

JOINT STATE LEASING & SPACE UTILIZATION COMMITTEE

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IN RE: COMMITTEE MEETING

HELD AT: Thomas Edison State College
101 West State Street
Trenton, New Jersey

IN ATTENDANCE:

SENATOR NICHOLAS P. SCUTARI, CHAIR
ASSEMBLYMAN ALBERT COUTINHO, COMMITTEE
MEMBER

DEPUTY STATE TREASURER ROBERT A. ROMANO,
COMMITTEE MEMBER

GARY A. KOTLER, DEPUTY ATTORNEY GENERAL

CARL COSTANTINO, COMMITTEE AIDE-OLS

FRANK "SKIP" STABILE, SENATE AIDE

STEVEN M. SUTKIN, DIRECTOR, DIVISION OF PROPERTY MANAGEMENT AND
CONSTRUCTION, NEW JERSEY DEPARTMENT OF THE TREASURY

HELD ON: Thursday, December 9, 2010

REPORTED BY: Justin Davis, Professional
Court Reporter

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1 (Whereupon, the proceeding
2 commenced at 3:51 p.m.)

3 SENATOR SCUTARI: Sorry for the delay
4 everyone. Welcome to the Space Utilization
5 meeting.

6 Roll call.

7 MR. COSTANTINO: Senator Scutari?

8 SENATOR SCUTARI: Here.

9 MR. COSTANTINO: Assemblyman Coutinho?

10 ASSEMBLYMAN COUTINHO: Here.

11 MR. COSTANTINO: Deputy Treasurer

12 Robert Romano?

13 DEPUTY TREASURER ROMANO: Here.

14 MR. COSTANTINO: Chairman, we have a
15 quorum.

16 SENATOR SCUTARI: Excellent. We'll
17 start with items one and three.

18 MR. COSTANTINO: We have to read the
19 notice.

20 SENATOR SCUTARI: I'm sorry, thank
21 you.

22 MR. COSTANTINO: Notice of this State
23 Leasing & Space Utilization Committee meeting
24 was provided to the Secretary of State, the
25 Courier Post, the Star-Ledger and the Trenton

1 Times on October 15, 2010, and later amended
2 as to the location and agenda in accordance
3 with the Open Public Meetings Act.

4 With regard to the meeting minutes
5 from the last meeting, we're going to hold the
6 meeting minutes pending the approval from
7 Assemblyman Prieto who sat in at the last
8 meeting. There is no action required. We can
9 move forward with the presentations.

10 SENATOR SCUTARI: Thank you. Nice to
11 see you again.

12 MR. SUTKIN: We have representatives
13 from the agencies here if you have any
14 questions. The first two items that
15 Mr. Costantino said we need to address jointly
16 are items number one, which is notice of
17 proposed lease, which I'll be referring to as
18 NPL, the acronym, 4523 and item number three,
19 which is NPL 3869.

20 They both refer to the Department of
21 Children & Families' leases. The first one is
22 in Voorhees, which is a three-year extension
23 of a lease. And the second one, item number
24 three, is an extension of five years in
25 Bayonne, New Jersey, also for the Department

1 of Children & Families. Both are extended
2 leases with cost savings and details in the
3 packages.

4 SENATOR SCUTARI: Any questions for
5 items one and three from any of the committee
6 members? I'll entertain a motion.

7 DEPUTY TREASURER ROMANO: Motion.

8 ASSEMBLYMAN COUTINHO: Second.

9 SENATOR SCUTARI: Roll call.

10 MR. COSTANTINO: Senator Scutari?

11 SENATOR SCUTARI: Yes.

12 MR. COSTANTINO: Assemblyman Coutinho?

13 ASSEMBLYMAN COUTINHO: Yes.

14 MR. COSTANTINO: Deputy Treasurer

15 Robert Romano?

16 DEPUTY TREASURER ROMANO: Yes.

17 MR. COSTANTINO: Motion carries.

18 SENATOR SCUTARI: Next will be item
19 number four.

20 MR. SUTKIN: Number four is a lease
21 for the Judicial branch, and it's a lease that
22 already contains the Chancery and Appellate
23 Divisions of the Superior Court, and this lease
24 is going to be expanded to accommodate one
25 additional judge. It's a lease in Jersey

1 City.

2 SENATOR SCUTARI: Any questions on
3 that item? A motion?

4 ASSEMBLYMAN COUTINHO: So moved.

5 DEPUTY TREASURER ROMANO: Second.

6 SENATOR SCUTARI: Roll call.

7 MR. COSTANTINO: Senator Scutari?

8 SENATOR SCUTARI: Yes.

9 MR. COSTANTINO: Assemblyman Coutinho?

10 ASSEMBLYMAN COUTINHO: Yes.

11 MR. COSTANTINO: Deputy Treasurer

12 Robert Romano?

13 DEPUTY TREASURER ROMANO: Yes.

14 SENATOR SCUTARI: That is passed.

15 Next is item number five, Department of Labor.

16 MR. SUTKIN: Item number five is a
17 Workers' Compensation Court that we have in
18 Toms River. The agency expressed a desire to
19 stay in the lease. We were able to negotiate
20 the extension of the lease with cost savings.
21 These are federally reimbursed leases that
22 don't have an impact, or have minimal impact on
23 the -- and we were able to negotiate favorable
24 terms with the lessor.

25 SENATOR SCUTARI: Had we owned or

1 wanted to own that building, would we no
2 longer get reimbursement for that?

3 MR. SUTKIN: Our rate of reimbursement
4 for state-owned is always worse. There are a
5 lot more questions from the Feds, how much
6 is (indiscernible) but when it is a leased
7 facility there is more of a willingness to
8 reimburse the entire building costs associated
9 with the program.

10 SENATOR SCUTARI: Motion, please?

11 ASSEMBLYMAN COUTINHO: So moved.

12 DEPUTY TREASURER ROMANO: Second.

13 SENATOR SCUTARI: Roll call.

14 MR. COSTANTINO: Senator Scutari?

15 SENATOR SCUTARI: Yes.

16 MR. COSTANTINO: Assemblyman Coutinho?

17 ASSEMBLYMAN COUTINHO: Yes.

18 MR. COSTANTINO: Deputy Treasurer
19 Robert Romano?

20 DEPUTY TREASURER ROMANO: Yes.

21 MR. SUTKIN: The next three items have
22 been grouped together. They're the Department
23 of Treasury-related leases. They are not
24 necessarily related programs, but they are
25 operations being performed by the Department

1 of Treasury. First is for the Office of
2 Information Technology and its Core Garden
3 State Network Node. That is a five-year
4 extension and a reduction in the rental rate.

5 The second one is for the Office of
6 the Public Defender, which is number seven in
7 your binder, 3888 in Mays Landing for the
8 Office of the Public Defender. Also, the
9 Department of Treasury will be closing out a
10 lease and consolidating two leases into one
11 existing lease with smaller square footage and
12 the cost savings.

13 And the third one of this group is NPL
14 4221, number eight in the packet. It's also a
15 five-year extension of an existing lease with
16 cost savings.

17 SENATOR SCUTARI: Is the Core Garden
18 State Network, item number six, the of Office
19 of -- OIT, what is it?

20 MR. SUTKIN: We have OIT in the house.

21 SENATOR SCUTARI: I'm curious, what is
22 Core Garden State Network Node?

23 MR. SARRO: It's a major location
24 facility service in the State of New Jersey --

25 MR. COSTANTINO: Sir, can you identify

1 yourself for the record, please?

2 MR. SARRO: May name is David Sarro,
3 S-A-R-R-O. I'm the Assistant Division
4 Director of the New Jersey Office of
5 Information Technology. My major
6 responsibility is the Garden State Network
7 Node.

8 SENATOR SCUTARI: What is it?

9 MR. SARRO: What is the node, sir?

10 SENATOR SCUTARI: Yes.

11 MR. SARRO: It's a major aggregation
12 point for probably 5 or 600 remote access
13 services. It services the Executive Branch,
14 Judiciary, probably several hundred police
15 departments, prosecutor offices, other public
16 safety and law enforcement agencies -- all of
17 the traffic flows through that facility down
18 to the major data centers.

19 SENATOR SCUTARI: Thank you.

20 Any other questions?

21 ASSEMBLYMAN COUTINHO: Just one
22 thing. I noticed that on one or two of these,
23 the state has the ability to renegotiate if
24 there is a cost savings to the state. Where
25 are we? Did we look at any purchase

1 alternatives? We had this discussion earlier
2 in the year.

3 Is that something that would have made
4 sense on a regional basis?

5 MR. SUTKIN: We do look for where the
6 opportunities are generally. And specifically
7 with regard to each one, there is the cost of
8 moving; there is the delay in getting debt
9 service; there is a lot of time required to go
10 through the bureaucratic process. And during
11 that time we are extending our month-to-month
12 leases, we were subject to being thrown out or
13 the rent being increased.

14 When we combine all of those factors
15 in addition to the fact that the real estate
16 market -- the rental real estate market is
17 pretty soft and -- there is a lot of
18 opportunity to buying and owning outside of
19 the fact there isn't an appropriate cap on
20 buying and owning.

21 ASSEMBLYMAN COUTINHO: We had this
22 discussion earlier in the year. The only
23 thing is, if the rental market is soft the
24 purchase market is also soft. The rental
25 markets would be going up soon. Again, that

1 is my general position that we should be
2 trying to buy assets to the extent that we
3 can.

4 The State's budget is going to be in
5 tough shape in the foreseeable future. That's
6 just my position. We are saving money moving
7 forward. We really do need to start looking
8 at -- maybe on a regionalized basis throughout
9 the state -- possibly purchasing some strategic
10 properties and moving leases into them.

11 You are not throwing the money away;
12 it's a pure business decision. You invest in
13 the equity of the property. That's my general
14 position. I was just curious if we had done
15 any analysis in these cases. I should have
16 asked that for numbers one and two as well.

17 MR. SUTKIN: I would add, sir, that we
18 don't get enough appropriate capital to
19 maintain the buildings that we have. We have
20 roofs failing, we have exteriors failing. We
21 just don't have appropriate capital to address
22 the repair. The leases are in better shape
23 than a lot of our own facilities.

24 ASSEMBLYMAN COUTINHO: I understand
25 that, but, again, when we look at how

1 government is spending taxpayer dollars, if we
2 invest wisely -- and buying the property is an
3 investment. I mean, a vast majority of the
4 wealth in this country -- I mean, most small
5 business owners make more money on their real
6 estate than they do on their operating
7 assets. I'm a small business owner.

8 I believe there has to be a
9 differentiation between investment and an
10 expenditure. And a lease is an expenditure,
11 you know, a purchase is an investment. If we
12 start making good investments of state
13 dollars, there will be other monies available
14 to do other core programs.

15 That's also a conversation clearly we
16 need to have with the governor and the
17 treasurer as well. I understand that you have
18 to work within your parameters, but I would
19 ask that, to the extent possible, we start
20 looking at those things because, again, every
21 time you make a lease payment, that's gone.

22 If you purchase it, you are holding on
23 to that value. Most of the people who lease
24 to the state, they love it because it's a
25 great investment to them, they're getting

1 return on their investment. I think I said
2 enough about that. We have a lengthy agenda,
3 we can move on.

4 SENATOR SCUTARI: Just to reiterate,
5 I've said it before. We understand the
6 challenges, and we understand the challenge for
7 us to move forward in the direction that we
8 think is in the best interest in terms of
9 long-term interests of taxpayers, which there
10 always seem to be -- there is a problem with
11 money.

12 We don't have money to own because
13 we're not maintaining the properties already,
14 which is kind of ridiculous, but it is still
15 the fact right now. But, at some point, we're
16 going to have to face that or we're going to
17 have to start turning down leases and be in
18 worse shape.

19 MR. SUTKIN: I'll tell you, for
20 example, number nine, which we're about to
21 address that -- that was a lease in Hammonton
22 that we did a lot of due diligence to try to
23 own what we called the Hammonton
24 consolidation. When we ran all of the
25 numbers, including the debt service, including

1 the construction, it did not come in our favor
2 as good as to lease it either in the short run
3 or long run.

4 SENATOR SCUTARI: I think, to give you
5 credit, you've been doing that because you
6 understood and understand that not only this
7 Committee, but prior Committees have been
8 going in that direction -- because I've read
9 transcripts before I was the chairman, of
10 Assemblyman Bryant, Assemblyman Sweeney -- when
11 they were here, they held the same mindset as
12 Assemblyman Coutinho.

13 I think that you've taken that
14 direction. That's why I'm fairly comfortable
15 knowing that you have done most of that. I
16 think it would be helpful when you have taken
17 those steps to at least tell us, we did do
18 that and it did not work out as favorable as
19 this lease option.

20 MR. SUTKIN: Of course.

21 SENATOR SCUTARI: Because you stated
22 that in number nine. And at least it makes
23 the Committee more comfortable going forward.

24 Where are we?

25 MR. COSTANTINO: Motion to approve.

1 SENATOR SCUTARI: Which items?

2 MR. COSTANTINO: Six, seven and

3 eight.

4 ASSEMBLYMAN COUTINHO: So moved.

5 DEPUTY TREASURER ROMANO: Second.

6 SENATOR SCUTARI: Roll call.

7 MR. COSTANTINO: Senator Scutari?

8 SENATOR SCUTARI: Yes.

9 MR. COSTANTINO: Assemblyman Coutinho?

10 ASSEMBLYMAN COUTINHO: Yes.

11 MR. COSTANTINO: Deputy Treasurer

12 Robert Romano?

13 DEPUTY TREASURER ROMANO: Yes.

14 MR. COSTANTINO: The motion has been

15 moved.

16 SENATOR SCUTARI: Item number nine.

17 MR. SUTKIN: Item number nine is a

18 consolidated lease. We're in a lease with

19 good market-rate rents. It's an existing

20 month-to-month lease. Some of these

21 initiatives were on hold pending our

22 evaluation of the Hammonton consolidation and

23 the associated debt we would have had to take

24 on, and that wasn't a good economic decision to

25 move forward with getting debt for that

1 project, so we're extending the lease at a
2 cost savings.

3 SENATOR SCUTARI: Any question on
4 3290? Seeing none, can I have a motion?

5 ASSEMBLYMAN COUTINHO: So moved.

6 DEPUTY TREASURER ROMANO: Second.

7 SENATOR SCUTARI: Roll call.

8 MR. COSTANTINO: Senator Scutari?

9 SENATOR SCUTARI: Yes.

10 MR. COSTANTINO: Assemblyman Coutinho?

11 ASSEMBLYMAN COUTINHO: Yes.

12 MR. COSTANTINO: Deputy Treasurer

13 Robert Romano?

14 DEPUTY TREASURER ROMANO: Yes.

15 MR. COSTANTINO: The motion has been
16 approved.

17 SENATOR SCUTARI: We have to do 10.

18 Are there any questions on that?

19 Anything you want to tell us about number 10?

20 MR. SUTKIN: Just that it's a multi-
21 tenant facility and we arranged for an
22 extension and a significant cost savings
23 associated with it.

24 SENATOR SCUTARI: Motion on NPL 3987?

25 ASSEMBLYMAN COUTINHO: So moved.

1 DEPUTY TREASURER ROMANO: Second.

2 SENATOR SCUTARI: Roll call.

3 MR. COSTANTINO: Senator Scutari?

4 SENATOR SCUTARI: Yes.

5 MR. COSTANTINO: Assemblyman Coutinho?

6 ASSEMBLYMAN COUTINHO: Yes.

7 MR. COSTANTINO: Deputy Treasurer

8 Robert Romano?

9 DEPUTY TREASURER ROMANO: Yes.

10 MR. COSTANTINO: Approved. Now, we're
11 on 11.

12 SENATOR SCUTARI: Number 11, Civil
13 Service Commissions.

14 MR. SUTKIN: Number 11 is a very
15 short-term lease of six months to allow for
16 training of the firefighting functions.

17 SENATOR SCUTARI: What happens after
18 the end of the six months? Are we there now?

19 MR. SUTKIN: We were there, we left,
20 we didn't need it. Now, we're getting it back
21 again for special use.

22 ASSEMBLYMAN COUTINHO: I thought it
23 was because the governor wanted to get rid of
24 the Civil Service Commission.

25 SENATOR SCUTARI: Any questions? Do I

1 have a motion?

2 DEPUTY TREASURER ROMANO: So moved.

3 ASSEMBLYMAN COUTINHO: Second.

4 SENATOR SCUTARI: Roll call.

5 MR. COSTANTINO: Senator Scutari?

6 SENATOR SCUTARI: Yes.

7 MR. COSTANTINO: Assemblyman Coutinho?

8 ASSEMBLYMAN COUTINHO: Yes.

9 MR. COSTANTINO: Deputy Treasurer

10 Robert Romano?

11 DEPUTY TREASURER ROMANO: Yes.

12 MR. COSTANTINO: The motion is

13 approved.

14 SENATOR SCUTARI: Now, backtracking to
15 item number two, NPL 4634.

16 MR. SUTKIN: 4634-- As you can see,
17 most of our leasing initiatives are extensions
18 of existing leases and cost savings. When we
19 are unable to negotiate a satisfactory deal,
20 it seems that we go into full advertising and
21 solicit full competition, and that's what we
22 did here and it resulted in our notice of 2010
23 award, which was a challenge.

24 It was a lease for the Division of
25 Youth & Families -- Department of Children &

1 Families. The notice of proposed lease was
2 issued, it was challenged and DPM&C (sic) issued a
3 final agency decision. And as far as I know,
4 that leasing challenge was taken to the
5 Superior Court Law Division, where it's not
6 supposed to be, and that is being corrected by
7 the challenger and it's being brought in the
8 Appellate Division.

9 Unlike the typical challenges that
10 I've been associated with, there was no
11 application for injunctive relief. The final
12 agency decision was issued August 3rd and, as
13 of now, we're not aware of any application of
14 injunctive relief.

15 I'm reluctant to speak anymore to any
16 of the issues that are in court with
17 discussions with the Office of the Attorney
18 General, because the appropriate place for
19 these issues to be debated, at this point, is
20 at the Appellate Division, where there is more
21 of an opportunity to challenge the decision of
22 the administrative agency. You have my final
23 decision in your packet, the August 3rd, final
24 decision.

25 SENATOR SCUTARI: I understand there

1 are people here for and against that requested
2 that the Committee hear their arguments, so
3 we'll indulge them a few moments now. We're
4 going to limit the time because we're not
5 going to get into a full legal argument about
6 it.

7 This is not the Appellate Division,
8 this is a Space Utilization Committee, but
9 we'll be happy to entertain your arguments for
10 and against it. Gentlemen, first state your
11 name and who you are from and who you are on
12 behalf of.

13 MR. TOWEY: My name is Robert Towey.
14 I'm with the law firm of Lowenstein Sandler.
15 I'm here on behalf of Titan Management Group,
16 the current landlord for DYFS where the state
17 has had offices in Maplewood, New Jersey for
18 the past five-and-a-half years.

19 We're sadly disappointed not to have
20 been the initial awardee of this contract and
21 find ourselves in the uncomfortable position
22 of being in litigation with the state where
23 right now we're business partners with the
24 state.

25 That being said, we submitted a letter

1 dated December 6th to the Committee setting
2 forth background about the dispute and
3 procurement issues that are currently before
4 the Appellate Division. We simply asked the
5 Committee that while the case is under review,
6 both as to the economics of the award and the
7 RT process itself, that the Appellate Division
8 be allowed to issue a final decision on the
9 contract to MVC.

10 So, really, what we request is that
11 the Committee abstain for purposes of today.
12 We're not here, obviously, to argue the merits
13 of the appeal; we have no advantage of doing
14 that. You know, there were various
15 unsuccessful efforts on our behalf -- obtaining
16 documents from the State -- which is why our
17 first recourse is to the Law Division and then
18 the Appellate Division.

19 Unfortunately, it was necessary for us
20 to proceed to court where we could get our
21 remedy, which was the production of documents,
22 so we could have a full understanding of what
23 took place behind the scene. With that being
24 said, if the Appellate Division sees things
25 our way and awards the contract to Titan,

1 those guys are in a scenario whereby the state
2 now moves from Titan property, where it's been
3 for five-and-a-half years, and is forced to
4 move back to Titan property with an estimated
5 cost by the state of \$150,000 of each move and
6 relocation.

7 We know that figure because during the
8 procurement process, the state disclosed to the
9 bidders that that was the estimated cost for
10 each relocation. So we're talking about a
11 \$300,000 potential cost by the state while
12 litigation is pending. On the other hand, if
13 the court dismissed the award of the contract
14 to MVC and orders a rebid, then certainly MVC
15 has no entitlement.

16 The state and Titan dealt with the
17 issues of holdover tendencies in the context
18 of its current use, and that's where the state
19 should remain if that's how the Appellate
20 Division rules. MVC's main concern -- if I read
21 the letter that was submitted December 8, 2010 --
22 is the issue of time and potentially the need
23 to come back to the Committee if the Appellate
24 Division rules in its favor and the contract
25 is ultimately awarded to MVC, to disregard

1 MVC's case.

2 If the Committee does not now
3 authorize the Division to complete the leasing
4 negotiations with MVC, then MVC will suffer
5 significantly, having to come again before this
6 Committee after the Appellate Division
7 ruling. So, in the interest of trying to
8 figure a way where we're not all before the
9 Appellate Division on a motion for injunctive
10 relief, which is what I would be forced to do
11 moving forward.

12 What I suggest today is that the
13 contract award to MVC be conditionally
14 approved today, so that MVC gets what it's
15 looking for today and the approval becomes
16 effective on a final Appellate Division order
17 approving the award to MVC so there is no
18 further delay in coming back before this
19 Committee in the event it's successful.

20 We believe we'll be successful. We're
21 sad it has to take this route to get the
22 result that we believe is both economically
23 and legally sustainable. That's where we
24 are. And we're trying to figure a way to work
25 with all parties, including MVC, to get it

1 done as fast as possible.

2 So we're suggesting today MVC gets an
3 approval of the process, but nothing takes
4 place until we are done with the Appellate
5 Division process. We suggested multiple times
6 to the state and MVC's counsel to work
7 collectively to ask for an expedited appeal so
8 that the issues are resolved fast for
9 everyone. And that's the best we can offer
10 given the situation. Thank you.

11 SENATOR SCUTARI: Thank you.

12 Any questions for the witness?

13 MR. COSTANTINO: Is there anyone else
14 to speak on this issue?

15 MR. SHARI: Yes. My name is John
16 Shari from the firm of Meyner and Landis. I
17 represent MVC. As I understand opposing
18 counsel's proposal, he's submitting that an
19 approval would be accepted today with a
20 condition subject to the Appellate Division's
21 ruling; is that correct?

22 SENATOR SCUTARI: That's what I heard.

23 MR. SHARI: I'm surprised to hear that
24 from him. I was expecting him to suggest that
25 he was going to request a simple stay and not

1 for the approval, but, again, because that
2 approval is just going to be solely subject,
3 if I understand it, to the ruling of the
4 Appellate Division, then MVC has no objections
5 to that.

6 SENATOR SCUTARI: Thank you. With
7 that interesting presentation by both of those
8 witnesses, the Committee is going to retire into
9 executive section to discuss what we heard.
10 We're going to have to ask everyone to clear
11 the room and we'll invite everyone who wants
12 to come back in here in a few moments.

13 MR. KOTLER: Senator, we need a
14 motion.

15 ASSEMBLYMAN COUTINHO: So moved to go
16 into executive section.

17 DEPUTY TREASURER ROMANO: Second.

18 MR. KOTLER: All in favor?

19 ALL: Aye.

20 (Whereupon, the proceeding

21 continued in executive session.)

22 (Whereupon, the proceeding

23 continued in public session.)

24 MR. KOTLER: Mr. Chairman, we're back
25 in public session. We went into executive

1 session for legal advice under the
2 attorney-client privilege. The minutes will
3 be released when the need for confidentiality
4 is no longer required.

5 SENATOR SCUTARI: There was one point
6 of clarification. Mr. Sutkin, we want to ask
7 you about the savings -- the projected savings
8 on moving to this other location, to the
9 successful bidder from the unsuccessful
10 bidder. There were two pieces of information
11 that I saw that were in conflict. One said
12 there was an annual savings of \$62,000, and
13 then this document here said that there was an
14 annual savings of \$595,000 a year. I was
15 wondering which one to --

16 MR. SUTKIN: I believe that's compared
17 to the existing building that we're in now.
18 Sixty-two thousand dollars is the comparison of the low bidder
19 and second low bidder. The \$595,000 figure is
20 a comparison of the low bidder to what we're
21 in now. As you can see in the proposal, we're
22 shedding a significant amount of space.

23 SENATOR SCUTARI: Right now, the
24 square footage that you are in is 36,124
25 square feet?

1 MR. SUTKIN: Right, and we're going
2 down to about 20, plus the reduced rate.
3 That's why waiting so long has economic
4 consequence. It is not as great in comparing
5 the two low bids, but the period of delay and
6 potential consequential effects is great
7 because you are comparing it to the existing
8 rent right now, and existing square footage and
9 the vacant square footage and
10 not-fully-utilized square footage.

11 SENATOR SCUTARI: Any other
12 questions? We've considered the request for
13 conditional approval. We considered that and
14 we're going to make a motion to approve it
15 without any conditions.

16 With that, I'll ask for a motion?

17 DEPUTY TREASURER ROMANO: So moved.

18 ASSEMBLYMAN COUTINHO: Second.

19 SENATOR SCUTARI: Roll call.

20 MR. COSTANTINO: Senator Scutari?

21 SENATOR SCUTARI: Yes.

22 MR. COSTANTINO: Assemblyman Coutinho?

23 ASSEMBLYMAN COUTINHO: Yes.

24 MR. COSTANTINO: Deputy Treasurer

25 Robert Romano?

1 DEPUTY TREASURER ROMANO: Yes.

2 MR. COSTANTINO: Mr. Chairman, your
3 motion is approved.

4 SENATOR SCUTARI: What do we have
5 next?

6 MR. COSTANTINO: We have three
7 presentations. The first presentation is by
8 the Department of Banking and Insurance.

9 MR. SAGNIP: Good afternoon, Senator
10 Scutari, Assemblyman Coutinho, Deputy
11 Treasurer Romano. My name is Steve Sagnip and
12 I am employed with the Department of the
13 Treasury, Office of Management and Budget
14 Finance Reporting.

15 First, let me apologize for the late
16 delivery of the agency presentations. The
17 unit to which I am assigned issues the CAFR,
18 and my responsibilities were divided at the
19 time the space utilization initiative
20 started.

21 OMB, in conjunction with the
22 departments, were performing a statewide
23 inventory of capital assets. This turned out
24 to be an immense undertaking because of the
25 multiple databases, personnel issues, and

1 legacy systems used throughout the
2 departments.

3 However, as a result of the recently
4 completed OMB inventory, we have removed
5 approximately 300 buildings from the state
6 inventory. We added approximately 2,500
7 buildings to the inventory. We've identified
8 that the state owns, leases, or has licensed
9 5,201 buildings totaling approximately 34
10 million square feet.

11 We've added, as a result, over 100,000
12 acres to the inventory. We've identified the
13 state owns approximately 775,000 land acres
14 and 77,000 easement acres. In sum, we added
15 \$1.7 billion to the capital asset inventory.
16 More importantly, we have used this
17 opportunity to identify weaknesses and
18 implement initiatives to improve the
19 efficiency of information gathering,
20 transmittal and maintain the state's
21 portfolio.

22 Although, because of limited
23 resources, these changes are slow with the
24 space presentations and OMB direction, OMB
25 continues to collect valuable information

1 about state facilities. We now estimate that
2 54,028 workers require dedicated work space
3 and that there are approximately 18,277 field
4 workers, which appear not to require dedicated
5 work space. We estimate that 3,206 buildings
6 have dedicated work areas.

7 We continue to collect information of
8 occupied and vacant work areas, but are not
9 yet prepared to provide statistics.

10 Ultimately, this information, along with other
11 initiatives, will make it easier to identify
12 opportunities for building efficiencies.

13 Still, we have a lot more work to do to
14 prepare a final portfolio listing, and we
15 continue with this afternoon's department
16 presentations by Banking & Insurance,
17 Community Affairs, and State.

18 At the conclusion of today's
19 presentations, the following departments will
20 have appeared before the Committee: The
21 Department of Agriculture, Banking & Insurance,
22 Children and Families, Community Affairs,
23 Education, Environmental Protection, Motor
24 Vehicles Commission, Human Services, Health
25 and Human Services, Law and Public Safety,

1 Labor and Workforce Development, State, and
2 Transportation.

3 We anticipate the next presenters
4 should be Military and Veterans Affairs,
5 Corrections, and the Judiciary. That will
6 leave the Treasury for the following meeting.
7 Sometime following the Treasury presentation
8 meeting, depending whether the Committee seeks
9 to recall any of the prior presenters, we will
10 present our collective findings.

11 Representing the agencies today will
12 be, for Banking & Insurance, Ken Kobylowski,
13 chief of staff; Thomas Gallagher, chief
14 financial officer; Stephen Mattson, manager,
15 administrative services. Followed by
16 Community Affairs, Melissa Orsen, DCA chief of
17 staff. And finally, for the Department of
18 State, Kathy Kisko, assistant secretary of
19 state; John Hutchison, chief of staff; Eric
20 Anderson, deputy director administration.

21 Thank you. And if you have no
22 questions for me then we will proceed with the
23 Department of Banking & Insurance.

24 SENATOR SCUTARI: I have one
25 question. Page 3 of the presentation.

1 MR. SAGNIP: Is that the executive
2 summary part?

3 SENATOR SCUTARI: Yes. It says that
4 the state owns 4,734 buildings totaling 32.2
5 million square feet. Then a little ways down
6 it says 4,823 total free standing buildings.
7 They're not the same number at all.

8 MR. SAGNIP: I'll have to correct
9 that. I'm including facilities that are
10 licensed.

11 SENATOR SCUTARI: But if you add those
12 two numbers, which I thought that's what you
13 did, 4,734 and 92, it doesn't add up to 4,823.

14 MR. SAGNIP: I'll have to double check
15 my numbers, sir. It may include --

16 SENATOR SCUTARI: You didn't think we
17 read it, had you?

18 MR. SAGNIP: Sorry, sir. We're almost
19 done with it and it's keeping me up. I'll
20 double check those numbers.

21 SENATOR SCUTARI: Okay.

22 MR. KOBYLOWSKI: Good afternoon,
23 Senator Scutari, Assemblyman Coutinho, Deputy
24 Treasurer Romano. On behalf of the Department
25 of Banking & Insurance, thank you for the

1 opportunity to appear before the Committee
2 today. As was stated, my name is Ken
3 Kobylowski, and that's spelled,
4 K-O-B-Y-L-O-W-S-K-I. I'm the Chief of Staff
5 at the Department of Banking & Insurance. Tom
6 Gallagher, our chief financial, seated to my
7 left, and behind me is Steve Mattson, our
8 manager of administrative support.

9 Commissioner Considine conveys his
10 assurances that Banking & Insurance is
11 committed to effective long-term space
12 utilization planning. We have been working
13 with Treasury and the Division of Property
14 Management and Construction, and have
15 reconciled our land and building asset
16 management system's numbers.

17 The Department of Banking & Insurance
18 currently occupies all of the 5th, 7th, 8th,
19 9th, 10th and 11th floors at the Mary Roebling
20 Building at 20 West State Street here in
21 Trenton.

22 In addition to the Roebling Building,
23 the Department occupies approximately 4,000
24 square feet at 5 Executive Campus in Cherry
25 Hill, and 5,100 square feet at one Apollo

1 Drive in Whippany to house a portion of the
2 newly transferred civil investigators in the
3 Bureau of Fraud Deterrence.

4 Lastly, DOBI has a field office at 153
5 Halsey Street in Newark. It is roughly 4,000
6 square feet and is used by field staff in the
7 northern part of the state. As you are
8 probably aware, department funding is generated
9 through assessment of the industries DOBI
10 regulates rather than from the General Fund.
11 During fiscal year 2010, our industry
12 assessments are approximately \$3.9 million for
13 the space that we occupy.

14 In order to consolidate space and be
15 fiscally responsible, we've taken the
16 following steps to reduce our office space
17 over the past few years. Our market conduct
18 section was moved from the 1st floor to the
19 existing DOBI space on the 9th floor of the
20 Roebling Building, freeing up space for
21 another state agency to occupy.

22 The space occupied by the library in
23 the Roebling Building was reduced by 50
24 percent, again freeing up space for another
25 state agency. The Real Estate Commission was

1 moved from 240 West State Street, where they
2 occupied 11,248 square feet, back to the
3 Roebling Building where they now occupy just
4 over 4,000 square feet.

5 Eighteen employees from the Department of
6 Health and Senior Services were absorbed into
7 existing space in the Roebling Building. The
8 Pinelands Development Credit Bank was
9 relocated from Clinton Avenue to existing
10 space that we had available at the Roebling
11 Building.

12 Our Camden field office that is now
13 closed, freed up about 3,000 square feet or a
14 little bit less than that. Just last month we
15 increased the utilization of our 1st floor
16 library, which was 1,253 square feet, by
17 moving two staff down to that space. That
18 staff is dedicated to our OPRA functions. And
19 in addition, we allocated space in this area
20 to interview walk-in visitors to our
21 department.

22 In addition, we relocated units from
23 the 12th floor in our building, so other state
24 agencies can occupy that space. And we moved
25 units from the 7th floor down to the 5th floor

1 to free up space for the Bureau of Fraud
2 Deterrence investigators. These investigative
3 functions were recently moved to the
4 Department from the Department of Law and
5 Public Safety.

6 There were 93 staff that were
7 transferred. Forty-three of those employees previously
8 work in a Lawrenceville location. They're now
9 working out of the Roebling Building. Twenty-one
10 employees are in our Cherry Hill office, and 29
11 are in Whippany. As part of the relocation of
12 its functions, we were able to renegotiate the
13 lease in Cherry Hill for savings of
14 approximately \$400,000 over the next five
15 years and cancel the lease at the
16 Lawrenceville space.

17 I want to assure you that the
18 Department of Banking & Insurance, under the
19 leader of Commissioner Considine, is a willing
20 partner to accomplish the Governor's mandate
21 to consolidate the state's government office
22 space. We're committed to continuing our work
23 with the Division of Property Management &
24 Construction to intelligently restack the
25 space in the Roebling Building and efficiently

1 utilize all of our space.

2 I'd be happy to answer any questions
3 that the Committee might have.

4 SENATOR SCUTARI: Thank you.

5 MR. KOBYSLOWSKI: Thank you very much.

6 MS. ORSEN: Hi. Good afternoon,
7 Senator Scutari, Assemblyman Coutinho, Deputy
8 Treasurer Romano. My name is Melissa Orsen.
9 I'm the chief of staff of the Department of
10 Community Affairs. With me is Cindy McDowell,
11 the director. On behalf of Commissioner
12 Grifa, I appreciate -- I thank you for the
13 opportunity to present our current and future
14 plans for space utilization and occupancy
15 within state government.

16 The Treasury representatives have
17 provided you with reports of our position,
18 counts and the space utilization generated
19 from the Land and Building Asset Management
20 System, also known as LBAM. As detailed in
21 your reports, the Department currently has
22 1,038 positions filled -- authorized positions --
23 and occupies space at its main location, at --
24 which is 101 South Broad in Trenton, the
25 William Ashby Building. We have 20 separate

1 offices throughout the state.

2 The majority of the field office space
3 is leased for the operation of the Federal
4 Section 8 Housing Choice Voucher Program and
5 the State Rental Assistance Program
6 administered by the Division of Housing &
7 Community Resources.

8 Additional field office space is
9 leased for the operation of the Uniform
10 Construction Program within the Division of
11 Codes & Standards.

12 The Federal Section 8 Housing Choice
13 voucher and State Rental Assistance Programs
14 serve over 25,000 families throughout the
15 state. DCA leases office space for the
16 operation of these programs in almost every
17 county that can be conveniently accessed by
18 program participants and those seeking housing
19 assistance.

20 The majority of people who visit the
21 field offices on a daily basis are
22 significant. The majority of people we serve
23 use public transportation. Field office space
24 must be large enough to not only accommodate
25 the number of visitors, but also staff, client

1 files, storage, waiting areas and interview
2 rooms.

3 Notwithstanding all of this, we have
4 been looking to consolidate. Within the past
5 year, we've consolidated three of our housing
6 assistance field offices that service
7 Cumberland, Gloucester and Salem counties, as
8 we also consolidated Atlantic with the Cape
9 May office. Within the next six months we'll
10 combine Warren, Sussex, and Morris counties, and
11 we are continuing to look for more
12 consolidation.

13 The Division of Fire Safety and the
14 Division of Codes and Standards, the UCC staff
15 who were assigned to the Bordentown field
16 office, were also relocated during this time.
17 Fire Safety staff are now assigned to our main
18 building here in Trenton and UCC staff to
19 Wolvertown Street, also in Trenton.

20 To date, these moves helped to
21 increase management efficiency and saved the
22 Department approximately \$300,000 in rent and
23 related costs. This amount will only
24 increase. Other programs slated to move within
25 this fiscal year are the Urban Enterprise

1 Program currently located at 650 Broad Street
2 in Trenton and the UCC staff located at
3 Wolverton Street.

4 Their move to the Ashby Building will
5 result in one central downtown DCA location,
6 create management efficiencies, and provide
7 further cost savings for the Department.

8 Proactively, DCA has recently begun
9 discussions both internally and with the
10 Department of Treasury to restack the William
11 Ashby Building.

12 A restacking of the building will
13 allow the Department to more effectively use
14 its space and may provide the ability for the
15 Ashby Building to house other departments
16 and/or agencies in the vacant space created by
17 the restacking. Further, this effort may
18 allow for Treasury to consolidate the amount
19 of leased space statewide. Thank you for your
20 time and attention.

21 Does anyone have any questions?

22 SENATOR SCUTARI: What's restacking?

23 MS. ORSEN: Redoing. So right now we
24 have three divisions --

25 SENATOR SCUTARI: I thought you were

1 talking about books for a minute.

2 MS. ORSEN: No. One division on three
3 separate floors. Some of our divisions, they
4 need a lot of space.

5 ASSEMBLYMAN COUTINHO: Two quick
6 questions.

7 MS. ORSEN: Sure.

8 ASSEMBLYMAN COUTINHO: The traditional
9 housing, do we get federal reimbursement for
10 that?

11 MS. ORSEN: Yes. We're mainly a
12 federal department and we get reimbursed.

13 ASSEMBLYMAN COUTINHO: The UEZ, when
14 is this happening? I'm chair --

15 MS. ORSEN: Well --

16 ASSEMBLYMAN COUTINHO: -- and we're
17 looking at redoing UEZ and possibly changing
18 out of your department altogether.

19 Is that already done, lease-wise?

20 MS. ORSEN: No. They're just moving
21 into the building to save money at this point,
22 but whatever comes about from your
23 committee --

24 ASSEMBLYMAN COUTINHO: It would be
25 from the administration, but I know we're

1 going to be having a hearing about possibly
2 realigning it.

3 SENATOR SCUTARI: Thank you.

4 MR. HUTCHISON: Good afternoon,
5 Senator, Assemblyman and members of the Joint
6 State Leasing and Space Utilization
7 Committee. My name is John Hutchison. I'm
8 Chief of Staff to the Department of the
9 State. This is our Deputy Director of
10 Administration, Eric Anderson. This is our
11 Assistant Secretary of State Kathy Kisko.

12 The Department occupies seven
13 buildings with 289 employees. The seven
14 buildings combined have a total of 336,696
15 program square feet. Let me take this
16 opportunity to identify our buildings and
17 space allocation.

18 I'll note at the onset of my
19 testimony that the Department has no leased
20 space. The Office of the Lieutenant
21 Governor/Secretary of the State is located in
22 the State House at 125 West State Street. Ten
23 employees occupy 2,000 square feet of space on
24 the first floor.

25 The Department of State's main

1 building is located at 225 West State Street
2 and is part of the cultural complex. It
3 includes the State Museum, the Auditorium and
4 the Planetarium. This location also includes
5 the newly formed New Jersey Business Action
6 Center, the State Archives, the New Jersey
7 State Council on the Arts, the Historical
8 Commission, the Division of Elections and the
9 Division of Administration.

10 The building has six floors. Three of
11 the floors are dedicated to the state
12 archives, public research, and gallery
13 exhibits. During the past four months there
14 have been several changes made at 225 West
15 State to absorb portions of the Economic
16 Development Authority Office of Economic
17 Growth and the Office of Smart Growth to
18 create the New Jersey Business Action Center.

19 Additionally, the office of Hispanic
20 Policy and Research were moved into 225 West
21 State Street and were consolidated with three
22 smaller divisions to form the Division of
23 Programs, the State Museum, the Planetarium
24 and the State Auditorium.

25 The Museum's limited office space is

1 located on third floor. The remainder of the
2 building is dedicated for public galleries,
3 exhibits, gift shop, cafe and compact
4 storage. The Planetarium has a seating
5 capacity to accommodate 150 patrons to showcase
6 its newly installed state-of-the-art full
7 dome video system.

8 The Auditorium can accommodate up to
9 390 patrons and provide a multi-functional
10 use. The War Memorial facility is open for
11 business and theatrical performances after a
12 five-year, \$35 million renovation that was
13 completed in 1999. The War Memorial facility
14 provides an 1,800-seat theater, dressing
15 rooms, ballroom, several meeting rooms,
16 conference rooms, which are rented out for
17 different venues.

18 The Record Storage Center located on
19 Stuyvesant Avenue in Ewing is a secure,
20 centralized, low-cost facility storing up to
21 250,000 cubic feet of semi-current agency
22 records. Temperature and humidity-controlled
23 vaults are used to house computer tapes,
24 optical disks and microfilm. Not only is this
25 a storage center, it is also a centralized

1 image production center producing necessary
2 microfilm and digital images for state, county
3 and local government agencies.

4 Our facilities are multi-functional,
5 and we will continue to work with Treasury to
6 utilize our space in the most effective and
7 efficient way possible. Thank you for your
8 time and consideration. I welcome any
9 questions that you have.

10 ASSEMBLYMAN COUTINHO: You say no
11 leased spaces; right. I had to highlight
12 that.

13 SENATOR SCUTARI: We really got a lot
14 of stuff. I don't have any questions.

15 Do you have any questions?

16 DEPUTY TREASURER ROMANO: Nor do I.

17 ASSEMBLYMAN COUTINHO: Mr. Chairman, I
18 just wanted to point out these committee
19 meetings become so interesting that we
20 attracted Senator Ruiz here.

21 SENATOR SCUTARI: Thank you, Senator.
22 Always a pleasure to see you.

23 Motion to adjourn?

24 ASSEMBLYMAN COUTINHO: So moved.

25 DEPUTY TREASURER ROMANO: Second.

(Whereupon, the proceeding
adjourned at 5:10 p.m.)

CERTIFICATE

I, JUSTIN DAVIS, certify that the foregoing is a true and accurate transcript of the testimony as taken stenographically by and before me at the time, place and on the date herein before set forth.

I DO FURTHER CERTIFY that I am neither a relative nor employee nor attorney nor counsel of any of the parties to this action, and that I am neither a relative nor employee of such attorney or counsel, and that I am not financially interested in the action.

Justin Davis