to investors who would take title, subject to the existing tenancies.

To extend by moratorium or otherwise what is currently by far the most restrictive eviction period in the nation for conversions seems unnecessary and nothing but "double-kill".

Let me be more specific about the minimum statutory eviction period for non-purchasing tenants residing in converted buildings in other states when I last checked them a few months ago and I think that you will quickly see why I alluded to the "double-kill" effect. In Connecticut and Tennessee, the minimum period was 60 days; in New Hampshire, it was 90 days; in Virginia, it was just increased in last year's session of the legislature from 90 to 120 days, which was also the minimum period in the District of Columbia, Florida, Illinois, Michigan and Wisconsin. In Maryland, it was 180 days and in New York, 2 years, if there was an eviction plan. Indeed, the Uniform Condominium Act which was drafted, approved and recommended for enactment in all states by the National Conference of Commissioners on Uniform State Laws in 1977, approved by the American Bar Association in 1978, and recently adopted in West Virginia, Minnesota, and Pennsylvania only provides for a 120 day minimum eviction period.

Obviously, the theory of all these Laws is that a fair balance should be struck between the competing interests of tenants who may be displaced because they cannot or choose not to purchase their apartments and those persons who are able to afford and desire to purchase a home. Certainly, the existing minimum period of at least 50 months in New Jersey, which is over 12 times that provided in the Uniform Condominium Act and most other states, would seem to go far beyond fundamental concepts of fairness as perceived in other states with similar and perhaps more severe problems. To add additional restrictions, in my mind, would seem unnecessary from the standpoint of tenant protection.

Secondly, restrictions that prevent conversions from a practical and economic standpoint would also prevent the receipt of real property tax revenues that would be generated by conversions and which are desperately needed by many hard-pressed municipalities in our State. Typically, real estate tax assessments increase at least 200 to 300% when a conversion occurs. How much longer can we afford to continue to penalize the single family homeowners of this State who continue to pay more than their fair share of real estate taxes in order to subsidize tenants who are protected by arbitrary controls?

If I may shift gears at this point, I would like to deal briefly with some of the commonly held beliefs con-

cerning conversions, some of the possible constructive solutions to the real problem of providing affordable housing, and the potential public benefits.

There are many studies around dealing with the root causes of the conversion phenomena and the advantages and disadvantages to tenants, purchasers, and the general public. However, I will for the moment leave this to the testimony of others, and allude only to some of the conversion myths that have been dispelled by some or all of these studies:

First I would mention some of the highlights of the 400 page HUD study on "Converting Rental Housing to Condominiums and to Cooperatives" which was published in July, 1980. Among other things it concluded as follows:

A. Quick profits do not cause conversions since 62% of all tenant purchasers buy for economic purposes.

B. Between 1970 and 1979, only 1.3% of the rental supply nationwide (366,000 units) was converted. In Washington, D.C. which was one of the most active markets, only 8% of the rental supply was converted.

C. There is a corresponding decrease in the demand for rental units as conversions take place since tenants in the converted building or elsewhere in the community constitute the great majority of the purchasers. Out of the 366,000 units which were sold during 1970 to 1979,

there was only a net loss of 18,000 rental units or approximately 5%. It is extremely important to understand this concept.

D. On a nationwide basis, 30% of all tenants purchase their units.

E. 20% of the remaining 70% of the tenants who move (or 14% of the total) are over age 65 and a very small percentage of these are low or moderate income tenants.

F. Increased housing costs paid for converted units in many cases would have been reflected in higher rents had the buildings not been converted.

In addition, there are similar studies which tend to prove that displacement claims are exaggerated:

1. According to a National Association of Realtors survey, up to 50% of the tenants buy to take advantage of discounts, to avoid the move, to protect their investment in their leasehold improvements, etc.
2. Pursuant to a Washington, D.C. survey in mid 1978, over 50% of the non-buying tenants relocated within a 6-block radius within 90 days after eviction. The survey found that although their rents were 14% higher on the average, they found space which was 7% greater on the average.

3. The turnover rate in most urban areas is between 25 and 33% annually in rental apartments.

According to William E. Becker, a nationally known marketing consultant from Teaneck, New Jersey, the number of tenants unable to afford the purchase of a new unit is usually very small. Mr. Becker indicates it is generally estimated that the tenant can afford to pay monthly carrying costs of up to 150% more than the rent before taking tax deductions into consideration. He further states that 3 to 5% of all tenants in conversion buildings are truly unable to fend for themselves financially; however, these figures vary significantly depending upon the building involved. There are potential solutions however to help those disadvantaged persons who are genuinely unable to afford to purchase their units. These include:

- A. Downpayment loans to be paid out of resale proceeds from a unit.
- B. Mortgage payment assistance such as interest subsidy.
- C. Loan guarantees for marginal tenant buyers.
- D. Permission for regulated lenders to utilize tenant discounts for downpayments.
- E. Rental assistance such as Section 8 for a tenant who remains in an investor-owned apartments.

- F. Interest rate subsidy, tax abatement, or greatly accelerated appreciation for an investor who permits a tenant to stay at below market rent.
- G. Reasonable relocation assistance.
- H. Additional incentives to private enterprise to build alternative housing or to rehab same.
- I. Technical assistance, loan guarantees funding to permit self-conversion by tenants.
- J. Earmarking of incremental tax revenues generated by conversion for alleviating conversion related problems.
- K. A special transfer tax levied on the converter to help create a conversion assistance fund.
- L. Internal quota or subsidy programs sponsored by the converter for senior citizens, low income, or handicapped tenants in a conversion project.

As most of us know, however, the conversion phenomena is only one part of a housing revolution now taking place in our country. Bandaid types of legislation will not treat the underlying and major problems, namely, that rental housing, federally initiated and privately owned, as we have known it, may soon become extinct unless we come up with creative and acceptable alternatives. Certainly today's

economics which produce the ever widening gap between the cost of constructing and operating new rental properties and the ability of tenants to pay rents that will yield a reasonable economic return to the landlord on these costs (or in many cases, governmental rent control affecting same), coupled with increasingly less favorable tax laws regarding depreciation for the landlord, have made or will soon make new rental housing extinct.

In conclusion, one of the solutions for saving our cities from further decay may well be even more widespread conversion to condominium or cooperative ownership in all price ranges and what is looked at by some as a problem, might become the solution. I think this is starting to happen with the James Street Commons Project in Newark with which I am involved and with which the Governor is familiar - a project which is aided significantly by a 30-year graduated tax abatement bill which you endorsed. Certainly this is the thrust of a recent article in the Spring, 1980 Quarterly Review of The Federal Reserve Bank of New York entitled "Co-op Fever in New York City", wherein the authors concluded:

"The growth which has occurred in co-op housing is generally viewed as a positive development for New York. Co-ops are playing an integral part in revitalizing decaying neighborhoods as well as in sustaining current residential areas. Co-op owners add cohesion and stability to

city neighborhoods since they are not only less transient than renters but also more likely to be involved in community affairs. Indeed, as the purchase of a home is often an individual's largest lifetime investment, there is a strong financial motive in seeing to it that co-op housing units are as well if not better maintained than rental apartments.

Detracting from these benefits, however, is the concern that the recent flood of co-op conversions is exacerbating the scarcity of rental housing in New York City. Adding to the concern is the fact that private co-ops tend to be concentrated in just a few residential neighborhoods, and the more popular ones at that. Since New York City attracts a large, mobile population and encompasses many poor and elderly people, such a situation means inconvenience for some and outright economic hardship for others.

Yet the extent to which co-op conversions are actually contributing to the scarcity of rental housing in New York City is unclear. In large part, the current shortage can be traced to the city's rent laws which prevent rental receipts from rising apace with the operating costs of buildings. These rent regulations also greatly inhibit the construction of new multi-family buildings. Consequently, far from being the root cause of a scarcity of rental housing, co-op conversions are instead the housing market's reaction to the intensifying cost pressures induced by the city's rent laws. As such, co-op conversions are helping conserve and upgrade the city's stock of residential housing.

Despite the beneficial effects of co-ops, the planning boards in some neighborhoods have instituted zoning restrictions which limit changes in existing buildings. New York City, however, has not adopted a general moratorium on conversions, as has

been done in some other metropolitan areas. Indeed, the productive value of moratoriums remains questionable since they themselves do not encourage new building or add to the total housing stock. These impediments to the working of a free marketplace may actually decrease the total stock because landlords who are not allowed to convert may then neglect and ultimately abandon their buildings.

On balance, co-ops may well represent a key ingredient in New York City's search for long-run economic health. Indeed, with co-ops as an option, the city's middle-class population no longer faces an either-or choice between the diverse appeals of city living and the lure of homeownership with its economic advantages. In view of the costs as well as the benefits of co-op conversions, it seems likely that New York's current policy of permitting the spread of co-ops while simultaneously safeguarding tenants' rights is the best strategy at this time."

I endorse this view for New Jersey and in my opinion, since we already have by far the most stringent tenant safeguards in the nation, we need to concentrate on ways to encourage conversions in order to help preserve our urban housing stock and to help revitalize our cities. Solutions to protect any low income, elderly or other tenants who may genuinely need help should be compatible with this philosophy. Unfortunately, most of the proposed legislation which is sponsored by tenant groups, encompasses ideas such as moratoriums, life tenancies, tenant consents, etc. which would not only inhibit, but outright prevent any future conversions.

In my view these solutions are not solutions at all to the greater problem of providing affordable housing, preserving the housing stock and rebuilding the residential neighborhoods of our cities. Further, most empirical evidence which is available would suggest that generally only a very small segment of the tenant population may need additional help when an apartment is converted. Accordingly, we should focus on constructive solutions in these areas along the lines I have indicated, rather than to indiscriminantly lump all tenants into the same class as is the case with most tenant sponsored legislation.

Politically the latter makes some sense. Intellectually it does not and does not serve the best interest of the public at large.

Governor Byrne, I am aware of and applaud your concern for the rebirth of our urban areas. Hopefully you will share many of my views and during your last year in office be able to effect some of the constructive measures I have proposed in those areas where you find a legitimate need exists.

Thank you.



NATIONAL
RETIRED
TEACHERS
ASSOCIATION

AMERICAN
ASSOCIATION
OF RETIRED
PERSONS

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My name is Russell Heeren, I am the chairman of the New Jersey Joint Legislative committee for the American Association of Retired Persons - National Retired Teachers Association. With me is Mr. George Hare, NJ's director of the National Retired Teachers Association.

We wish to express our sincere thanks to you Governor Byrne for assuming the responsibility of calling this hearing on condominiums and cooperatives conversion and its affect on the elderly.

For the past two years we have had requests to stop the increasing number of condominiums which are springing up throughout the state and subsequently displacing the elderly. Many of our members have felt heart sick at the prospect of having to leave a home and neighborhood in which they feel secure. This problem is compounded due to the exorbitant expense and available housing.

The associations have been working for over a year to get legislation passed that would give assurances to the elderly that they would not face displacement due to any form of conversion.

Bills 1032 - A 2243 - A2266 - A2301 - S 1235 + A20: 530
already in the hopper should be examined and a bill prepared to take care of this situation. In the meantime a two year moratorium should be adopted immediately.

Mildred I. Moore
President NRTA

Olaf J. Kaasa
President AARP

Cyril F. Brickfield
Executive Director

until legislation can be enacted.

We thank you for the opportunity to appear and express the views of our associations.

TESTIMONY FROM: DAVID LAUBER

I ASSUME YOU ARE NOT LOOKING AT CONDOMINIUM CONVERSION AS GOOD OR BAD PER SE, BECAUSE IT IS NOT. AND I ASSUME YOU ARE NOT LOOKING AT CONVERSION IN THE SENSE OF HOMEOWNERSHIP VS. RENTING. THAT'S AN INDIVIDUAL CHOICE. IT MUST FIT EACH INDIVIDUAL'S HOUSEHOLD NEEDS. NOT EVERYONE IS SUITED FOR OR DESIRES HOMEOWNERSHIP. AND I ASSUME YOU ARE NOT LOOKING AT THIS WITHIN THE CONTEXT OF PROPERTY RIGHTS VS. GOVERNMENTAL CONTROL. THIS QUESTION WAS SETTLED 60 YEARS AGO BY THE UNITED STATES SUPREME COURT IN BLOCK V. HIRSCH: "HOUSING IS A NECESSITY OF LIFE. ALL THE ELEMENTS OF A PUBLIC INTEREST JUSTIFYING SOME DEGREE OF PUBLIC CONTROL ARE PRESENT." IN ADDITION THE STATE OF NEW JERSEY CREATED THE CONDOMINIUM FORM OF OWNERSHIP BY LEGISLATIVE ACT, AND CAN LIMIT FUTURE CREATIONS OF CONDOMINIUMS WHEN THE STATE FINDS THEM TO HAVE ADVERSE EFFECTS.

INSTEAD, THE CENTRAL ISSUE IN CONDOMINIUM CONVERSION IS HOW CONDOMINIUM CONVERSION EFFECTS THE ABILITY OF CITIES TO MEET THE HOUSING NEEDS OF THEIR RESIDENTS, ESPECIALLY MIDDLE, MODERATE AND LOW INCOME HOUSEHOLDS. CONDOMINIUM CONVERSION IS AN ISSUE THAT MUST BE VIEWED WITHIN THE CONTEXT OF OVERALL HOUSING NEEDS.

IT'S ESSENTIAL TO FIRST LOOK AT THE DEMONSTRATED EFFECTS OF CONDOMINIUM CONVERSION. THE INFORMATION THAT I WILL REVIEW HERE IS BASED ON STUDIES CONDUCTED BY PRESUMABLY IMPARTIAL

RESEARCHERS, LARGELY CITY PLANNING DEPARTMENTS. THEY ARE NOT BASED ON STUDIES FINANCED BY ANY SEGMENT OF THE CONDOMINIUM CONVERSION INDUSTRY SIMPLY BECAUSE ITS RESEARCHERS HAVE A CONFLICT OF INTEREST THAT SEEMS TO BE THE ONLY EXPLANATION FOR THIS FREQUENTLY SLOPPY RESEARCH THEY HAVE CONDUCTED. SEE PAGE 203 OF THE ATTACHED JOURNAL OF HOUSING ARTICLE FOR A PARTIAL LIST OF THE STUDIES TO WHICH I SHALL BE REFERRING.

THESE STUDIES REPEATEDLY SHOW THAT THERE IS NO PHENOMENON IN AMERICA TODAY MORE INFLATIONARY THAN THE CONVERSION OF RENTAL APARTMENTS TO CONDOMINIUMS OR COOPERATIVES. TYPICALLY THE MONTHLY COST OF LIVING IN AN APARTMENT IS INCREASED BY 60 TO 100 PERCENT WHEN IT IS CONVERTED TO CONDOMINIUM. THIS FIGURE DOES NOT INCLUDE TAX BENEFITS WHICH ARE OF VALUE ONLY AT TAX REFUND TIME AND ARE LESS THAN DEVELOPERS CLAIM (DEVELOPERS ROUTINELY IGNORE THE STANDARD DEDUCTION THAT ANY HOUSEHOLD GETS WHEN THE DEVELOPERS CALCULATE THE TAX BENEFITS OF CONDOMINIUM OWNERSHIP.) A BUYER MUST STILL HAVE THAT INCREASED COST UP FRONT EACH MONTH.

COSTS DO NOT REMAIN STAGNANT IN CONDOMINIUM OWNERSHIP. MONTHLY ASSESSMENTS ARE TYPICALLY UNDERESTIMATED - DEVELOPERS CALL THIS "LOW-BALLING". FOR EXAMPLE, IN CHICAGO MONTHLY ASSESSMENTS INCREASED ON AN AVERAGE OF 18 TO 20 PERCENT THIS YEAR ALONE. RATHER THAN BEING A PROTECTION AGAINST INFLATION, CONDOMINIUM CONVERSION IS A PRIMARY CAUSE OF INFLATION. WE WILL NEVER GET THE GENERAL RATE OF INFLATION UNDER CONTROL UNTIL WE CONTROL ITS COMPONENTS SUCH AS HOUSING COSTS.

THE OTHER MOST RELEVANT AREA OF CONCERN IS DISPLACEMENT. THESE SAME STUDIES SHOW A DISPLACEMENT RATE OF 75 PERCENT OR MORE DUE TO CONVERSION. IN SOME CITIES MANY OF THESE TENANTS ARE FORCED TO LEAVE THE COMMUNITY BECAUSE VACANCY RATES ARE SO LOW THAT AFFORDABLE REPLACEMENT HOUSING IS NOT AVAILABLE. THESE ARE OFTEN LONG TIME RESIDENTS WHO, FOR EXAMPLE, IN EVANSTON, ILLINOIS HAD LIVED IN APARTMENTS AN AVERAGE OF 7.2 YEARS AND HAD LIVED IN EVANSTON AN AVERAGE OF 20.57 YEARS. WHILE THESE FIGURES ARE FOR CITIES OUTSIDE NEW JERSEY, THE PATTERN IS ABUNDANTLY CLEAR. CONVERSION IS AN URBAN PHENOMENON NATIONALLY, WHEN THE RIGHT INGREDIENTS ARE THERE IT PRODUCES THE SAME EFFECTS IN EACH CITY NO MATTER WHAT STATE IT IS IN. A LOW RENTAL VACANCY RATE, WHICH IS INDICATIVE OF A SHORTAGE OF RENTAL HOUSING, IS PRESENT IN NEW JERSEY.

OVERALL EFFECTS ON HOUSING STOCK:

THE OVERALL EFFECTS OF CONVERSION IS TO DIRECTLY INCREASE THE COST OF HOUSING ONCE AFFORDABLE TO LOW, MODERATE AND MIDDLE INCOME HOUSEHOLDS BEYOND THEIR REACH.

FOR EXAMPLE, OAK PARK'S 1979 CONDOMINIUM SURVEY QUESTIONNAIRE REPORT CONCLUDES: "OAK PARK'S SUPPLY OF MIDDLE, - MODERATE, - AND LOW-INCOME HOUSING IS BEING DEPLETED DIRECTLY, AND PERHAPS INDIRECTLY, DUE TO CONDOMINIUM CONVERSIONS. RENTALS FOUND IN THIS STUDY RANGED FROM \$200 A MONTH TO \$375, DEFINITELY WITHIN THE RANGE OF LOW- TO MIDDLE-INCOME HOUSING. CLEARLY CONDOMINIUM CONVERSION IS NOT RESTRICTED TO HIGHER RENT UNITS IN OAK PARK."

SIMILARLY, EVANSTON'S HUMAN RELATIONS COMMISSION REACHED THE FOLLOWING CONCLUSION ABOUT THE TRADITIONALLY RACIALLY AND SOCIO-ECONOMICALLY DIVERSE COMMUNITY: "THE CONTINUED AVAILABILITY OF HOUSING AFFORDABLE, ON A RENTAL BASIS, BY LOW- AND MODERATE-INCOME FAMILIES AND THE FIXED-INCOME ELDERLY CANNOT BE ASSURED BY OPERATION OF THE REAL ESTATE MARKET PLACE. THUS THE CITY MUST ACT . . . TO PREVENT CONDOMINIUM CONVERSION FROM ERECTING AN ECONOMIC WALL THAT FORECLOSES THE ENTRY INTO THE EVANSTON COMMUNITY OF UPWARDLY MOBILE YOUNG FAMILIES OF DIVERSE BACKGROUNDS AND DISPLACEMENT OF PRESENT LOW- AND MODERATE-INCOME FAMILIES AND THE FIXED-INCOME ELDERLY."

CONDIMINIUM COVERSION IS CLEARLY BECOMING THE BUILT-UP COMMUNITY'S FORM OF EXCLUSIONARY ZONING.

COVERSION ALSO INDIRECTLY DRIVES UP THE COST OF REMAINING RENTAL UNITS. THROUGHOUT THE COUNTRY LANDLORDS ARE USING THE SHORTAGE OF RENTAL HOUSING CREATED FOR CONDOMINIUM CONVERSION AS THEIR EXCUSE TO RAISE RENTS AS MUCH AS 20% OR 30%.

BY INCREASING THE COST OF HOUSING OVERALL, CONDOMINIUM CONVERSION GENERATES A GREATER NEED FOR SUBSIDIZED HOUSING. IT IS GENERALLY ACCEPTED THAT YOU CANNOT PROFITABLY BUILD NEW RENTAL HOUSING WITHOUT GOVERNMENT SUBSIDIES UNLESS IT IS LUXURY HOUSING. IN MONTGOMERY COUNTY, MARYLAND, THE HOUSING TASK FORCE FOUND IT WOULD COST \$35,000 TO \$42,500 PER UNIT (IN 1979 DOLLARS) TO REPLACE EXISTING RENTALS WITH NEW CONSTRUCTION.

THE RESULT HAS BEEN AN IMPRUDENT, VERY COSTLY PUBLIC POLICY THAT SERVES NOBODY EXCEPT THE MIDDLE MAN INVOLVED IN THE CONDOMINIUM CONVERSION PROCESS. IT IS ESSENTIAL TO IDENTIFY THESE MIDDLE MEN SINCE MANY OF THEM ARE HERE TO TESTIFY AGAINST EVEN THE MOST MODERATE RESTRICTIONS ON CONVERSIONS LIKE ASSEMBLY BILL #2286. IT IS ESSENTIAL TO BRIEFLY EXPLAIN THEIR FINANCIAL INTEREST IN CONDOMINIUM CONVERSION.

FOR THE SAKE OF AN EXAMPLE IMAGINE A 100 UNIT APARTMENT BUILDING WHICH TYPICALLY WILL CHANGE HANDS NO MORE FREQUENTLY THAN ONCE EVERY 10 YEARS. FIRST, DEVELOPERS MAKE A SUBSTANTIAL PROFIT FROM CONVERSION WITH VERY LITTLE RISK AND RELATIVELY LITTLE INVESTMENT ACCORDING TO HUD'S 1975 CONDO STUDY.

SECOND, LANDLORDS CAN REALIZE AN EXTRA 30% RETURN WHEN THEY SELL TO A CONVERTER INSTEAD OF SOMEONE WHO WILL RETAIN THE BUILDING AS RENTAL.

REALTORS LIKE CONVERSIONS BECAUSE IT PRODUCES COMMISSIONS. WHILE THEIR 100 UNIT BUILDING WAS RENTAL, THERE WOULD BE ONE COMMISSION FOR SELLING EVERY 10 YEARS. AS A CONDOMINIUM, THERE ARE 100 COMMISSIONS TO BE PAID WITH THE INITIAL CONVERSION AND ADDITIONAL COMMISSIONS TO BE PAID ON THE RESALE OF EACH UNIT. REAL ESTATE SOURCES TELL ME THAT ONE CAN EXPECT THE CONDOMINIUM UNIT TO BE RESOLD ONCE EVERY 3 TO 5 YEARS. SO FOR THIS BUILDING WE ARE TALKING ABOUT ANOTHER 2 TO 300 SALES, AND REAL ESTATE COMMISSIONS, DURING THE NEXT 10 YEARS.

TITLE COMPANIES LOVE CONVERSIONS FOR ROUGHLY THE SAME REASON. WHERE THERE HAD BEEN ONE TITLE FOR THE BUILDING TO BE SEARCHED AND INSURED, THERE ARE NOW 100 TITLES TO BE SEARCHED AND INSURED WITHIN THE TIME OF CONVERSION AND TO BE SEARCHED AND INSURED EACH TIME A UNIT IS RESOLD.

BANKS ARE QUITE HAPPY TO SEE A BUILDING CHANGE FROM RENTAL TO CONDOMINIUM BECAUSE IT MEANS THE TERMINATION OF A LOW INTEREST MORTGAGE GRANTED MANY YEARS AGO. INSTEAD THE BANKS WILL NOW PROVIDE MORTGAGES TO EACH UNIT BUYER, ALL THE WHILE CHARGING POINTS ON EACH SALE, AT A HIGHER RATE AND EFFECTIVELY FOR A MUCH SHORTER PERIOD OF TIME SINCE THESE UNITS WILL CHANGE HANDS MORE FREQUENTLY THAN THE WHOLE APARTMENT BUILDING USED TO CHANGE HANDS.

ATTORNEYS LIKE CONVERSION DUE TO THE INCREASED BUSINESS IT PROVIDES. NOT ONLY MUST A DEVELOPER HIRE AN ATTORNEY TO PREPARE THE NECESSARY DOCUMENTS, BUT EACH BUYER AND SELLER OF UNITS (AT THE INITIAL CONVERSION AND ON RESALE) MUST HIRE AN ATTORNEY. PLEASE NOTE THAT THE AMERICAN BAR ASSOCIATION REPORTS THAT THE SINGLE LARGEST PORTION OF A GENERAL PRACTITIONER PRACTICE IS REAL ESTATE TRANSACTIONS.

REAL ESTATE APPRAISERS LIKE CONVERSION BECAUSE EACH UNIT REQUIRES AN APPRAISAL BEFORE ITS INITIAL SALE AND LATER REALES. SIMILARLY, LAND SURVEYORS AND ENGINEERS FREQUENTLY TESTIFY IN FAVOR OF CONVERSIONS BECAUSE IT GENERATES BUSINESS FOR THEM AS WELL.

FINALLY, SPECUALTORS HAVE ENJOYED CONVERSION AS A TAX SHELTER AND A SPECULATIVE VENTURE.

IN ALL OF THESE CASES THESE PROFESSIONAL GROUPS BENEFIT FROM CONVERSION BY FORCING UP COSTS. UNFORTUNATELY, THESE INCREASED COSTS, PARTICULARLY MORTGAGE MONEY THAT IS TIED UP IN HIGHER PRICES FOR THE UNITS IN A BUILDING, DO NOT GET ANY NEW HOUSING BUILT. THEY JUST INCREASE THE COST OF EXISTING HOUSING.

CONCLUSION

THIS PUBLIC POLICY LETS US ALLOW EXISTING RENTALS, WHICH HAVE BEEN AFFORDABLE TO LOW, MODERATE AND MIDDLE INCOME HOUSEHOLDS AND HAVE BEEN PROVIDED AT A PROFIT BY THE PRIVATE SECTOR WITHOUT SUBSIDY, TO BE TURNED INTO HIGHER INCOME HOUSING. THIS SIMPLY CREATES A NEED FOR MORE SUBSIDIZED HOUSING. A PERFECT EXAMPLE IS THE CONVERSION OF THE 2,600 UNIT SANDBURY VILLAGE COMPLEX IN CHICAGO TO CONDOMINIUMS. THERE, A ONE BEDROOM APRTMENT RENTING FOR \$300 A MONTH NOW COSTS OVER \$700 A MONTH AS A CONDOMINIUM. TO REPLACE THIS RENTAL HOUSING WITH NEW RENTALS, THE CITY OF CHICAGO IS ISSUING A 200 MILLION DOLLAR TAX FREE REVENUE BOND TO HELP FINISH THE CONSTRUCTION OF THE 2,000 UNIT PRESIDENTIAL TOWERS APARTMENTS WEST OF DOWNTOWN CHICAGO. EVEN WITH THIS PUBLIC SUBSIDY, STUDIO APRTMENTS WILL RENT FOR NO LESS THAN \$700 A MONTH. I FAIL TO SEE THE LOGIC THAT PERMITS THIS KIND OF WASTEFUL AND EXPENSIVE PUBLIC POLICY.

IT WOULD MAKE MORE SENSE TO KEEP THE AFFORDABLE UNITS THE WAY THEY ARE AND LET DEVELOPERS BUILD NEW CONDOMINIUMS WHICH DO NOT REQUIRE A SUBSIDY TO BE PROFITABLE TO MEET THE LIMITED NATURAL DEMAND FOR CONDOMINIUM OWNERSHIP. (THE JOURNAL OF HOUSING ARTICLE EXPLAINS IN DETAIL THE DIFFERENCE BETWEEN NATURAL DEMAND AND THE ARTIFICIAL DEMAND CREATED BY SPECUALTORS AND TENANTS WHO PURCHASE THEIR RENTALS RELUCTANTLY.)

IT WOULD MAKE MUCH MORE SENSE TO LIMIT CONVERSION TO MEET NATURAL DEMAND -- WHICH IS EXACTLY WHAT ASSEMBLY BILL 2286 DOES. THIS IS A VERY MODERATE RESPONSE, ESPECIALLY WHEN COMPARED TO THE WAY IN WHICH SEVERAL CITIES HAVE COMPLETELY HALTED CONVERSIONS. I WILL NOT GO INTO THE LONG LIST OF CITIES THAT RESTRICT CONVERSIONS -- THEY APPEAR IN THE JOURNAL OF HOUSING ARTICLE. IT IS IMPORTANT TO NOTE THAT NONE OF THESE LAWS THAT LIMIT THE PRIVILEGE OF CONVERSION HAVE BEEN OVERTURNED IN COURT.

ASSEMBLY BILL 2286 IS A REASONABLE AND MODERATE ATTEMPT TO PREVENT ABUSE OF THE HOUSING MARKET THAT FORCES CONDOMINIUM CONVERSION ON UNWILLING COMMUNITY RESIDENTS. IT WILL PROVE TO BE A MAJOR FACTOR IN HELPING CITIES TO PRESERVE THEIR AFFORDABLE HOUSING AND MEET THE HOUSING NEEDS OF THEIR EXISTING RESIDENTS. IT IS VERY DIFFICULT, EVEN TODAY, TO MEET THESE NEEDS WITH INFLATIONARY SECTION 8 SUBSIDIES. IT WILL BE IMPOSSIBLE TO MEET THEM IF FORCED CONDOMINIUM CONVERSIONS ARE ALLOWED TO CONTINUE. NEW JERSEY HAS IRREPLACABLE UNRESTRICTED SUPPLIES OF AFFORDABLE RENTAL HOUSING THAT THE TAXPAYERS OF THE STATE CANNOT AFFORD TO LOSE. I WOULD URGE THE GOVERNOR AND LEGISLATURE TO ENACT ASSEMBLY BILL 2286 AS SOON AS POSSIBLE AND IF THERE IS ANY DELAY, TO IMMEDIATELY IMPOSE A MORATORIUM ON CONVERSIONS UNTIL THIS BILL CAN BE ENACTED.

Table I

Conversion of rental apartments to condominiums or cooperatives

	4-1-79 to 9-30-79	10-1-79 to 3-31-80	4-1-80 to 9-30-80	10-1-80 to 1-16-81*	TOTAL
	PROJECTS-UNITS	PROJECTS-UNITS	PROJECTS-UNITS	PROJECTS-UNITS	PROJECTS-UNITS
Bergen	4 - 630	6 - 1788	12 - 2145	26 - 3548	48 - 8111
Atlantic	2 - 408	4 - 506	9 - 1276	16 - 1759	31 - 3949
Camden		1 - 92	1 - 163	7 - 545	9 - 800
Monmouth		2 - 134	3 - 182	11 - 1104	16 - 1420
Essex		1 - 275	1 - 87	8 - 782	10 - 1144
Hudson			1 - 20	2 - 459	3 - 479
Cape May		1 - 25		3 - 94	4 - 119
Union			1 - 20	2 - 570	3 - 590
Passaic				3 - 290	3 - 290
Mercer			1 - 52	1 - 96	2 - 148
Ocean			1 - 12	1 - 15	2 - 27
Total	6 - 1038	15 - 2820	30 - 3957	80 - 9265	131 - 17077

*includes pending registrations

Registered Condominium and Cooperative Conversions

June 1979 - November 1980

Northern Counties June 1979 - May 1980

<u>PROJECT</u>	<u>UNITS</u>	<u>SALE PRICE RANGE</u>	<u>AV. SALE PRICE</u>	<u>COUNTY</u>	<u>FORM</u>
Baridge House	139	43,600 - 92,200	67,900	Bergen	
Devonshire	160	26,500 - 97,500	62,000	Bergen	
Northridge Park	277	27,200 - 87,900	57,550	Bergen	Co-op
Deauville Towers	54	23,600 - 72,800	48,200	Bergen	
Hampshire House	203	35,000 - 118,000	76,500	Bergen	
Bristol House	143	47,800 - 89,700	68,750	Bergen	
Terrill Manor	72	23,000 - 35,000	29,000	Bergen	
Claridge House I	275	46,530 - 130,050	88,290	Essex	
Blarritz	49	37,000 - 96,600	66,800	Bergen	
Horizon House	1248	25,700 - 103,000	64,350	Bergen	Co-op
Brinkerhoff Manor	59	46,900 - 128,000	87,450	Bergen	
<u>Totals</u>	2679	23,000 - \$128,000	\$66,582		

Southern Counties June 1979 - May 1980

Plaza 22	25	28,000 - 47,500	37,750	Cape May	
Provincial	92	20,500 - 55,200	37,850	Camden	
<u>Totals</u>	117	\$20,500 - \$55,200	\$37,829		

Northern Counties June 1980 - November 1980

<u>PROJECT</u>	<u>UNITS</u>	<u>SALE PRICE RANGE</u>	<u>AV. SALE PRICE</u>	<u>COUNTY</u>	<u>FORM</u>
Manhattan View	20	45,000 - 67,500	56,250	Hudson	
Harmonct	31	29,000 - 37,000	33,000	Bergen	

<u>PROJECT</u>	<u>UNITS</u>	<u>SALE PRICE RANGE</u>	<u>AV. SALE PRICE</u>	<u>COUNTY</u>	<u>FORM</u>
Chateau	64	41,000 - 67,000	54,000	Bergen	
Stratford House	133	42,500 - 75,000	58,750	Bergen	Co-op
Galaxy*	1075	75,800 -395,000	235,400	Hudson	
Mediterranean Towers W.	507	41,000 -104,000	72,500	Bergen	Co-op
277 Central Av.	8	34,990	34,990	Bergen	
431 Grand Av.	13	44,000	44,000	Bergen	Co-op
Marlborough House	90	39,000 - 52,000	45,500	Bergen	
Maplewood Plaza	87	21,900 - 79,900	50,900	Essex	
Plaza	74	47,500 - 74,500	61,000	Bergen	
Howell Arms	16	33,000 - 38,900	35,950	Bergen	
Berkely Arms	120	40,800 - 60,100	50,450	Bergen	Co-op
Summit Hill	228	65,000 - 98,400	81,700	Union	Co-op
Crest Ridge	178	56,100 107,900	82,000	Essex	Co-op
Hillcrest	32	39,500 - 67,500	53,500	Essex	
Presidential Towers	120	45,000 -111,000	78,000	Passaic	
Dorchester	48	52,500 - 78,800	65,650	Essex	
Heritage Arms	38	60,000 - 77,200	68,600	Passaic	
<u>Totals</u>	2892	\$21,900 -\$395,000	\$129,702		

*by eliminating the Galaxy which is a luxury structure the average sale price for all projects is \$66,822.

Southern Counties June 1980 - November 1980

<u>PROJECT</u>	<u>UNITS</u>	<u>SALE PRICE RANGE</u>	<u>AV. SALE PRICE</u>	<u>COUNTY</u>	<u>FORM</u>
Stuyvesant Terr.	163	27,000 - 42,700	34,850	Camden	
King James Courts	48	29,900 - 39,900	34,900	Monmouth	
Parkway Gardens	52	28,000 - 37,000	32,500	Mercer	

<u>PROJECT</u>	<u>UNITS</u>	<u>SALE PRICE RANGE</u>	<u>AV. SALE PRICE</u>	<u>COUNTY</u>	<u>FORM</u>
Warwick	277	34,000 - 159,000	96,500	Atlantic	
Breakwater Cove	82	49,900 - 72,900	61,400	Monmouth	
Windsor Arms	12	55,000 - 105,000	80,000	Atlantic	
Colonial Condo	184	20,000 - 59,500	39,750	Camden	
Colonial Arms	16	85,000	85,000	Atlantic	
Red Bank Manor	178	27,500 - 49,500	38,500	Monmouth	
<u>Totals</u>	1012	\$20,000 - \$159,000	\$56,619		

The Economics of Condominium Conversion

Landlord View

Value as rental property (5x annual rent)	\$24,500.
Sale price to condominium developer	\$35,000.

Developer View

Purchase price	\$35,000.
Expense to refurbish/rehabilitate	3,000.
Settlement costs, commissions, marketing & filing costs (6%)	2,280.
Developers markup (50%)	20,140.
Sale price as condominium	60,420.

Tenant View

Current apartment rent (including utilities)	409.
Price as condominium	60,420.
Downpayment (20%)	12,084.
Monthly mortgage payment (20 yrs, 13%)	543.
Property taxes (3.5%)	100.
Maintenance fee and utilities	150.
Total occupancy	\$ 793.
Property appreciation (at 10% annually)	\$ 503.
Value of tax deductions (assuming \$15,000 - \$20,000 income)	30.

TESTIMONY FROM: DAVID M. MADWAY

The late 1970's witnessed the confluence of a number of forces resulting in an unprecedented contraction of the rental housing stock. There is in prospect no change for the early 1980's. The conversion of hundreds of thousands of units of rental housing into condominiums and cooperatives ^{1/} is by no means the only problem. Thousands of units were withdrawn from the rental market simply because owners abandoned them. Conversions, abandonment, an extraordinarily low-level of new rental housing starts, and the phenomenon known as "gentrification" combined to create what is perceived by modest- and lower-income renters as the single greatest threat to their capacity to find and retain decent and affordable shelter.

There is not much that state or local government can do to stop an owner from abandoning his building. Likewise, there is little that government can do to force builders to build new rental units, and the price of encouraging them to do so -- in tax expenditures and direct subsidies -- is increasingly viewed as too expensive. But, as upwards of two hundred units of local government have discovered over the last several years, there is something that can be done about condominium conversions: either stop them altogether or make them so difficult that as a

^{1/} See, "Undocumented Boom: Conversions Doubled in 1978", U.S. Housing Markets, Advance Mortgage Corp., April 20, 1979.

practical matter they simply do not occur.

Nothing that has happened in the housing industry over the past ten years has excited the sort of passion that erupts in a community when the condo converters move in. Middle-income families, and especially the elderly, the vast majority of whom have lived lives of political quiescence, are transformed into radical political activists. The result is that planning commissions, zoning boards and city councils are subjected to political pressure of a magnitude that is almost unprecedented.

A. Displacement and Condominium Conversion: the Seamless Web.

As any Navajo or Sioux will readily agree, displacement is as American as apple pie, though they would probably object to such a benign characterization. The 1950's and '60's saw the full flowering of land-use Darwinism, with all the might of the United States Government behind it, in the form of the Urban Renewal and highway building programs.

Those programs provoked a mid-twentieth century diaspora: hundreds of thousands of people were bulldozed from their homes; communities, in the physical and social sense, were atomized; and political power was dispersed. Factors that tended to soften the physical, if not the emotional and social, consequences did exist. Relative prosperity and relatively low rates of inflation prevailed.

The building industry was for the most part healthy. Mortgage money was available fairly cheaply and we had yet to become enmeshed in a tangle of land-use and environmental restrictions which inhibited new construction and pushed its price up. And probably most important, this period saw some of the highest levels of construction of government-assisted housing.

Finally, belatedly and feebly, the Federal Government responded with the passage in 1970 of the Uniform Relocation and Real Property Assistance Act, 42 U.S.C. 4601 et seq. The Act provides financial assistance, albeit minimal, to people displaced by federal programs. By the time it was enacted, however, most of the steam had gone out of the Urban Renewal and highway programs. But for its victims, the bulk of whom were poor, racial minorities, the damage had been done.

Ensnared by the rising consciousness of the displacees and apprehensions about its cost, the Urban Renewal and highway programs lost favor with Congress. But they leave in their wake a vastly heightened consciousness of, and resistance to, displacement. It is this legacy of outrage which has found succor in the hearts of thousands of tenants facing condo conversions.

In many cities, it is the apartment projects built under the Urban Renewal program which are the focus of the conversion turmoil. There is no small irony in this, for

as the wheel comes full circle, dangling from its spokes are the limbs of the landlords and tenants who were in the most direct sense the beneficiaries of the Urban Renewal programs.

Today, displacement has assumed new and subtler forms. Historic preservation, the return of the middle class to the cities ("gentrification"), abandonment and condo conversions are together responsible for the loss of hundreds of thousands of rental units annually. Estimates are that conversions account for anywhere from 30 - 50 percent of the hemorrhage. ^{2/}

In California, there are 3.6 million tenant households, half of whom have incomes below \$12,000 a year and 38% of whom pay a disproportionate amount of their incomes for shelter costs. For most of those tenants, buying their units is simply out of the question. In 1978 a study conducted jointly by the San Francisco Planning Department and local realtors concluded that 75% of the tenants in converted apartments do not buy their units, largely because they cannot afford them. According to that study, now two years old, it cost more to purchase and carry a converted unit than it did to rent, by as much as 42% to 250%

^{2/} Projections are that upwards of one quarter million units have or will be converted in 1979 and 1980. See, "The Condominium Conversion Crisis", Congressional Record, pp. H7346-51 (1979).

per month. ^{3/}

In a market where the rental housing vacancy rate may be as low as one to two percent -- by no means unusual in urban centers -- the 75% of non-buying tenants are cast adrift in a particularly inhospitable market. For the elderly and the handicapped, the difficulties are compounded. Often they are too infirm to even look for another apartment. Finding one suitable to their special needs is even more difficult. Moreover, medical studies reveal that the elderly suffer significant stress and adjustment problems when they

^{3/} The California State Department of Housing and Community Development has received data on 33 pending conversions. The proposed prices will increase monthly housing costs in each project by 53%. In 70% of the projects, monthly costs after conversion will be more than double pre-conversion levels. In addition, the prices of the units in the majority of these projects will not be below the prices of single-family homes. While 32% of the projects contain units selling for \$60,000 or less, 61% of the projects contain units selling for over \$100,000. A hypothetical purchase situation confronted by the majority of tenants in California (elderly on fixed income, handicapped or disabled, lower-income families with minor dependent children) will illustrate the financial burden of assuming ownership. Total monthly carrying costs are extremely high when assuming \$95,000 purchase price and 13% interest rate.

Example:

pre-conversion rent	= \$350/month	(1978 median rent = \$280/month)
purchase price	= \$95,000	
downpayment (at 20%)	= \$19,000	
settlement/closing fees	= \$2,000	
TOTAL UPFRONT CAPITAL	= \$21,000	
Monthly debt service	= \$840.71	((\$76,000 at 13%
Monthly homeowners fee	= \$150.00	30-year term)
TOTAL MONTHLY COSTS	= \$990.71	

are displaced. ^{4/}

So as the condominium conversion phenomenon begins to slice more deeply into the rental market presently occupied by tenants of moderate- and often fixed-means, the only thing surprising about the resistance with which it is met is that it surprises anyone. With a national rental housing vacancy rate of just under five percent and a vacancy rate in metropolitan areas significantly below that, it would be nothing short of stunning if tenants did anything other than resist the notion of becoming homeowners when the price of admission to the American Dream is probably a minimum of twice what it is costing them to remain as tenants.

To at least some extent, the following factors drive the conversion engine:

- enormous profit potential
- exhaustion of tax shelter benefits
- fear of, or presence of, rent control
- fear of condo conversion limitations
- strong tenants' rights laws
- well-organized tenant unions
- scarcity of land available for
residential development

^{4/}See, "Relocation of the Aged: A Review and Theoretical Analysis", Journal of Gerontology, 32 (May, 1977).

- high single-family housing prices
- high residential land costs
- low rental and ownership vacancy rates.

Thus, for the combatants in the conversion arena, fear is a significant motivating factor. For the tenants, it is the fear of being left without affordable housing and for landlords, it is fear of a lost opportunity for a substantial return on their investment. The stakes are very high.

B. Governmental Reaction.

Legislation generally breaks down into tenant-consumer protections and limitations on conversions themselves. Every state has legislation authorizing the condominium form of ownership. Many jurisdictions have also enacted statutes permitting housing cooperatives. Some have gone even further and created a special category of stock cooperative, known as a limited equity co-op, a form of ownership designed to make cooperative ownership accessible to modest-income families. For the most part, present-day state legislation says relatively little about buyer protections and even less about conversion limitations or other protections for tenants.

The "new wave" in state condo legislation is represented by the Uniform Condominium Act, adopted by the National Conference of Commissioners on Uniform State Laws

in 1977 and approved by the American Bar Association in 1978. The Uniform Act has protections, including a whole range of disclosure requirements, cooling-off periods, and warranties. For tenants in conversion projects, it provides a 90-day eviction notice period, and a 60-day right of first refusal to purchase the unit. It also contains a provision, remarkable for its opacity, which would have the effect of pre-empting local conversion limitations:

A zoning, subdivision, building code, or other real estate use law, ordinance, or regulation may not prohibit the condominium form of ownership or impose any requirement upon a condominium which it would not impose upon a physically identical development under a different form of ownership. Otherwise, no provision of this Act invalidates or modifies any provision of any zoning, subdivision, building code, or other real estate use law, ordinance, or regulation. 5/

At this writing, the Uniform Condominium Act has been adopted in only three states: Minnesota, West Virginia and Pennsylvania. It is presently under consideration in at least a dozen more, and where the tenant lobby has been sufficiently perceptive to notice it, Section 1-106 has become a major point of contest in those state legislatures. Up to this time, only two states, New Jersey and New York, have enacted some sort of conversion limitations, though a number of bills

5/ Uniform Condominium Act § 1-106.

to accomplish that result are presently under consideration in the California legislature. In 1980, Congressman Reuss obtained passage of a "sense of Congress" resolution disapproving lending by federally insured financial institutions in condominium conversion situations where the effect would be to displace low-income, elderly or handicapped tenants.

The New Jersey statute, adopted in 1976, does not in itself bar conversions. It does, however, incorporate a timetable and establish a sequence of conditions precedent to eviction of any tenant. An owner who intends to convert is required to give his tenants 60 days' notice and furnish them with a copy of the conversion plan. Tenants are given the exclusive right to purchase for a period of 90 days. Should a tenant elect not to purchase, the landlord may not institute a dispossess action until three years following written demand for possession. Within 18 months following a demand for possession, a tenant may request the landlord to furnish a reasonable opportunity to examine and rent comparable housing. If suitable housing is not offered by the developer prior to notification of a dispossess proceeding, the court is authorized to grant up to five one-year stays of eviction. Stays are automatically renewed for additional one-year periods in cases where landlords do not offer comparable housing. However, only one stay is authorized if the landlord elects to provide the tenant with a

hardship relocation compensation waiver of payment of five months' rent.

In mid-1977, the New York law relating to conversions, the "Goodman-Dearie Law" expired. Since that time, two separate bills were enacted, one of which applies to all conversions in New York City and the other to conversions in three counties immediately contiguous to the City, on a local option basis. Essentially, the law applicable to New York City requires that 35% of the tenants in occupancy on the date a plan to convert is filed must consent to buy their units. In the event that less than 35% agree, the conversion can still become effective, but tenants who choose to remain cannot be evicted. In addition, persons over 62 years of age and who have resided in the building for two years and whose annual income is less than \$30,000 cannot be evicted.

Most of the anti-conversion activity in units of local government has been concentrated along the two sea boards and in Chicago. Some of these local enactments defy categorization (and understanding), but generally they breakdown as follows:

1. Moratoria -- Many localities that are addressing the conversion issue for the first time, and are under intense pressure, adopt a moratorium on all conversions for a specified time running anywhere from 30 days

to 18 months. Following the expiration of its conversion control moratorium, Washington, D.C. adopted a series of short-term moratorium. On about the third round of these moratoria, the D.C. Superior Court struck down one of these emergency enactments on the grounds that there were no independent legislative findings to support each of the successive moratoria. The District has now adopted a permanent ordinance requiring, among other things, an offer to sell to tenants in the first instance.

2. Limitations Based on Vacancy Rates -- Emphasizing the importance of the rental vacancy rate as an index of housing availability, a number of jurisdictions bar condominium conversions unless the vacancy rate exceeds a certain percentage, usually between three and five percent. In Palo Alto, California, conversions permitted based on the vacancy rate criteria must also be considered on the basis of a vacancy "surplus". The vacancy surplus is determined by multiplying the difference between the threshold, or minimum vacancy rate, and the actual vacancy rate, by the number of rental units in the housing stock. For example, if the vacancy rate is required to be at a five percent level before any conversions are permitted and it is currently seven percent, and there are 2,000 rental units in the market, 40 units could be converted.

In Marin County, California, conversions are authorized only when the number of rental units exceeds 25% of the total

housing stock. Once this criterion is met, it must also be demonstrated that the rental vacancy rate exceeds five percent before any conversions are permitted.

3. Tenant Approvals -- Probably the most popular conversion limitation device is one that assures that conversions are agreeable to at least some percentage of the tenants in a building. In Palo Alto, for instance, two-thirds of existing tenants must consent to a conversion if the vacancy rate is three percent or lower. In San Francisco, 35% must approve the conversion if a building has 50 or more units. In Washington, D.C., all of the tenants in lower- and moderate-income buildings must consent to a conversion. And in New York City, 35% of the current tenants must actually purchase their units if the conversion is to be allowed.

4. Statutory Tenancies and Relocation Protections -- A number of communities have either adopted one or more of the foregoing limitations in tandem with provisions protecting dissenting tenants and providing relocation benefits, or have limited their protections strictly to the latter. The Los Angeles City ordinance, for example, permits conversions only when the vacancy rate in one of the city's planning areas exceeds five percent, affords tenants over 62 years of age or disabled a guaranteed period of tenancy, requires that the converter assist non-purchasing tenants in finding new accommodations and compels the converter to

subsidize any increased rental to the extent of \$100 a month for a twelve-month period.

Oakland, California has recently adopted an ordinance with a truly novel approach. It permits conversions only on the basis of a one-for-one replacement by new rental units. Thus, a developer who constructs new rental units is accorded a conversion right for each such unit. That conversion right can be used either to convert another unit owned by the developer or can be sold to another owner. It will be interesting to see if the transferable feature of this conversion right is effective in promoting, for instance, the construction of government-subsidized rental units by both profit-motivated and non-profit developers.

5. Preservation of Lower- and Moderate-Income Housing --

In both Palo Alto and Corte Madera, California, the Planning Commissions are charged with the responsibility for reviewing conversion plans against the city's responsibility to alleviate displacement, preserve rental housing and provide a mix of housing options for families of different incomes. In San Francisco, if a conversion will affect units which are part of the city's low- and moderate-income stock, the Planning Commission can establish a maximum sales price for each unit or it can disapprove the conversion entirely. If conversions are authorized, they must first be made available to the tenants and then to other households who have demonstrated lower/moderate-income.

Only if no such households purchase the unit over a period of 12 months, can a developer seek to sell it to another party at the market rate. In Marin County, California, a certain percentage of units in each conversion must be priced specifically for low- or moderate-income households. In Marin County this requires a 15% set-aside, and in Palo Alto, a 20 - 40% set-aside.

At the Federal level, the response to the conversion phenomenon has been confused and often contradictory. In the 1978 and 1979 Amendments to the Housing Act, Congress took steps to assure that rental housing projects assisted by the Department of Housing and Urban Development ^{6/} and the Farmers Home Administration would remain available as rental housing. For a Farmers Home Administration direct-financed multifamily housing project, this was accomplished by requiring agency approval for the pre-payment of any loan. Section 503 of the Housing and Community Development Amendment of 1979, P.L. 96-153. For HUD-assisted Section 8 new construction projects, the legislation was altered to require HUD to enter into contracts of a minimum term of 20 years. 42 U.S.C. § 1437(e)(1). Most HUD

^{6/} Formerly subsidized projects acquired by HUD following foreclosure are required to be disposed of in a fashion which ensures that they will continue to be occupied by low-income people. Section 203(a) of the Housing and Community Development Amendments of 1978.

projects subsidized under Sections 221(d)(3) and 236 of the Act are already subject to a 20-year low-income use limitation by virtue of HUD regulations and an endorsement on the mortgage note requiring FHA Commissioner approval for any mortgage pre-payment during the 20-year period following final endorsement of the mortgage on projects which do not receive rent supplement assistance, 24 C.F.R. §§ 221.524, 236.30(a)(1) and for 40 years on projects which receive rent supplement, 24 C.F.R. §§ 221.524(a)(ii), 236.30(a)(1). Under a 1979 Amendment to the Act, owners of Sections 236 and 221(d)(3) projects who received additional assistance under the so-called flexible operating subsidy program will be required to extend for the full term of the existing project mortgage their commitment to maintain the project as lower-income housing. Section 211(c) of the Housing and Community Development Amendments of 1979, P.L. 96-153.

Finally, under a 1978 Amendment to the Act, HUD was mandated in the administration of all of its programs, to minimize involuntary displacement of persons from their homes and neighborhoods. Section 902 of the Housing and Community Development Amendments of 1978, 42 U.S.C. § 5313. The impact of this requirement on the myriad decisions that HUD must shortly make on a wide-range of programs that are now or could in the future be used to promote conversion activity remains to be determined. For

example, at this writing, HUD has under consideration the extent to which the Government National Mortgage Association-Federal National Mortgage Association targeted tandem programs are available for use in connection with conversion to condominiums of a non-lower-income project whose mortgage is insured by HUD. If HUD determines to permit the use of targeted tandem for this purpose, the result will be that bridge financing, financing for rehabilitation and financing for end purchasers will be available at substantially below market interest rates. The question is what restraints and obligations will be extracted by HUD from the converter in return for this enormously advantageous financing.

At the same time Congress is forcing HUD and Farmers Home Administration to take steps to assure that the present lower-income HUD-assisted stock is maintained as rental housing for lower-income people, the federally-controlled and federally-related secondary mortgage market is moving to facilitate condo conversions. Thus, both the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation are now buying condo paper. And the Federal Home Loan Bank Board has authorized federally chartered savings and loan institutions to finance co-op purchasers, a move which can reasonably be expected to set in train similar actions by state legislators.

C. Conclusion.

In response to a question on the subject, both the 25-year old newly wed couple and the 75-year old widow could probably be expected to respond in the same fashion. While all of them can readily contain their enthusiasm for remaining in the unloving embrace of their landlord, neither do they see a conversion of their apartments into condos as a viable alternative. None of the arguments about pride of ownership, equity build-up, investment value, tax deductions, "participation in governance", mean anything at all unless the price is right. In this, the late 20th century, the landlord/tenant relationship stands as something less than a model of civility, fairness and good fellowship. The cooperative and condominium form of tenure stand, at least in the abstract, as an attractive alternative. But until the industry and ingenuity of developers, tenants, lenders and the government are applied to the problem of creating affordable ownership mechanisms, we are surely destined to see continued and perhaps intensified conflict over the conversion question.

The principal plunderers of the conversion phenomenon are the so-called converters: the real estate operators who move in, purchase buildings from their long-term owners and resell units to end purchasers at multiples of two and three times the price that they paid. Thus, a two-bedroom unit that might have been sold by the long-term owner to a tenant

at \$30,000 will, after passing through the hands of the converter, in all likelihood sell for in the range of \$60,000 to \$90,000. The present structure of the Internal Revenue Code places significant barriers in the path of long-term owners wishing to sell condominium units directly to tenants. Senator Harrison Williams of this state has proposed an amendment to the Code which would key more advantageous tax treatment of long-term owners to the percentage of units sold to tenants. This amendment, together with a further amendment eliminating long-term owners' liability for depreciation recapture in cases where they sell to tenants would provide substantial incentive for direct tenant sales. More, however, is needed, in the form of state and local sponsored technical assistance to tenant groups wishing to buy and convert their buildings, the restructuring of the Federal mortgage insurance and subsidy programs to make financing available for purchase, increased focus by state housing finance agencies on assuring that to the extent conversions take place, all tenants have access to low-cost financing, based on need and the ability to pay, and finally, the assumption of a large measure of responsibility by the real estate industry generally, and owners of rental housing specifically, for the development of state and local financing programs.

Until the state is assured that the balance is shifting

in the direction of the ability of tenants to purchase their units, it has a strong, clear-cut obligation to erect comprehensive protections assuring that under no circumstances will tenants be displaced by conversions.

109 Henshaw Avenue
Springfield, N. J. 07081

March 30, 1981

Ms. Amy Piro
Assistant Counsel to the Governor
State House
Trenton, New Jersey 08625

Dear Ms. Piro:

As chairperson of the Barrier-Free Subcode Committee of the Uniform Construction Code Advisory Board of the Department of Community Affairs, and as a disabled citizen, I would like to comment on the growing trend toward condominium conversion and its effect on disabled people.

One of the major concerns of the disabled related to the growth of condominiums is the availability of barrier-free housing, whatever its form. In this regard, three different cases must be considered.

Straight conversion from apartment units to condominiums, which involve no structural changes to the units, does not affect the total number of housing units available and accessible to the disabled.

However, if major renovations to the units are to be done before conversion (exceeding percentages prescribed in the barrier-free regulations) it is vital that the appropriate regulations be complied with.

The subject of newly-constructed condominiums has recently been focused on by the Barrier-Free Subcode Committee. In our deliberations, we have tentatively recommended that condominiums with more than 4 dwelling units accessible through a common means of access will be subject to the appropriate barrier-free regulations. Compliance with these regulations is also vital.

In Summary, I believe that insuring equal access by disabled persons to the increasing number of condominiums through strong enforcement of the barrier-free regulations should be a prime consideration in any comprehensive state program for condominium conversion.

I would like to make one additional comment concerning another kind of accessibility--financial accessibility. Because of the prohibitive prices attached to many of these new condominiums, the ability of many disabled persons to obtain and/or maintain housing in these multiple family dwellings will be severely affected. Therefore serious discussion and review should be given to providing some protection to these individuals.

I thank you for the opportunity to comment on this important subject.

Sincerely,

Ina White

Ina White
Chairperson, Barrier-Free
Subcode Committee