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PUBLIC HEARING

before

SENATE COUNTY AND MUNICIPAL GOVERNMENT COMMITTEE

Issues Relating to Condominium Conversion

June 15, 1988
Room 424
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Richard Van Wagner, Chairman
Senator Thomas F. Cowan, Vice Chairman

ALSO PRESENT:

New Jersey State Library

Hannah Shostack
Office of Legislative Services
Aide, Senate County and Municipal
Government Committee

* * * * *

Hearing Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625



New Jersey State Legislature

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Vice-Chairman

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SENATE COUNTY AND MUNICIPAL GOVERNMENT COMMITTEE

STATE HOUSE ANNEX, CN-068

TRENTON, NEW JERSEY 08625

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May 23, 1988

NOTICE OF PUBLIC HEARING

The Senate County and Municipal Government Committee will conduct a public hearing on Wednesday, June 15, 1988 at 10:30 a.m. in Room 424, State House Annex, Trenton.

The public hearing will focus on issues relating to condominium conversion. The purpose of the hearing is to provide an opportunity for citizens and organizations to testify on these matters.

In order to maximize the opportunity to examine a range of topics regarding condominium conversion, the hearing's scope will be open-ended rather than limited by a discussion of particular bills.

Anyone wishing to testify should contact Hannah Shostack, Committee Aide to the Senate County and Municipal Government Committee, at (609) 292-1596.

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mjz: 1-135

SENATOR RICHARD VAN WAGNER (Chairman): We are going to begin the public hearing now. I am Senator Richard Van Wagner. I am the Chairman of the Committee. The other Committee members, I am sure, will arrive at some point during the hearing process. We are going to start. I have to apologize to you, because apparently, either because of a power overload, or whatever, the microphone system we have here is not operable at the moment. However, the good news is that the recording system we have set up for your comments, so the record can be made, is operable. So, what I would ask you to do, for my sake, is speak a little bit louder than you might otherwise, so I can hear you. The microphone such as the one I have, is the one that records into the reporter's device, which is the record that will be kept of this hearing. So, if you speak into this mike, and not so much worry about this one, we will get your comments on the record.

We will begin now. I have a list of people who have expressed a desire to be heard today. Also, I have received some additional slips, some of which we already have on our list; others we do not. If there is anyone else during the hearing process, just fill out a slip and bring it to us.

We will begin with the Honorable David C. Kronick, who is an Assemblyman from District 32. Is Mr. Kronick here? (negative response) He is not. Then we will move on to Mr. James Tarella, New Jersey Tenants Organization. Is he here? (negative response) Okay. We will then go to Mr. Frank Engelberg, Chairman, North Bergen Tenants Organizing Committee. Is Frank here? (affirmative response) Mr. Engelberg?

F R A N K E N G E L B E R G: Is the mike working now?

SENATOR VAN WAGNER: Yes, it is, Mr. Engelberg. But again, this one is the-- If you will put them next to each other, I think you will have the right balance. Just like that. (demonstrates) Just hit your light there on the base of the microphone; right there, the microphone light. That's it.

MR. ENGELBERG: In addition to being Chairman of the North Bergen Tenants Organizing Committee, I am also on the Executive Board of the NJTO. Now, speaking for NBTOC, we are not opposed to conversions or co-ops. We believe it would be healthy-- I mean condos and co-ops, excuse me. We are not opposed to condos and co-ops. We think it would be good for our society, if the new condos and new cooperatives were built and opened up and sold at an affordable price.

What we are opposed to and what we think is wrong is to have greedy real estate people coming in from out-of-state, and some from in-state, who, what they call, gentrify. It is really to putrify the community, make cosmetic improvements, and force tenants out of their homes, in a period when there are very few rentals to start with. So what the conversions are really doing is violating decisions made by the State Legislature to open up affordable homes throughout the State. What they are doing is eliminating rental units throughout the State.

Hudson County, currently, is a disaster area. If it were viewed properly by our Legislature, by the people we elected, Hudson County would be viewed as a disaster area. I have lived my lifetime -- I am 77 years old-- I have lived in Hudson County since I was about seven years old. I lived in North Bergen for approximately 40 years of my life. This is my home. This is a community in which we know our people. This is a community that is very close-knit. We find that this community is being destroyed. We think there is a social responsibility that this Legislature has. It should ask itself what this conversion problem is doing to the people in the communities who have built these communities. Our churches complain that their attendance is diminishing. The same thing is true in our synagogues. The character of our community is changing. People who have been paying \$400 a month rent now find they are in a position where they are going to have to pay

anywhere from \$1200 to \$1500 a month, if they buy. It is not possible for them to buy at these prices.

There are senior citizens who we profess are protected. The protection is very limited. A senior citizen earning over \$50,000 a year has no protection. Millionaires have determined that \$50,000 a year makes you -- puts you in a position where you can pay these exorbitant prices.

One of our members, 81 years of age, has been served with an eviction notice. At his age, isn't he entitled to some protection against eviction? All of his life he wanted to be a tenant. He may have saved several thousand dollars. How what the real estate lobby basically is saying -- and the Legislature is condoning it -- is that this man has to take the few dollars he saved in his lifetime, a few dollars he would have liked to leave to his children, and turn it over to these greedy people, who come in and who want to make their 300% or 400% profit fast.

We have received the sympathy of every socially minded citizens' group in the State. The Catholic Church is openly supporting us, recognizing that there is a problem here that affects us. One hundred ministers in Hudson County-- Excuse me, 100 priests in Hudson County have sent petitions -- I assume you have received one of them -- to the various legislators, indicating where they stand.

Young people in the community have told me -- and if you come into Hudson County Park, Braddock Park (phonetic spelling), you will see this-- People have said to me, "The only way we can pay this rent is to begin selling crack," and they are doing it.

We achieved a major victory in our community. The next town to mine, Guttenberg, for the first time since I have lived in this area, had three people murdered in their apartments selling dope. Now, this is the kind of achievement that doesn't make us very proud.

So, there is a tremendous problem being created in our community. What troubles us most at this period of time, is the fact that we cannot get relief from the Legislature, either in the Senate or the Assembly. We feel the Legislature has -- well, if I wanted to be polite, I could use the new language and say, "Fed us with misinformation." If I used the language I was taught when I went to school, I would say the Legislature lied to us. The Legislature passed a law in which it said we were going to have a senior citizen, disabled persons protective tenancy act, and we cheered it. We hailed it. We thought this was a great achievement by a progressive Legislature dealing with the needs of the people.

What we discovered was, basically it was an eviction act; that senior citizens above a certain income were not covered. But, worse than that, all of the young people -- my son and my grandson-- Would I ever take protection for myself, and agree that my son should be evicted from his home? Had the law been named properly, the State of New Jersey's eviction law-- It is the only State in the United States of America where the Legislature says to a judge, "After three years, these people must be evicted. If they show cause, they may get an extra year."

Now, we think this is a crime that has been committed against the people in our State. We didn't understand it. As old as I am, I confess that when I got involved in this struggle with the tenants, I was naive. Since then, we have written to various sources to find out why this is happening. Common Cause tells us that the real estate lobby contributes large sums of money to this Legislature. My figures may not be exact, because I don't know how to run these new adding machines and computers, but I understand that the lobby has contributed \$294,000 -- \$295,000 actually -- to the Democrats in the Senate, and \$120,000 to the Republicans in the Senate. In the Assembly, there is just the reverse procedure. The

Democrats have received \$82,000 roughly, and the Republicans \$129,000. It seems that these people who have invaded us know exactly where to spread their money. Where the Democrats are in the majority, they get the big amount. Where the Republicans are in the majority, they get the big amount. And we, the citizens who supply the votes which elect our legislators, what do we get for voting in our interest?

I would suggest that you pass our bill -- the no eviction bill -- out of the Senate -- out of your Committee -- and that you see that it passes the Senate; that you work hard with the Assembly to see that the constituents of yours in your State receive the protection in law that we are entitled to. If protection was due senior citizens to protect them from eviction, the sound, moral position that this Legislature took to protect senior citizens-- Isn't it incumbent upon this Legislature to take the same moral position in protecting all of the tenants in the State of New Jersey from the disaster of eviction?

I would urge, gentlemen, ladies, that you consider the-- I don't know what adjectives to use to express the distress we feel. We need the help of our Legislature now. I thank you for the opportunity of talking to you. (applause)

SENATOR VAN WAGNER: If we could, I would just ask you-- Mr. Engelberg, that was a very eloquent presentation. I realize your reaction to it, but so that we can move along, if you would kind of give short applause after each speaker, it would be helpful.

Did Assemblyman David C. Kornick arrive? (negative response) How about Mr. Tarella? (negative response) We will move now to Mr. Robert DeRuggiero, Hudson 2000, Inc. (boos and hisses from audience at this point) If you would-- Let me just tell you a quick anecdote. Last night I went to the-- I am from Monmouth County, and we had our Democratic organizational meeting last night. Let's not do that today, if

you know what I mean. Let's try to honor and respect each other, and realize that there are differing opinions. Mr. DeRuggiero?

R O B E R T D e R U G G I E R O: Yes, good morning, Mr. Chairman and members of the Committee. My name is Bob DeRuggiero. I am President of Hudson 2000. I am also President Elect of the Hudson County Board of Realtors. I am here today to oppose S-2107. I am going to be brief. I can tell you that you should oppose it because you are going to prevent tenants who want to buy their apartments from buying their apartments. How is that going to happen? It is going to happen because their maintenance is going to go up. You are going to have a preponderance of tenants who will not buy. Condo conversions are a good thing for the county. They have rehabilitated Hudson County. Hudson County is in dire need of rehabilitation, and it is really affordable housing for first-time buyers.

I would urge you to support Assemblymen Zecker and Girgenti's bill -- A-3186 -- which is low-interest loans to tenants for first-time buyers of condo/co-op conversions.

But really what I want to address is the real issue here. The real issue here is the building of more affordable housing. We are experiencing certainly in Hudson County and in other areas of the State, a shortage of affordable housing. It can be directly traced to long-term rent control, which has not made the building of more housing profitable, or there is no incentive for people to do that.

So, I would call upon the members of the Legislature to explore ways and means to have more affordable housing constructed. I would urge them to seek out grants and Federal programs, and to reinstitute possibly Section 8s, which was a successful program for subsidized tenants. This is not an issue of pitting a property owner against a tenant. It is an issue of housing. We are sympathetic to the issue. We want

people housed; we want people housed in affordable housing. But, we do not believe that the way to do it is to have one sector of the community subsidizing another sector of the community. We believe, in the Realtors and in Hudson 2000, that this is a problem that is broad-based and it is necessary that it be addressed by all the citizens, not just the people who own property. We feel it is basically unjust and unfair to ask people who own property to subsidize and support people who do not. Inherently, the rights of home ownership are being challenged and, as a Realtor, I am pledged to uphold laws that support private property. I request that you take a sincere look and oppose this bill.

Thank you very much.

SENATOR VAN WAGNER: I would like to call now, Mr. Michael Zurrolo, St. John's Tenants Association of Hudson County. Mr. Zurrolo? (no response) I see that Assemblyman Kenny is here. Is Mr. Zurrolo not here? (no response) Assemblyman Kenny, would you like to comment? (affirmative response) I understand that Assemblyman Robert Menendez is also here. Is that right? Bob? (affirmative response) Oh, I'm sorry, I didn't see you over there. Would you like to follow Assemblyman Kenny? Why don't you sit at the witness table. Okay, Mr. Kenny.

A S S E M B L Y M A N B E R N A R D F. K E N N Y, J. R.: Thank you very much, Mr. Chairman, for conducting this hearing this morning and allowing me to speak.

The prior speaker, Mr. DeRuggiero-- I have a lot of respect for him. He is certainly a person who has contributed much to the community in Hudson County. However, I disagree with a few of his statements. I am in favor of the non-eviction bill, which I understand is being posted before your Committee tomorrow. At the outset, I would like to ask for your support, and your Committee's support in seeing that that bill be sent to the full Senate.

But, I think we are confusing a number of issues here as to the housing problems in the State of New Jersey, and in Hudson County -- the so-called affordable housing issues. When the opponents of this bill try to attack it by saying that it doesn't product affordable housing, or that it prevents the construction of it, or it prevents tenants from purchasing their units, I really think they are mistaken. No one is opposed to the construction of affordable housing, or the maintenance of it, or the preservation of it, or even allowing tenants to purchase their own condominiums. To say that those of us who advocate this bill are opposed to that, is really erroneous.

I am not one who uses moral language or rhetoric too often in order to support a political position. I don't believe in doing that. I am a freshman, and I certainly don't try to trot out all sorts of rhetoric and morality to support a position. However, in this case, I truly feel you have a moral issue before you. The issue is whether it is appropriate to evict tenants without cause, except for the purpose of condominium conversion, when there is no other alternative of affordable housing in place. I think it is a moral issue.

If we had affordable housing in Hudson County, or in the State of New Jersey that was able to be purchased or rented by our population of low- and moderate-income families, then I wouldn't be sitting here before you, and I don't think this bill would be here. The problem is, there is no alternative. Until the State of New Jersey really attacks the problem of housing, which it has not, then we have to give protection to the people who are paying rent. Otherwise, there is no choice; no alternative. Not only do you put them out into the street, but you pay a social price in many other ways, creating instability in your society.

If we trace back the history of this bill, the non-eviction statute sets forth a number of reasons why tenants

should be afforded lifetime tenancy, unless for cause they have done certain things. One exception, however, is the condo conversion loophole. The Legislature created that loophole. They created it at a time when it was not foreseen that it would be the type of mass eviction method that it has become in Hudson County and other parts of the State of New Jersey.

But, as history has shown, it is a massive eviction method. Never, I think, was that the intent of the Legislature, which many of you supported when you were Assemblymen at that time.

SENATOR VAN WAGNER: When we were young.

ASSEMBLYMAN KENNY: Yeah. In fact, the present Governor -- Governor Kean -- supported it. It seems to me mind-boggling that we take one exception that wasn't intended to be a major one, and turn it into a mass eviction technique. What the Legislature created, it can take away. And I request that you take away this loophole, and give the people of the State of New Jersey the right to live in their apartments for the rest of their lives, and give them the same sort of protected tenancy they should be entitled to.

I am completely in favor, and would work with any person or party or lobbyist in the creation of affordable housing. I am in favor of any program that would be put forward before the State -- the Senate, the Assembly, the Governor -- to assist people in purchasing their units. I am in favor of development. I am not opposed to condominiums. My family's history is in the development field for the last two generations, but I cannot see how we can justify evicting people without cause. That's what this is. It's eviction without cause.

So, I ask for your support of this bill tomorrow. Thank you very much. (applause)

SENATOR VAN WAGNER: Let me tell you-- I've got to warn you, the building you are in is very old, and I don't want

the air conditioning to break down. We already had a problem with the speaker system, so if you would just try to restrain your applause or boos to some shorter degree, so we can get to all of the speakers. Mr. Menendez?

A S S E M B L Y M A N R O B E R T M E N E N D E Z: Thank you, Mr. Chairman, Senator Cowan, for the opportunity. I was going to listen a little bit longer before I spoke, but maybe this is a blessing in disguise because this way I have the opportunity not to be redundant.

I want to speak to you today not only as an Assemblyman, but as the Mayor of probably the most densely populated city per square mile in the United States as of the last census -- Union City. Eight out of 10 people who come to my mayoral office, come with a housing problem. They are either being evicted or they have nowhere to go. There are a multitude of factors, but among those reasons what we are going to see more and more is the reason of eviction for condominium conversion.

I would defend the property right interest of anyone just as much as any Realtor or developer. Clearly, I think we all believe that as a fundamental concept of our democratic institution. But, by the same token, there is a right on behalf of a tenant to be secure in his home; to live under a law which provides for a series of situations in which he might be evicted -- if he doesn't pay his rent; if he doesn't maintain the property; if he destroys the property -- all of those reasons that are fair and just. But simply because someone converts a building to a condominium, is not really what I believe the Legislature intended to allow as a framework for eviction -- someone who is converting, basically for a profit. There is nothing wrong with a profit as a basis in terms of-- People are not landlords simply out of any philanthropic attitude. We realize that. They are doing it as a business. But, by the same token, we are talking about human beings who do not have alternate places to go to.

We can all bemoan the fact that the Federal government has virtually abdicated its position in the housing field, in terms of providing low- and moderate-income housing, or subsidized housing. We can look at the State of New Jersey and say it hasn't done the job it should be doing in the housing market, and I believe that it hasn't. As a member of the Appropriations Committee, when we had Commissioner Coleman before us, we talked about what the Community Affairs Department was doing in the field of housing, and they had some endeavors. But clearly, it is a minute effort, compared to the housing needs of this State.

When we talk about rental housing -- not just home ownership, but rental housing-- While home ownership may be the dream of everyone, for many during their lifetime that is all it will be -- a dream. It will not be a reality. There are thousands and thousands of households that are based on rental. That is what we are losing, without replacement. What these people are fighting for is simply the dream that you and I have. Some of us have realized it in owning our own home. Their dream is simply, at this point, to retain their homes. Their homes are the rental units that are being converted left and right, if we look at the numbers. We often think of this as a Hudson problem. This is not simply a Hudson problem. Maybe most of the people you will hear today will be from the Hudson area, because they are the most acutely affected, as statistics from the Department of Community Affairs will show you. But that does not mean that it hasn't spread into Bergen, Essex, and other part of our State. It is not a parochial issue.

We talk about home ownership, and we have talked about the fact that this is an opportunity to give tenants that opportunity. The reality is, when we look at the prices that these condominiums are sold for, in the main -- that doesn't mean that there are not exceptions to the prices that might be

what we could consider an affordable realm-- But when we look at them, in the main, in comparison to the incomes of the individuals, that dream is not realistic; that opportunity is not there.

There have been legal issues raised as to whether or not 2107 is constitutional. I believe that Mr. Porroni of the Office of Legislative Services -- the legal counsel -- has addressed that issue through a request from Senator Cowan, and he has found that that bill in particular could withstand a constitutional challenge.

Then there is the whole issue as to whether or not we are going ahead and creating a situation in which we are not rehabilitating. I know that Mr. DeRuggiero, who I also have a great amount of respect for in his field, believes that condominium conversion has rehabilitated Hudson County. It has and, more importantly, will, as we get closer and closer to the greater bulk of the numbers of people who will reach that three- or five-year mark, in which actual eviction will take place for people who have not purchased their units, for which there is no State program to assist them to purchase their units. When we get to those numbers, we will have an alarming number of people who will not have a place to live, and that is not to conjure a specter of something that will not exist. It is real. It is already an impossible problem. It is going to be a tragedy, because we are not moving as a State in terms of creating new housing to provide alternates to these people. The Federal government has abdicated that role completely, unless its policies change in the future.

So, the bottom line is, mayors such as I, will face an incredible problem that we would like to help, but for which we are helpless in trying to resolve with local resources. We cannot solve the housing problem at the local level, and clearly if the State and Federal governments have not moved toward it, what is a solution for these people?

For those who say that this bill disproportionately places the burden on the private sector to protect the public-- Whether or not there are merits to that argument, there is a multitude of legislation that is passed by both houses that does exactly that. Oftentimes, it places different burdens on private sectors to, in fact, accomplish a public goal.

I would echo Assemblyman Kenny's comments that we support -- as I am sure you would, and have -- various housing initiatives to create more affordable housing, more affordable rentals, but at the moment, for every day that we wait, we have a time bomb ticking and ticking, coming closer to a very, very difficult situation.

When 50% plus one -- and I will close in just a second, Senator -- was up last year, there was a great hue and cry from the realty and development industry that that truly affected property rights, and that truly was unfair. At that time, I remember many developers coming to me and saying, "The real fair solution, other than, of course, developing affordable housing, is a non-eviction bill." Now we have a non-eviction bill, and now we hear the same arguments made up against 50% plus one echoed as it relates to non-eviction.

Clearly, no one wants their position changed. In that regard, we should never have the position of tenants change because of something that they have not created, something that they have absolutely no control over, and something that they certainly did not ask for. For many of us who came to this country, and for many of our ancestors who went through the portals of Ellis Island and saw the Statue of Liberty, where it said, "Give me your tired, your hungry, your poor, and your masses yearning to be free," it implied clearly that we were accepting a great responsibility and, at the same time, that we were going to provide a place for all of those people, or at least for those people who were limited through our

immigration laws, but nonetheless a lot of people who-- Many of us are here today because of our forefathers' actions. Clearly, that dream -- the inscription on the Statue of Liberty -- is denied if we do not guarantee people a decent place to live. Senate Bill 2107 does that, at least temporarily, in terms of the rental housing market. While we move in the direction of developing housing in other fields, I think it is a must. It is a necessity, and I really ask your support tomorrow in voting for that bill.

Thank you very much. (applause)

SENATOR VAN WAGNER: Thank you. I understand Assemblyman Kronick is here now. We called on you earlier; in fact, you were first on the list. After Mr. Kronick, we will move to -- just so you can get prepared -- Mr. Michael Zurrolo. Oh, I'm sorry, we asked for him already, and he is not here. We will go to Mr. Ray Bulin and Mr. Robert Antonicello, of Hudson 2000, after Mr. Kronick.

A S S E M B L Y M A N D A V I D C. K R O N I C K: Good morning, and thank you, Mr. Chairman and Committee members. I have come before you today as this Committee considers Senate Bill 2107, commonly known as the Tenant Non-Eviction Bill. There is an urgent need for this legislation, gentlemen, and I would like to state for the record that I fully support this bill in its current form.

As a co-prime sponsor of the Assembly companion to S-2107, I am acutely aware of the impact condominium conversions are having upon our communities. There is a crisis in affordable housing in New Jersey, and we, as legislators, are called upon to recognize the scope of the problem and to develop fair and equitable alternatives to the solution. I assure you, gentlemen, that Senator Cowan's bill is not the result of an attempt to appease a small, but vocal minority. Rather, it is the response to an urgent and pressing issue, one that demands our immediate attention.

This legislation comes at a time when thousands of people throughout the State are facing the possibility of being evicted from their homes. This legislation would restore the original intent to the Eviction for Just Cause Law. Conversion was not intended to be considered just cause for eviction, but was added to the law in later amendments. The bill would prevent pre-conversion tenants from being evicted; would allow municipalities to pass additional measures to control or regulate the conversion process; and would require compliance with State and local building codes, prior to conversion.

One need only look at the effects of widespread condominium conversions to realize that there are some major problems with the process. Despite local ordinances, apartment warehousing has become part of life wherever the demand exceeds the supply of affordable units of housing. Tenants have experienced harassment from landlords who are driven by their desire for excessive profits. Many of these have been seniors and the disabled. Our communities are not being improved, although on the face of it this certainly appears to be the case. Our communities are being destroyed, as large groups of people are being evicted to make way for empty units that will bring in a much higher price on the open market.

Many of those who are being displaced are working men and women, the mothers and the fathers, the laborers, the nurses and educators, the middle- and lower-income people, who have made up the bedrock of our urban communities. These are the people who, during the '70s, when the housing stock was diminished by abandonment and neglect, stayed in their communities, who lived and worked there, and contributed much to the general welfare of their neighborhoods. These are the people who are now being forced out of their homes.

I have heard the arguments pro and con regarding the housing issue. Property owners take the position that restrictions of usage on their buildings is unconstitutional.

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When faced with the reality of tenants' evictions, many of these people are quick to stand behind the laws protecting ownership and property owners' rights. Yet, when faced with the questions raised by tenants' advocates, questions regarding the rights of people to live and work in their own communities, questions regarding the value these tenants have brought to their neighborhoods, these property owners are strangely silent. Their silence is understandable, considering the fact that many are absentee owners who do not live where they own; who do not really have a stake in the areas where they own property, but are only connected with the amount of profit that can be made from rising real estate values. The problem, as I see it, is one of understanding housing as a basic human necessity. People need a place in which to live, and this basic need is being deprived when the law allows evictions of large numbers of people, merely because there are great profits to be made by the minority of owners of multi-unit dwellings.

As it now stands, New Jersey is one of the few states in the Union that allows evictions for condominium conversions. We are one of the most densely populated states in the nation. The county I am from, Hudson County, is one of the most densely populated areas in the United States. Housing is at a premium there, and the shortage of affordable housing units is reaching crisis proportions. The amendments to the Eviction for Just Cause Law, which allowed evictions for converting buildings, are a direct cause of the crisis in affordable housing. S-2107 would rectify this problem. Condominium conversions peaked in the State in 1981. According to Department of Community Affairs statistics, there were 10,278 conversions statewide that year. Hudson County had no conversions registered. In 1986, statewide, there were 5078 conversions registered. Jersey City alone accounted for half of the statewide total, with 2049 units converted. The rate of conversion for Hudson County is accelerating rapidly.

The 1986 figures reflected an increase of better than 50% over '85. Figures for 1987 are not available at this time, yet rough estimations for '88 promise to be much greater than previous years. Obviously, there is a problem that demands a solution.

I am not requesting a local or regional solution, because I do not think that is the answer. Demographics change. What is happening in Hudson County can happen elsewhere in the future. I believe Senate Bill 2107 is a solution to the problem of widespread evictions, and I urge that it be passed through Committee. I would remind you that there are lives that will be affected by this legislation, and families that will benefit by its passing. Conversely, if it dies here in Committee, many people will succumb to the pressures of needing a place to live, and not having one. Some will join the ranks of the homeless. If some kind of answer is not forthcoming, we will be faced with a number of serious problems. These will include a significant increase in the homeless population, which has already reached astronomical proportions; in the number of broken homes; in the crime rate; in the number of school dropouts; and I believe in the number of emotionally disturbed people. These effects will require much of the State's resources to deal with them.

Abraham Lincoln said, "The strength of a nation lies in the homes of its people," and I believe this to be true. I also believe that the weakness of a nation lies in the homelessness of its people, and that non-eviction legislation would be a major step toward preventing homelessness.

Please, let us join forces to resolve this matter expeditiously. When so many lives will be affected by our decisions, the best defense against evictions is a good offense. The tenants non-eviction legislation is a good offense. I urge you to move it through Committee.

Thank you very much. (applause)

SENATOR VAN WAGNER: Mr. Ray Bulin and Mr. Robert Antonicello.

RAYMOND BULIN: Good morning. My name is Raymond Bulin. I have been a real estate broker, and have been active in Hudson County for over 20 years. I have also been a tax appeal expert, and I have testified before most of the rent control boards, if not all, in Hudson County, as an expert witness.

I originally came to talk about taxes, about the benefit that the municipalities get from taxation in condo conversion, because there is a substantial one. It is reasonable to say that a building that gets a conversion increases its taxes six to ten times. But in hearing every one who spoke before me -- and I wish I could speak as eloquently as some of them -- there is one basic point missing. Has anyone asked why Hudson County has so many conversions? Has anyone said, "What is going on in Hudson County?" Why? What is missing here? Why is Hudson County going crazy?

Look at the rent control ordinances in Hudson County.

UNIDENTIFIED SPEAKERS FROM AUDIENCE: Wrong.

MR. BULIN: No, not wrong. (negative reaction from members of audience) I want you to listen to the rent control ordinances. Bayonne: No tax surcharge. That means that if a town increases the taxes, it can't be passed to the tenants. The owner has to eat it. That is the same for Hoboken. Sorry, I correct that. It is the same for Jersey City, North Bergen, Weehawken, and West New York. They cannot pass them through.

UNIDENTIFIED SPEAKERS FROM AUDIENCE: Not true.

SENATOR VAN WAGNER: Excuse me, please. You know, no one interrupts at a public hearing, other than the members of the Committee or the Chairman. Please.

MR. BULIN: If there is a mistake in one of the towns, I will accept that because the ordinances change from month to month, and it is hard to keep track of who is taking what out.

There are no fuel surcharges in most of the towns right now. You cannot pass through a fuel increase, should there be one. Hardship increases are dictated by local rent control boards that are generally made up of people who are tenant oriented. I appear before them. I am an expert. I have seen the cases, and I have seen the needs. What is the incentive increase per year in Hudson County? How much rent increase do you get?

Let's talk about that. West New York, 2-1/2%; Weehawken, 4%, tied to the Consumer Price Index; North Bergen, 2-1/2%; Jersey City, 4%, tied to CPI, and so on down the line. See, the real problem here is that there is no incentive for anybody to make a dollar. That does not make it right to put people in the street, and I can agree with that. But, what is going on? Why, all of a sudden, does Hudson County have 3000 conversions -- 50% of the State's conversions? What is going on? You have to look at it.

In your bill, you say, "Let's give the power back to the cities, so that they can administer condo conversions." I question, have they administered rent control well? What I ask you to do-- I have all due respect for Mayor Menendez, who is here. I work with him on affordable housing issues. I am not afraid to get in there, roll up my sleeves, and dig into this problem, and I am doing that already. The point is, you've got to see fairness, too. You've got to see that there is a problem beyond just the condo conversions. What can the State Legislature do? I would say you can do two things: Put in a vacancy decontrol bill statewide. I say that if you do that, you give the tenants who move in the option to pay a higher rent, and it does create a fair market. I also suggest that you take a look at a statewide rent control bill. The reason condos are so radically being affected in New Jersey is because we are one of the few states that has massive rent control. I think that is one of your contributing factors.

I think you have to look at the fact that some of these buildings that are converted have a rental basis under \$300 an apartment -- some of them. On Boulevard East, the building that converted last year, right on Boulevard East, with a commanding view of New York City, the average rent in that building is under \$325. Everybody is entitled to a place to live. Everybody is entitled to decent housing. But there also should be a fair return and some incentive for people to maintain residential housing.

One of the gentlemen prior to me said that in the '70s, houses were declining. That's true. What happened? Why were they declining? Rent control came in in '72. No repair and maintenance. I appeared, within two years, in over 350 tax appeal cases of apartment house properties only in Hudson County, and we were successful in 97% of those tax appeals, because those buildings did not generate enough of a return for the owners to get a return on their investment.

I think that if you took rent control off there would be chaos right now, but I think if you put in a real bill, a bill that made sense, giving them a return when the cost increased-- I think if you put in vacancy decontrol, which would give a benefit to the owners, and wouldn't affect the existing tenants, you would find that a lot of people do not want to convert.

I am active in Hudson County in conversions right now. My office is handling approximately 300 sales of units in conversion. The average price in my office -- on average -- would be about \$65,000 to \$70,000. In one of the buildings we are selling, 15 of 21 tenants have agreed to acquire their units. In another building we're selling, we expect to sell every unit to every tenant. The reason why is, the prices are reasonable. We have tailored it to them, and we have helped them with creative financing. It is not a giveaway; it is a fair proposal.

The condominium market is soft. There are not thousands of buyers coming out of New York to buy these condominiums. I check the conveyances every month. The ratio-- Hoboken gets some; downtown Jersey City gets some. By and large, the rest of Hudson County does not get New Yorkers buying. That is a myth that has been created for the last 10 years, that New Yorkers are coming out. There are people from Hudson County buying. There are people from the outer areas around Hudson County buying, but not from New York.

Lastly, I would like to say that this is not an issue that can be resolved today. You are talking about putting in a non-eviction plan. I don't want to see anybody living on the streets. I would not like that, and I would not feel good about that. But what happens four years from now when the non-eviction plan has had its effect, rent controls are so stringent in Hudson County, and these people -- the owners -- cannot afford to maintain their buildings?

UNIDENTIFIED SPEAKER FROM AUDIENCE: They apply for hardship.

MR. BULIN: Since the gentleman interrupted me, I--

SENATOR VAN WAGNER: Excuse me for a minute, sir, please. I am only going to say this one more time. This is a hearing and it is for you. It is for you to be heard. But the process we use in a democratic society is for a person, when he is speaking, to be allowed to talk. I know you disagree with him, and you may disagree with each other. But at least let's respect each other's time in front of the microphone. Please.

MR. BULIN: I thank the gentleman for the interruption. Thank you, sir. He said, "Apply for hardship." I have been an expert. I am telling you -- and I will swear this before God -- if you go for a hardship in those towns, you're in trouble, because you have to go in there and show that you are in an economic disaster, before you will get a 3% or 4% increase. I have been before North Bergen's board; I

have been before West New York's board; I have been before Union City's board, although I must say, in fairness to Mayor Menendez, Union City's board does work very fairly in many instances. You have to realize that there is a reason for this problem, and the reason does not lie only in greed. Some of it is out of need. I'm sure there would be conversions; I'm sure that there would be condos in Hudson County, but nowhere on the scale that there is today, if it were not for these problems.

Hardship. Let me go back to hardship. What a typical rent control ordinance looks like in Hudson County is, you are guaranteed -- "guaranteed" -- an 11-1/2% return on your investment. That is a wonderful guarantee, except it is on the basis of when you bought the building, which may be 30 years ago; except that you don't get management as a credit; except that you can't deduct the interest, you have to calculate it over the life of the mortgage. There are so many exceptions, and they have the right -- the boards have the right -- to decide -- have the right to decide whether you made a prudent investment when you bought the building, or not. So, people who I am paid a lot of money to go out and make that decision for and to help them with, people who have no experience, decide, "Oh, that was an imprudent investment. You are not entitled to a return."

I have been living with this issue since 1972. I know you are here and you want to stop condos, but please, look at the root cause; look at the problems. I don't want to see people on the streets, but I also don't want to hear people saying, "Hey, listen, I like it where I am. I'm paying \$250 a month rent. The owner is subsidizing me, and that's a good deal, too." That is not fair either. So, you have to look at the whole spectrum of housing in Hudson County, because Hudson County is creating this problem, and Hudson County is certainly the spearhead of this problem.

You must take a look at the root causes. You must put in vacancy decontrol. You must put in a statewide rent control bill, so that the politicians cannot abuse it, and run for election on whether we should have a 1% increase or a 1/2% increase in 1989.

That is my statement. Thank you. (applause)

SENATOR VAN WAGNER: Thank you, Mr. Bulin. Please, please, we are trying to do this equally. Everybody keep the applause at the same length of time, if we can.

R O B E R T A N T O N I C E L L O: My name is Bob Antonicello. I am a speaker here for Hudson 2000. I have been a consultant and project manager for over 197 conversions, many of them in Hudson County. I was born and raised in Hudson County, not Manhattan. My family came off the boat at Ellis Island 80 years ago, and we have resided in the Marion section of Jersey City ever since. We have known Senator Cowan for a long time. My family has a lot of respect for Senator Cowan.

I would just like to hit upon a few points. We have been project consultants on 197 projects, many of them in Hudson County. We have done the pricing in Hudson County -- a lot of the pricing anyway -- and our prices on the inside are between \$70 and \$100 a square foot. Now, we do project management on new construction, and I can tell you that we can't build for \$100 a square foot in Hudson County today. It's more like \$140, \$150, \$160, but not \$100 a square foot.

A lot of my clients want to sell to the tenants. They make a legitimate, sincere effort to sell to the tenants. I have a client today in North Bergen who tells me that every single tenant in his building bought. You know, that is unheard of, because normally across-the-board, you would see between 25% and 30%. But more and more sponsors are going into the building and directing their marketing efforts into the building, and tenants are getting good deals.

Now, I sympathize with the seniors. My grandmother is 97. She still lives in Jersey City. She owns her home. Her problem is real estate taxes. Real estate taxes may put her on the street and into our house, but that is our problem.

The pricing issue-- I hear a lot of prices -- \$180, \$190 a square foot. That is not a conversion price. I have never seen one come down the pike. If there is one out there, I would like to see it, and if it is out there, it won't sell. I feel that the pricing between \$70 and \$100 a square foot is fair. I feel that if a tenant is interested in buying, he has a great opportunity. The market is saturated. Last week, 18 units closed in Jersey City; 21 in Hoboken. That is not a big boom. I mean, this is a fizzle. It is a time for tenants to go in and buy, if they want to buy. If they need help, there is a Senate bill, or an Assembly bill, to give them a hand in buying. I have clients here today who bought a building for the express purpose of converting it. They went into the building, they spoke to the tenants ahead of time, and they said, "Would you like to buy your apartments?" They said, "Yes." They are going to sell probably 95% of those apartments to those insiders. The real beneficiary is Jersey City, which last year received \$6 million in increased taxes, which helped to keep my taxes low, and to keep my grandmother's taxes low.

Of the 197 buildings that we have done, 90% of those clients, I can safely say, because we do conduct a small poll when we take a building to convert-- The primary purpose was rent control. Many of these properties-- People want into my office after a rent control meeting the night before. Many of these properties have been on for years. They just can't take the rent control. When Mayor Menendez says the solution is on the State level, I agree with him, but I disagree with him. In Jersey City, the Seville Apartments was going condo. That plan was imminent, and yet Councilman Aviles got involved, spoke with the tenants, spoke with the sponsor-- That plan has been

shelved. Those apartments are now up for rent. You may have seen the sign on the building now, "Apartments for Rent." Locally, you can work something out, if you have the desire to work something out. But most rent control boards in Hudson County are simply places to make political hay. I have seen that, and it is disgusting, because I am a lifelong resident of Hudson County and the county deserves better than to have a landlord played Ping-Pong ball with by a rent leveling board.

When Assemblyman Kronick refers to Jersey City having 2049 units converted in -- 1985, was it? -- over 1000 of them were in the St. John's Apartments. If the St. John's Apartments were built today, it would be built as a condominium. It was always middle-class housing. It would be a natural condominium conversion. It is a condominium conversion. Over 50% are sold today. St. John's Apartments is very successful. But when you take that out, there were 1049 units in Jersey City, which has 95,000 housing units. That is not a lot of units that are being converted. If you take out the scare of 50 plus one, you would probably have 20% of that. Most of my clients came in last year. Anybody in the conversion industry would tell you that '87 was a banner year. Why? Because the Hudson County Republican delegation had a bill. The bill was 50 plus one, and it was constantly in the newspapers. People said, "You know, if I can't make a living with a rental property today, where am I going with this? If I am going to get out of this deal alive, I've got to convert, and if 50 plus one comes in, I won't be able to convert. Many of these people now convert their properties and they can't sell them, and that's the truth.

Every time there is another bill, there is another batch of buildings that rolls into my office, that rolls into Ray's office, and into Bob DeRuggiero's office. Eighty-seven was a banner year. Not for sales, fear; straight fear.

I would just like to wrap up with, if you are looking to address a solution to affordable housing-- You know, New York State did it in the '60s and '70s with Mitchell Lama. Mitchell Lama was a highly successful program. It is not around any more, but the rental that it created was amazing. It did provide affordable rental housing for New York State residents. To try to address the affordable housing issue by saying a landlord will not be able to evict at the end of four years, is not going to do it. What it is going to lead to, in my estimation, is more Bergen Avenues, Senator Cowan, more Ocean Avenues, and more disinvestment. And in Jersey City, we have worked so hard to get some momentum in this town, to bring it back. As a booster -- as a booster -- as someone who is proud of the town, as someone who wants the town to come back, we have worked so hard to build momentum, we do not deserve Bergen Avenues, Ocean Avenues, and record disinvestment. We may have had reckless reinvestment in this town, but we have now kind of channeled it. But to kill any momentum that we have going, is absolutely criminal. It is not only criminal for the tenants, but it is criminal for the homeowners, and it is criminal for people like my grandmother, who at over 90 years of age, is now paying real estate taxes that are way up there on a one-family home.

Thank you very much.

SENATOR VAN WAGNER: Ms. S. Patricia Comstock, President, Bloomfield Tenants Association. Is Patricia here? (affirmative response) Oh, she's in the back. Take your time.

S. P A T R I C I A C O M S T O C K: I appreciate the opportunity. I would also say that I am a member of the Essex County Housing Coalition, just so you don't think that everybody here is from Hudson County. I am also on the board of the New Jersey Tenant Organization.

I must say at the outset that I happen to agree with Mr. DeRuggiero. I believe that one sector cannot subsidize

another. The difference in my position is that I believe that tenants subsidize landlords. I have seen it happen in my own complex, where there has been virtually no maintenance for about 15 years. My landlord, who lives out-of-state, and is one of those huge developers, goes on buying more and more and more properties with the money I give him, and then I wind up fixing my own apartment, or waiting years and years for him to fix something -- months, anyway.

It seems that some of these developers are involved in a Monopoly game, but it is not a game for those of us who are the butt of the landlord's game plan. In fact, it has devastating consequences.

My feeling is, it is time for government to institute social policies that are responsive to human needs. Something as basic as shelter certainly can't be left primarily to those whose interests result in hordes of homelessness.

I also want to point out, because the statistics are clear -- and they are not mine; they are from the Bureau of Labor and from other Federal government agencies -- that homelessness, disproportionately affects women and children. That is really what we are talking about here. We may talk about social justice, but that is meaningless without economic justice. In the richest country in the world, we have become a two-tiered society -- the haves and the have nots. The Federal housing budget -- under the current administration, I might add -- has been slashed by 90%. What are ordinary people to do -- ordinary working people -- when speculators' prices shut us out entirely from the housing market? Housing is no longer subject to the free market forces that developers like to say, you know, should be allowed to come into play. There aren't any free market forces when you have a vacancy rate of 1% or under.

So, I mean, really, what are we to do? We can't afford to buy; we can't afford to stay -- to rent our apartments. I forget who it was who mentioned that statewide

vacancy should be controlled. That would create as much homelessness as conversions are creating. Who can afford to pay their prices? I mean, it is opposite sides of the same coin. It is not an either/or situation -- either we have conversions or we have statewide vacancy being controlled. Either one would terribly, terribly affect ordinary working people, particularly single parents who have children to raise, and who are managing alone.

We are not welfare people who want a free ride, as the real estate interests claim. Our taxes -- as most of you know -- are paid through our rent. We help to pay your salaries. Will you be responsible to moderate- and low-income people and not just to the developers? Does the land of opportunity now mean money off the backs of those who can least afford to pay, and those who can least afford to cope with homelessness because they have no other resources? Society will pay in one way or another.

I urge your support of S-2107 -- no eviction without just cause, gentlemen. (applause)

SENATOR VAN WAGNER: Mr. Edward Nadasdi, a private individual, as he is listed here.

E D W A R D N A D A S D I: Mr. Chairman, honorable Senators: Thank you for this opportunity. I am not going into the discussion I intended to make, or came here to make, immediately, because I feel there are a number of things that have been said here that require clarification.

I have heard it said that conversions rehabilitate Hudson County; that the rights of home ownership are being challenged by this law, and other things; that landlords in Hudson County have no opportunity to make a fair return on their investment. Insofar as rehabilitating Hudson County is concerned, and property owners being taxed because of conversions, which are supposed to do so much good for our county, it is a fact that the places where there have been the

most conversions and condo/co-op buildings have the highest tax rates in the State of New Jersey, and possibly in the whole of the United States. In Hoboken, the tax rate is above \$200 for \$1000 of assessment. In Jersey City, which has had a tremendous number of conversions, probably more in proportion to its size and population than any other municipality I know in this State, other than Hoboken, the tax rate has gone up year after year. If the papers and the projections I have seen are nearly accurate, there is going to be a whopping increase in taxes there.

Unfortunately for the gentleman who is in the real estate business, and his 97-year-old grandmother, I submit that this increase is due to the extraordinary increase in valuation that has been caused by the speculation, and the enormous profits that are being made by conversions.

Also, I want to say one other thing, and then I will go into the purpose of my being here. That is this: It has been said that no landlord can make a fair return or profit on his realty investment in Hudson County. I challenge that remark. I am a member of the North Bergen Rent Leveling Commission. I know from experience that the courts in Hudson County -- and I presume throughout the State -- will declare any law -- municipal law -- unconstitutional that does not provide a fair return upon investment.

Now, we can talk about these things for many hours, but let's see just about what may cause these things. We have several tremendous developments in Hudson County -- Newport City, Liberty Park, peculiarly, and many, many others, large and small. Some of these developments and projections have received grants -- Urban Development Grants and other grants. Up to \$40 million of taxpayers' money has been granted to developers to build condominiums that will sell for a half a million dollars, or more, or to put marinas in there. In Jersey City, in Hoboken, all through Hudson County, all costs

of maintenance, roads, sewerage-- We face a garbage problem that is mind-boggling. This is largely due to the fact that where either the State government or the Federal government can afford to give \$40 million to a development, that does not do the population living there any good, but it hurts them.

Do you know what \$40 million could do if it were put into affordable housing? (applause) Forty million dollars would build 1000 new homes at \$40,000 apiece, or rehabilitate at least 2000 apartments at \$20,000 apiece.

I am sorry to be so excited about this, but I feel very, very deeply about it. So that I do not take up too much of your time, let me go into what I came here to say.

SENATOR VAN WAGNER: Don't ever feel badly about your emotions, sir. That is the purpose of this hearing. (applause)

MR. NADASDI: I hold in my hand an order for eviction from the building in which I live. It was signed by Judge Elaine Davis of the Superior Court in Hudson County. I want to read this eviction notice. It's 90 days. This is for a tenant, a widow, who has lived in this building for 15 years, and this is what it says: "Ordered that if the defendant has not vacated subject premises at the expiration of the early applicable time period set forth in the paragraph above, which is 90 days, said warrant of removal shall be executed forthwith, and the defendant shall not be entitled to any further stays or any other relief of any type whatsoever in this matter." I wonder if I make my point? An act of God cannot keep this tenant in that apartment after 90 days. This is what we are faced with.

I have here one of three summonses to evict from the building in which I live. They are dated May 24, 1988. They were returnable June 7. That has been postponed at the request of the landlord, because his lawyers were busy elsewhere. It is a very distinguished large group of lawyers handling that.

One of the three people who received this eviction -- Louis Slielock (phonetic spelling) -- is 79 years old. Theodore Feldman is 68 years old; William DeMorrow (phonetic spelling) is 66 years old. Their three years are up, gentlemen. This is why I am here. I am 77 years old, and I am protected -- as much as it is possible to be protected -- by the Senior Citizen and Handicapped Protected Tenancy Act. I feel very strongly about the fact that I and other senior citizens have been called into court and are subject to proving every single year whether or not we are still covered by the Protected Tenancy Act -- if we may call it that.

Now, in addition to that, there are 10 other tenants in our building who are waiting to be put on the calendar before the Law Division of the Superior Court. There are 14 people facing eviction; one already has no recourse. There were 214 tenants living in our building at the time of conversion. If these 14 people are evicted, that will leave only six of us left. That is why I am here.

I would like to ask you ladies and gentlemen a question. I don't want to go over the subjects that have been addressed by others. If you were in the Legislature in 1981, did any of you, or did any of your colleagues that you know of, intend to put more than 90% of the tenants in buildings that were to be converted, out on the street? This is exactly what this law, which was written and addressed to protect certain types of tenants, did. What does it really mean? Three, four, or five percent of the tenants get some protection. The rest do not, even when the law should protect us. Why do I say that proportion? Because it only protected a small part, or a part of the senior citizens and the handicapped, even then.

What we are asking for now is justice. We are asking you to correct something that is in this law that is completely unfair. It is completely unfair for tenants to be evicted for causes other than what all the rest of the tenants who are not in converted buildings can be evicted for.

I hope I made myself clear. I think I may have been a little incoherent on it. But this is the fact: The courts are ordered-- It was said earlier that this is the only State we know of in which there is a law by the Legislature which orders the judges -- our judges -- to evict for no other cause than that some landlords -- some millionaires -- want to become billionaires. This is the situation we are facing here right now in this matter and other matters in relation to conversions.

So many of our present landlords -- my landlord is domiciled in Long Island, New York -- have come over here. The people who are buying most of these condos and conversions that other people cannot buy are not previous residents of Hudson County or the State of New Jersey. They are people who can no longer live in parts of our neighboring states.

Now, we are here to ask for simple justice. The justice is this: Tenants in converted buildings should be given the same right to stay in their homes and retain their homes as all other tenants in the State of New Jersey.

I thank you most sincerely for hearing me. (applause)

SENATOR VAN WAGNER: If I may just ask you again-- There are probably about 40 people who still want to be heard on this issue. You know, I realize the importance of the issue; believe me, I do. But if you can, those of you who are going to follow now-- If you can hit upon points that may not have already been made, that would be helpful. Okay? If we could do that, kind of focus on those things a little bit, that would be helpful. I realize that is hard to do, but please try to do that, if you can.

I am now going to ask Mr. Mark Rosen to come to the witness table.

M A R K R O S E N, E S Q.: Gentlemen: My name is Mark Rosen. I am a principal of the Solomon Organization, which is essentially in the business of co-op conversions. I am also an officer and director of the Coalition for Better Housing. I am

a member of the State Housing Study Commission. I am an attorney licensed in both New Jersey and New York. I have been involved in the conversion of approximately 40 buildings, both in New Jersey and in New York to either co-op or condominium ownership.

On behalf of the Coalition and of our firm, we strongly oppose Senate Bill 2107, the reasons being that it attempts to circumvent the existing Planned Real Estate Development Act; it fails to identify the problems that exist; it is by far too wide-sweeping, in that it affects all counties, all properties across the State; and furthermore, it has a retroactive effect which changes the situation on buildings that have already converted and on commitments that have been made by sponsors and owners and banks for property that has previously undergone conversion.

Today, I have heard that converters are terrible people; that we are responsible for the fact that crack is being sold; that there is a homeless problem; that there are broken homes; that there are school dropouts; that there is emotional illness; and that there is crime because of the conversions. I take exception with all of those facts. I don't believe that is the case by any means. In fact, I think that the co-op and condo converters of the State have done a great service to the State.

Here in New Jersey, where you cannot afford to buy a first home for less than \$120,000 to \$180,000, we have created an affordable housing ownership market. We are the only people in the State who have been able to provide the American dream for many of the people within this State.

When a property is bought by a converter, or a property undergoes conversion, usually there is a large amount of money that is reinvested within that complex. Money is spent on things such as the structural elements, the roofs, the heating elements, the kitchens, the landscaping, pools, tennis

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courts, bathrooms, a whole myriad of things which usually relate to somewhere between \$10,000 and \$12,000 per unit in renovations. This helps to bring back some housing stock which has been neglected, for whatever reasons, in the past. It also helps to increase the tax rolls within the communities.

This bill -- S-2107 -- will stop conversions. It will also stop this industry. You should be aware of that. There is no way we can buy buildings, make these types of improvements, and not know whether or not we are going to be able to convert them. Furthermore, this bill provides for the municipal approval of the townships; that is, the townships have the right to set their own laws with regard to the conversion process. This is not feasible. It is not reasonable to expect anyone to make a large capital investment in a property and not know what the rules are. That is what you have done.

You have also created the fact that by doing this it affects everybody across the State. The converters realize there were problems. They realize that Hudson County is the major problem within the State. We suggest that we identify the problem and deal with it. But to just go across the State and say that everybody else is out of business is silly. Our firm employs approximately 100 people today. We have done about \$6 million or \$7 million worth of renovation in 1987. That will stop. We will not be able to do it, because this bill will put us out of business. It will stop us completely. I don't think that is the intention of the Committee, nor is it the intention of the Legislature. But you have to understand the ramifications of this bill. It does not work.

Today, these first-time home buyers, who are generally the people who are either in the building -- young families or people who are coming into the communities -- are able to buy properties which are usually valued at considerably below \$100,000 per unit. The affordable home ownership is the means

that this whole country has been built on. It is the dream of every citizen in the country. We have the right to try to make that dream come true, and we do try.

We also have an additional market, which is the seniors. Many of the people here today obviously are senior citizens, some of whom are protected. Probably most of them are protected under the current law, but some of them are not. We find in our marketing, seniors who come back into our complexes to live there because they either want to sell a house they possibly have, or they are living in an apartment and they have a good deal, and therefore they buy. This is another major market that we deal with. If we are not able to convert, this market also dries up.

Furthermore, you must understand that the conversion business does not eliminate housing. Obviously, we do not take housing away. What we do is change the form of ownership. We change it from rental to fee ownership. That is not a bad thing. We have done a lot for the cities; we have done a lot for the areas throughout the State.

I would like you to note that our firm is probably the largest co-op converter of garden apartments in the State. We do not do any business in Hudson County. This bill will essentially stop our business. The bill will also do a devaluation of property. It will eliminate the upgrading of property. It will stop investments in many areas. It will reduce the tax bases and it will eliminate affordable home ownership.

Furthermore, you should also be aware that we did a study of what happens with the conversions, how many units are being converted, and where. We found out that 30% of the buildings that are converted were built before 1940. In order for money to go into buildings that were built before 1940, there has to be an incentive. If you do not have the ability to convert the building, then obviously people are not going to be making large capital expenditures into those properties.

We also found out that there were 3200 units demolished in Hudson County over the last six years, and that there are many more where that is slated to happen. In fact, there is a property which I believe is called Curry Woods (phonetic spelling), which was in The Record several weeks ago, in which 300 units are supposed to be knocked down, because that is the cure for the drug problem. Well, we agree that the drug problem is a terrible situation. Anything that can be done, we support it. But taking down what is now affordable housing to cure it, does not make a lot of sense.

We urge you to take steps other than stopping the conversion industry to cure the affordable housing problems. We further urge you to identify where the problems are. If they are in Hudson County, then that is where they should be dealt with. If they deal with low-income people, then those are the people who should be protected. That is what we should do. We should not just stop a whole industry and a whole business that is doing good for the State of New Jersey because of this.

Thank you for your time.

SENATOR VAN WAGNER: Thank you, Mr. Rosen.

I understand that Mr. DeFina and the NBTO need to leave, so I am going to ask Mr. DeFina to come forward now.

Is Councilman Aviles here? (affirmative response)
Okay, I just wanted to check.

A L L A N D e F I N A: Mr. Chairman, Senator Cowan: As you said, my name is Allan DeFina. I have been a lifelong resident of Hudson County. Today I am here first to speak as an individual, but then also as a representative of a tenants organization -- the West New York Tenants Organization -- not North Bergen.

I am glad to hear that the Realtors believe that they have done so much to help the State of New Jersey. I wonder, then, why all of the tenants are here today with these various problems?

As I said a moment ago, I have lived in the State all of my life, but soon I will probably be forced to leave. I owe a lot of who and what I am today to the fact that I grew up here in New Jersey. I am a product of one of the finest school systems in the State. I received State grants to go to a State college. Being a resident of Hudson County, I was exposed to many of the cultural and educational things available in the metropolitan area.

Presently, I am an educator of physically, educationally, and culturally deprived students at a State school in one of the inner cities. I am certified and teach in Special Education and in English. I teach classes on the college level in Computer Reading and Writing Literacy. I am working toward a doctoral degree in Reading and Language Development. I have written reading and language arts curricula for several school districts. A few years ago, with my own money, I made the decision to learn how to speak Spanish so I could be more effective in the community in which I live. I am an award-winning poet, children's book author, and free-lance writer. I have been active in many community activities, including volunteer work with senior citizens, the homeless, the disabled, the disadvantaged, and troubled teen-agers. I have contributed to the arts and charities. I have tried, in short, to give back to my State and to my country all the things that have been given to me.

But, because I chose to give back some of those blessings instead of banking every cent I made or investing it in tax-free bonds, or whatever, in tax shelters, because I have chosen not to go to work on Wall Street, although I have had offers, I now find myself in a difficult position. My apartment building is being converted to a luxury cooperative, and I cannot afford to buy it at the cost -- on my teacher's salary -- of nearly \$100,000, plus over \$500 a month in maintenance charges. Consequently, within the next few years,

I will be evicted from my home of many years, and that is if I don't buckle under the landlord harassment I am already experiencing since the building was registered for conversion.

I have been looking around in my area and, quite simply, there is nothing which I can afford to buy or rent on my salary, which will allow me to continue to finish my studies, and which will allow me to continue my community involvement. I have come to realize that it will probably be necessary for me to leave the State. The decision to do this is a most painful one, but because there is a lack of legislation to protect hard-working, middle-class tenants like myself, I have no choice.

I am here today to plead with you distinguished gentlemen to give me another choice. Please, before New Jersey loses many talented and hard-working individuals, people like me who have made New Jersey an attractive place for other people, release this bill from your Committee and support it. Help us to choose to stay. Help us to continue working and dedicating ourselves to the people of this State. In a way, I am quite fortunate. I can easily pick up and leave the State and go somewhere else, because my skills and expertise are quite marketable. Actually, there is a demand for my services in many other places. I am not worried about finding a new job so I can continue to put food on the table for my family. But many of the tens of thousands of people who will soon be uprooted from their homes will not be as fortunate as I.

Almost a year ago, I co-founded an organization in my hometown to work for passage of legislation to help us to keep our homes. In the past year, I have heard many sad stories from desperate people; people with nowhere to go; people with no money to start over; people with no job prospects in sight if they are forced to leave this area. I have heard horror stories from tenants who are being victimized by profit-hungry landlords; landlords who are even too impatient to wait the

three years before trying to evict the tenants from their valuable gold coast property.

But Hudson County is not the only place suffering. Earlier this year, I wrote about the State's housing crisis in an article which appeared in The New York Times -- and I have copies of that article here, along with some other articles. I have received phone calls from people all over the State. I heard the same horror stories from tenants throughout the State of New Jersey. I also heard from senior citizens and disabled people who were being harassed, even though they supposedly enjoy protection. They called me thinking I could offer them help, but only you -- our legislators -- can help by passing pro-tenant legislation.

There is a lack of moral leadership in this State all the way to the Governor's office. (applause) Tenants are asking you to take the lead in providing that leadership. Governor Kean recently published a book called, "The Politics of Inclusion," but while the Governor advocates inclusion of the masses in the political process, he has practiced the politics of exclusion when it comes to the housing issue. (applause) His lack of leadership is causing massive eviction, or what I call exclusion from what are now becoming exclusive neighborhoods.

Last October, while campaigning for fellow Republicans in Hoboken, the Governor, brushed by a group of persons who had assembled with signs pleading for his help, referred to them as "nuts" and "fruitcakes" and "Democratic mercenaries." We are not nuts, and we are not fruitcakes. We are not all Democrats, nor are we mercenaries. What we are, distinguished Senators, is desperate.

There have been attempts by the unregulated real estate monopolists to portray the housing issue in the following terms: "That we are nuts, fruitcakes, and radicals versus decent American citizens." We, the soon to be

displaced, take offense at this kind of thinking. We are not less decent because we come to our elected representatives for help. We are asking our public servants to serve their constituents and not the interests of the land baron developers. (applause) S-2107 will protect your constituents. They have tried to portray this as an issue of tenants versus homeowners. There have been attempts to cause a rift in many communities between tenants and homeowners. Developers spout rhetoric that tenants are subsidized by the State, and that homeowners are footing the bill. This is simply not true. Developers, and some of our legislators as well, neglect to mention the tax increases many homeowners -- as the 97-year-old grandmother-- Those tax increases they are being hit with are the result of property reevaluations on overly inflated land values. (applause) Property reevaluations are directly caused by unbridled development, and homeowners and tenants are now beginning to stand together in organizations like ours in West New York. We are dissatisfied with those legislators who refuse to acknowledge that the root of these housing and tax assessment problems is the unregulated development of our communities.

S-2107 will help to control the pace of development. There have been attempts to portray it in terms of taxpayers versus welfare recipients, or social parasites. This is another myth, that we don't pay taxes, while developers do and while homeowners do. We pay taxes with every rent check. We pay taxes with every paycheck. We pay taxes every April 15. It should be pointed out that we do not receive tax abatements the way many developers do. We, tenants and homeowners, are tired of taxation without representation. We want justice from those persons whose jobs are to represent us. We want justice from those persons whose jobs are paid by our taxes. We want passage of S-2107.

There have been attempts to portray this as an urbanite versus suburbanite problem. Many legislators feel that the conversion issue is a problem for Hudson County alone. These legislators may feel that this issue does not affect their constituents. Again, this is not true. Without legislation, greedy developers continue to monopolize the real estate market. Conversionmania will spread, and it is only a matter of time before every community will be hard hit. Perhaps there will even be mass migration from Hudson County to your own communities. And, sooner or later, taxes will have to be increased to pay for all of the social service programs our State will need in order to cope with the numbers of displaced and disenfranchised. Unbridled conversions will ultimately affect all of the taxpayers of New Jersey.

S-2107 will help communities to stay intact, and will protect against an increase in taxes for social programs. Republicans versus Democrats -- another favorite myth. This is not an issue of one party versus another. This is a people's issue. This is an issue of what is morally right for the people of this State. This is an issue which deserves the full bipartisan support of the highest elected officials of our State, including the Governor. Bipartisan support of S-2107 will demonstrate a moral commitment to the people of New Jersey.

There is talk of confiscation versus Fifth Amendment rights. There has been talk that S-2107 is really a form of confiscation of property, and it is about time that this argument is put to rest. There is nothing confiscatory about this bill. Landlords do not lose the right to convert their properties, and tenants do not lose their homes. Nothing is being taken away. This bill is a compromise reached in a time of crisis. Last year, as was mentioned, when the 50 plus 1% bill was proposed, there was talk about a viable compromise bill such as the non-eviction bill. Now that this compromise bill is being offered, the developers are balking. S-2107 is a

way of helping to keep ground until a permanent solution to the housing crisis can be worked out.

There is the argument that there is growth versus stagnation. Developers often say that passage of a bill like S-2107 will cause economic growth to come to a standstill. But other cities with no eviction legislation are not suffering. Look at New York City, the center of world finance. Let's also look at what happens when there is too much growth too quickly. The Manhattanization of New Jersey's gold coast will drive away all those persons who came here to get away from that kind of a situation. S-2107, again, will help to regulate growth.

There is the myth of voters versus non-voters. All too often we have heard it said that people most affected by this issue do not vote as often as some of the better educated, higher-class, higher-income types and, therefore, this is not an issue to be concerned about. Also, since lower-class tenants do not have the funds to lobby as effectively as the real estate people, our rights and needs are frequently overlooked. We tenants would like to believe that our Legislature recognizes its moral obligation to represent all of the citizens of the State, and not just the interests of the wealthy or the developers. But just in case, gentlemen, I can only say that tenants will not forget what takes place in Trenton this week. Our organizations are leading voter registration drives, and we will remember who voted, how he or she voted, who walked out, and who was absent. (applause) We will remember the next time we stand at the ballot box, and we will use our vote as a sword, if need be. So, remember us when you vote on S-2107.

There is ultimately only one real issue here. It is the haves versus the have nots. This is an issue of what is moral and what is immoral. Forced eviction is immoral. De facto segregation is immoral. Uprooting families from their

homes for profit is immoral. Denying constituents the right to continue living in their communities is immoral. Creating a society of haves and have nots is immoral.

I ask you, and I trust that you will do that which is moral. Stop the immorality of forced eviction. Rectify the injustice of the law. Take moral leadership, I beg you. Vote yes on S-2107.

Thank you. (applause)

SENATOR VAN WAGNER: Thank you. Would you please restrain the applause. We have still about 30 people to testify. We moved Mr. DeFina up because he indicated he had to leave. We would just ask again, if you would-- I realize that everyone wants to make the same points, but if you can try to make points that have not already been made, it would be helpful. Those of you who have prepared statements, if you would simply try to paraphrase some of those, that would also be helpful.

I would like to call now Mr. John Rummel, Chairman of the New Jersey Communist Party.

J O H N R U M M E L: I would like to thank you for the opportunity to speak today. I am representing the New Jersey Communist Party, which strongly supports the passage of S-2107 and all other bills designed to protect tenants and to save affordable housing.

I am also speaking as a tenant who, with his wife and baby daughter, is facing eviction due to the conversion of our apartment building in Jersey City into condominiums. The converters are throwing a party, while we face evictions. Every Sunday, they double park chauffeur-driven limousines in front of our building, to transport prospective buyers. They tie clusters of balloons to the entrance and station hostesses in the lobby to escort people through the building. For them it is a gala affair. For us it means being uprooted from apartments we can afford; apartments we have lived in for years and, in some cases, a lifetime.

Someone earlier referred to this as the creation of affordable housing. The apartments in my building are going for from between \$90,000 for a small, one-bedroom apartment, to over a quarter of a million dollars. In addition to paying those fees, prospective buyers will have to pay a monthly service charge and property taxes, which will then equal almost three-quarters of what the current rents are.

Condo conversions are so widespread in Hudson County that there is literally a panic from one end of the county to the other, as you can witness from the people testifying today. Although poor people are hardest hit by these conversions, the scarcity of affordable housing has reached a point where it affects all but those at the extreme -- the very highest income levels. It is not a problem confined just to tenants. Small homeowners face skyrocketing property taxes when condo conversions in their neighborhoods force property values up. Nor is the plague of conversions confined to Hudson County. While Hudson County may be ground zero, it has spread throughout the State.

There are profits, and then there are obscene profits. The profits that come from the speculation involving the conversion of affordable housing into condominiums are obscene profits. They are obscene because they destroy a fundamental human need required to sustain life -- the need for shelter. They are obscene because they cause massive destruction of our communities. They are obscene because they spread fear and insecurity, and they are obscene because they cause homelessness. When developers move into a city or a neighborhood, their aim is not to improve the neighborhood. In our case, we might find that our lobby floor gets waxed a little more frequently, that curtains are now hung in some of the windows, but the neighborhood has not changed for the better.

The aim is not to help the people who live in those neighborhoods. The aim is to get rid of the people living there. They are motivated by greed, and only by greed. The question must be asked: Must we be ruled by the almighty dollar? The Constitution begins, "We the people--" Nowhere does it say that greed must come before the interest of the people. The Communist Party believes that housing is a fundamental human right, but it is a right that no longer exists for a growing number of people in New Jersey.

Someone earlier referred to the passage of vacancy decontrol and how that would help to save affordable housing, or create affordable housing in the State. I think our sons and daughters-- If that bill passed, we could tell them they better get used to standing on the street corners, because that will be the only place they will have to call their own in the future.

We urge the Senate to act quickly, and this Committee to release this bill for full consideration tomorrow, and for the passage of S-2107.

Thank you. (applause)

SENATOR VAN WAGNER: Thank you, Mr. Rummel. I would like to call now on Ms. Sue Covais, who will be representing the New Jersey Association of Realtors. Is Sue in the room? (affirmative response) Yes, here she is.

S U S A N C O V A I S: I have a prepared statement, so I will just paraphrase it very briefly.

My name is Sue Covais. I represent the New Jersey Association of Realtors. Basically, I think most of our points have been covered by previous speakers in opposition to the many legislations and proposals that try to limit condominium conversions. We feel that people do have a right to decent and affordable housing. Our problem with these proposals to seek to limit condominium conversions is that they really do not provide affordable housing. They are providing housing for

tenants who happen to occupy those units, and are not providing housing for present and future needs of housing in New Jersey.

We also argue that the more restrictions you put on multi-family units, or any other kind of development in New Jersey, the more costly it becomes, and the more developers are encouraged to go elsewhere. I think what we are trying to do here is-- We really should work together. It should not be landlord versus tenant, or Realtor versus, you know, tenant organizations, and things like that. We should try to work together. After all, it is developers and the Realtors and the building people in this State who provide housing. They are the ones who have to build it. We have to work together to solve these kinds of problems.

No one has any problem with trying to protect tenants who cannot afford to buy, but we do not want to protect in this State tenants who just don't feel like moving. This is the problem. We really have to work together. We have to get beyond the rhetoric. We have to sit down and work together to try to develop some more viable economic options -- incentive options, not punishment options -- things that give incentive to developers to build in New Jersey, and not things that punish developers, because, after all, they are the ones who are going to build the housing. They are the ones who are building affordable housing. They are the ones who are building luxury housing. We've got to find ways to encourage builders and developers and Realtors to try to provide affordable housing, and not punish them for doing what they are doing. It is their business; that is what they are there for. That is what makes this country great. We have a capitalistic system. That is what gave us the highest standard of living in the nation, because we have incentives. That is the way we should direct our energies, to try to solve the condominium conversion issue, and the displacement issues. We should direct our energies toward incentives, and not toward punishment.

Basically, that is all I have to say, because I think most of the points that the Association was going to make have already been made.

Thank you very much, Mr. Chairman.

SENATOR VAN WAGNER: Thank you. I would like to call now-- There is a group of individuals. I am not sure they are all here, but it is the Campaign for Housing Justice of Hoboken, New Jersey. I think one gentleman did come. Mr. Joel Horwitz, I think, is here. Is that right? (affirmative response) Mr. Horwitz?

J O E L H O R W I T Z: Do you want us all together, or one at a time?

SENATOR VAN WAGNER: Well, you might as well--

MR. HORWITZ: There are not many of us.

SENATOR VAN WAGNER: Pardon? How many are there? Are there just two of you?

MR. HORWITZ: Yes.

SENATOR VAN WAGNER: Why don't you both come up? Gentlemen, if you could sort of not repeat what the other one says-- If you could kind of do that, it would be helpful.

MR. HORWITZ: We'll try. Good morning.

SENATOR VAN WAGNER: You're Mr.?

MR. HORWITZ: Joel Horwitz.

SENATOR VAN WAGNER: You're Joel, and the gentleman with you is?

S T E P H E N B U S C H: Steve Busch.

SENATOR VAN WAGNER: Steve Busch, that's right. You signed in today.

MR. HORWITZ: I have a question first. I got here 20 minutes late.

D O R O T H Y A R G Y R O S: (speaking from audience) Excuse me?

SENATOR VAN WAGNER: Yes?

MS. ARGYROS: Are people who signed in today being placed ahead of people who signed in two weeks ago?

SENATOR VAN WAGNER: No, Dorothy, they are not. Mr. Horwitz is on this list. What happened is, Mr. Busch is replacing Marilyn Bach, who is not here. But they are on the list. No, that is not being done.

MS. ARGYROS: Thank you.

MR. HORWITZ: First of all, since I got here 20 minutes late from parking my car, I wonder, was there an announcement made about where the rest of the Committee is today? I don't want to accuse without knowing if there was anything said.

SENATOR VAN WAGNER: I can tell you that Senator Frank Graves is in the hospital.

MR. HORWITZ: Yeah, I heard that.

SENATOR VAN WAGNER: (after conferring with aide) The answer to that is, Senator Bubba is attending another meeting, and Senator Connors, who is a municipal official in Surf City, is attending a meeting there, apparently on an emergency basis. They will both be here tomorrow.

MR. HORWITZ: I'm glad you two are here, but I can't help but feel insulted that a government Committee is holding a public hearing and the members of the Committee are not here.

SENATOR VAN WAGNER: Sir, number one, this hearing is being recorded and will be transcribed.

MR. HORWITZ: In between today and tomorrow they are definitely going to have time to--

SENATOR VAN WAGNER: They will have knowledge of what took place at this hearing, yes.

MR. HORWITZ: I can't believe that. I mean, you know, because I--

SENATOR VAN WAGNER: Would you just continue with your testimony? I think it is really the Chairman's responsibility to determine that. The Senators in question submitted excuses. We are recording the minutes. So, if you would proceed with your testimony, I would appreciate it.

MR. HORWITZ: First, I would like to read testimony from someone who was here two weeks ago. He came then -- Reverend Paul A. Hagedorn (phonetic spelling) -- but he couldn't come today because people have to draw a line somewhere, you know. They can come at certain times. He was very distressed that the whole Committee wasn't there. Let me first read his testimony. I will try to go through it fast, because it does tell a lot.

"Honorable Senators: I speak in support of S-2107 on behalf of the Hoboken Campaign for Housing Justice and the Hoboken Clergy Coalition. There has been during the '80s in all of Hudson County, but particularly in Hoboken, an epidemic, in addition to AIDS, that has caused untold pain and suffering, even dozens of deaths. The epidemic, like AIDS, has increased in geometric proportions, escalating in number each year. Thousands of people, usually the poorest among us, have seen their homes taken away from them, frequently homes where they and their families have lived for decades. Unlike medical epidemics, the cause is known exactly; it has a name -- condominium conversions. Also unlike medical epidemics, there is a known cure. All it needs is the will on the part of our elected representatives to apply it. That cure would be the adoption of Senate Bill 2107.

"This bill would prohibit the eviction of current tenants in a building which is undergoing condominium conversion. We are aware of the problems of homeless people. Efforts have been made on their behalf. Probably more are needed. But we need to address the causes as to why the numbers of homeless are increasing in our State. This bill offers one real possibility.

"Speaking very directly, we are tired of our people being pushed out of their homes, sometimes through very violent means, for the sake of the profits of a few. The profiteers,

particularly those who have picked the bones of longtime residents in our area, like to call Hudson County the gold coast. It has been that for them, like California during the gold rush. A few have made quick killings. That term "killings" is used not only figuratively. People have died. Families have been separated. Children have been shuttled from place to place, as parents seek desperately for new homes in an atmosphere of horrendously speculative rising rental costs.

"We are tired of it, and we just can't tolerate it any longer. What is the other side of the coin? Who are replacing these people being forced from their homes of generations? They are people whose lives usually center not in New Jersey, but in New York City. They have no interest in the place where they only sleep. They work and they play in New York. They frequently do not even vote. If they have children, they leave when the children are of school age often. They just do not care about the place where they, in reality, do nothing but sleep.

"I draw your attention to the fact that the overwhelming majority of those in Hoboken and all of Hudson County are tenants. They are the ones who have elected the present Assemblymen and Senators. They are the ones who truly care about New Jersey, the place where they have lived lifetimes. It is time to place human concerns above profit.

"I call upon you in the name of all that is decent and just to support this bill."

That was from Reverend Paul A. Hagedorn, for the Hoboken Campaign for Housing Justice and the Hoboken Clergy Coalition.

Now, that is the general statement of a lot of what I have seen. I have been there for 10 years. Ten years is a long time to make a lot of solid opinions about what is represented as equal on two sides and seeing through it. I don't know if you have seen body bags come out of buildings

from fires, where a month later there are condos. I realize that doesn't happen everywhere and it is not everyone who does it, but every Realtor in that county and in our town benefits from that kind of crap.

Sixty-six people died in two years from unexplained fires. It is the perfect crime. Someone with a match-- You can't prove it. Although I am not saying everyone is part of that, everyone in that industry has benefited from that. Because of those fires, people are afraid to stand up for their rights as citizens. This is what is shocking. This is what makes me sick. It has made me sick for a long time. I'm glad I have endured it. I haven't been hit by it.

I have an article here from April 24, from The Hoboken Reporter: "We need more condos to clean this town of its undesirables. What we need is more condos in this town. We need development. We need to clean this town of its undesirables." I'm sure when this became one of the just causes for evictions, no one could possibly realize that some day some idiots like this would use a legislative means to enforce that kind of an opinion.

I have a rebuttal to a lot of the comments. I will try to keep it short, but in some ways I don't think I should keep it short. I'll do what I can. As far as responding to some people's ideas that they worked hard all their lives, and they should be able to do whatever they want from working hard with those buildings-- They worked very hard to be able to earn enough to buy those buildings. I just don't buy that there is any respect for that hard-working background, because if there was any respect for that hard-working American background, as they are claiming, they would never do to people who are in the same place they once were, working hard in jobs that don't happen to pay a whole lot-- They would not take away a roof over their heads. So, that whole view of, "Because I worked hard, I should be able to do whatever I want with this

property. That's America--" It is totally non-American, as far as I am concerned. (applause)

Basically, it should not have been placed as a just cause for eviction. It was a mistake, and it needs to be taken out of there.

I believe -- and I shouldn't read off of a paper-- If you want to hear what stuff I have come up with over the years, it may make a point to you that you have not heard before. I'll make it quick. I do believe in freedom of choice, as long as the choice does not physically harm someone else. If someone wants to buy their apartment, that's fine, as long as their next-door neighbor is to remain an unharassed renter. The condo conversion along New Jersey is too often being used as a loophole to get around our eviction regulation laws. Any law that forces a good tenant out of a place to live during a housing crisis, and a homelessness crisis, is highly un-American and criminal, and it must be changed.

People who have already gotten a three-year condo eviction notice must be relocated to their satisfaction, or be able to stay. It is not their fault that a loophole was slipped over their necks before the loophole was exposed and corrected, like we will eventually do. We're hoping that this time we will do it. Eventually, it's got to be corrected. No one denies that there is a housing crisis and a homeless crisis, I don't think, in our Legislature. There are 50,000 people who are doubled up with other families, living in crime-infested hotels, or on the street. This is what I respond to mostly. Seeing that situation, I cannot believe that a Legislature would not make an emergency act to say, "We have to stem what we have already." You know, it's one thing to talk about Federal housing in the future that will have a waiting list and will get some people in there, but right now we've got to stop what is happening tomorrow, today, and yesterday, because we've already got the problem. (applause)

There is a difference between the right to own your own home and the right to leave someone with no home.

Steve, you can, you know-- Steve Busch, from the Hoboken Campaign for Housing Justice. He has done a lot of great work for us.

MR. BUSCH: Thank you, Joel. I think you have pretty much said it all. I just have a few comments of my own.

First of all, Mr. Chairman, I would like to present to the Committee a package that I have here of 3459 signatures of people who are tenants, homeowners, and condo owners. Even some Realtors are in here who feel that condominium conversion is shameful and an unjust cause for eviction of law-abiding citizens. We got these signatures through two weekends on the streets of Hoboken. I would just like to present them to the Committee, if I may. (applause)

SENATOR VAN WAGNER: Steve, if you want to go through your remarks first, and then drop them off. Maybe that won't interrupt your train of thought.

MR. BUSCH: Thank you, sir. I would like to briefly make a statement as to something I heard this morning. I am on the Rent Leveling and Stabilization Board in Hoboken, New Jersey. I am a member of that Board. I heard Mr. Bulin state that there was not fair recourse for a landlord to make a profit in his building. My own building, which is 15 units, several years ago went through a substantial rehabilitation. After that, the figures were presented to the Rent Leveling Board and the tenants were given a capital improvement increase of between \$80 and \$100 per unit, at that time.

The following year, the landlords claimed they still weren't making a profit, so they approached the Rent Leveling Board, and the Rent Board gave them a hardship increase to make their 11.5% profit. Now, at that hardship hearing-- I was not on the Rent Board at that time; however, at that hardship hearing, evidence was presented that the equity of the building

-- \$450,000 worth of equity -- was taken out in a construction loan mortgage that was granted to them to do construction on another building, which is a condominium in Hoboken now -- a huge condominium project.

So, I would just like to say that we have gotten \$200 worth of increases in the last two years in our rent. I don't think it is fair for someone to come in and say there are no recourses for a landlord in these rent control ordinances. There are plenty of them.

I just have a brief statement of my own which I would like to make. As I said, I am a tenant in Hoboken, and I could face eviction at any time due to condo conversion. As a member of the Rent Board, I am acutely aware of the housing problems in my town in Hudson County and in other urban areas of New Jersey. The availability of affordable housing is diminishing daily, and the cry is the same everywhere: "We need affordable housing, and we need to preserve whatever affordable housing exists now."

Tenants are literally being squeezed out of existence by condo conversions, exorbitant rents, gentrification, and mammoth development projects, all geared to house the wealthy. The wealthy have the means to live where they want. The poor and middle class must live where they can afford to live. Under the guise of such beneficial-sounding terms as "urban renewal" and "Renaissance," multi-million-dollar developers go right to the poor sections of our communities to build these projects for the rich and well-to-do. This process triggers the displacement of our poor and middle-class citizens, who either cannot find or cannot afford comparable housing, a perfect example of taking from the poor and giving to the rich.

The latest press statements designate housing as the top problem of urban areas all over the United States. How can we deny affordable housing to our citizens? Bills S-2107 and A-2653 do not say that owners cannot convert their properties

to condominiums. They merely protect tenants who are already living in a building from being evicted. We all know how costly it is to build new affordable housing, although the need is desperate. At least this legislation is one step we can take to protect what affordable housing we already have. The homeless problem intensifies daily. Where are the citizens of our State going to live?

By continuing with present policy, we are creating a political climate that favors greed and affluence, while telling large sectors of our population that they have three years to get out. This being an election year, I would think that this political climate would be an important consideration. In New York City, District Attorney Morgenthau is pushing legislation that would evict illegal drug dealers and users. Here in New Jersey, we are evicting hard-working, law-abiding members of the community.

Finally, I would just like to sum up by quoting Judge Humphreys, who, in a recent decision upholding apartment anti-warehousing laws in Hudson County, said: "Housing is a basic human need. Society would not tolerate warehousing food for greater profit while people starve. The warehousing of apartments for greater profits when people can't find decent homes is not very much different."

I respectfully urge the Senators on the Committee to vote in favor of this bill -- S-2107. It is the right thing to do; it is the moral thing to do; and it is the compassionate thing to do.

Thank you very much. (applause)

SENATOR VAN WAGNER: Mr. Gregory Zachar, Committee, District 18. Mr. Zachar?

G R E G O R Y Z A C H A R: Good afternoon. My name is Gregory Zachar. I am from a hard-hit area in Jersey City with the condominium conversions. Like other people, again, I am not against condominiums. We are against evictions. There is

no problem with making apartments out of condos. We have no problem with that. We are against evictions of the families we cannot replace in other sections of the city.

I handed the Chairman 15 photos of my area: From 101 Kensington, 20 evictions; from 107 Kensington, 40 evictions; from 117 Kensington, 35 evictions; from 127 Kensington, 18 evictions; from 131 Kensington, 42 evictions. One block over, on Gifford Avenue, we have 35 evictions. Now, just on Kensington Avenue alone, we have 155 families who received eviction notices, with nowhere to go. Still, I am not against condominiums. Well, I call them rehabbed apartments. I am not against that. I am against the whole bureaucracy of having no alternative for these people.

I am here on behalf of these buildings. We have had four community meetings in the past two months. I was urged to come down here to speak with the Committee. On Harrison Avenue -- I am talking about a five-block area, where I live-- On Harrison Avenue -- 260 and 270 Harrison Avenue -- there is a total of 85 evictions. Eighty-five eviction notices on the one block. Across the street, at 275 Harrison, they have 82 evictions. These are not numbers from Community Affairs. These are not numbers from any newspaper or Realtors or tenant organizations. I have done an independent survey, and these are the numbers I came up with going to each of these buildings.

In my neighborhood, a five-block area, from Dungan Avenue over to Harrison Avenue, there will be a total of 817 families that have eviction notices -- in a five-block area. So, whoever is saying 2500 units will be converted in Jersey City alone-- Well, some figures are wrong somewhere along the line, because I have a third of them in a five-block area. I have 817 families in a five-block area who will, or who already have received eviction notices.

This is not even an issue to be before you people, to say, "Let's pass the bill." If there weren't so much money and

property involved, this would not even be an issue. Eight hundred and seventeen families, who reelected me on June 7, have notices to move. I came down here to speak to you to support S-2107.

Families used to go to churches for a little support when they had a problem paying their rent and putting food on the table. Now, I just handed you a photograph of two churches that have been converted themselves. The people can't even go to the churches. One is downtown in Jersey City and the other is in Hoboken, on River Street. There are big signs right on them. The Star of David and the stained glass stayed in the churches. People are living there. The units downtown are going, on the average, for \$115,000. That is the conversion ad that says, "235-237 Fifth Street."

I did the Kensington Avenue blocks first. I went over to Gifford Avenue, Harrison Avenue, then the downtown area, and then Hoboken -- the people who needed relief from the conversion, and from other problems -- just monetary problems -- and putting a little food on the table. The churches have converted now. There is only one thing to do, this S-2107. There is only one thing to do. I find it is not even an issue. There is no-- I don't even think about it, but there has been an issue raised. There has been an issue made up here. This is not any issue whatsoever. No profits will ever come before any person's home or livelihood -- ever. (applause)

St. Michael's High School downtown has been converted. The Number 8 school in Hoboken-- It looks like something from Wildwood, a big, huge, white complex in the middle of Hoboken -- school Number 8. The school Number 8 emblem is right on top of the school. The St. Michael's School that I took a picture of, the same thing -- right on top. People have been buying units and moving in there. So, we have apartments, schools, and churches being converted.

Now there is an issue of, it is their property. We can't tell them what to do with it because it is unconstitutional. Well, what happened to the 4% guideline in Jersey City, the 2-1/2% in North Bergen, the 7% guideline in Hoboken? I think someone was dictating to them how much of a guideline they can abide by. There are guidelines. You can make your 11-1/2% a year. That is a guideline, but yet when the 88 times your monthly rent came up for the cap on the condo conversions, all of a sudden it is unconstitutional. Someone should clear something up for me. It's unconstitutional to tell them what to do with a building. Well, what the heck has been going on for the last couple of years when you capped 4-1/2% here, 2-1/2% there, and 7% in Hoboken? You're telling them-- The local governments were telling them how much they could make on their return. But now since there has been so much lobbying going on here, and there is so much at stake here, all of a sudden it is unconstitutional to tell them what to do with their properties. I don't buy it.

There is so much wheeling and dealing in Hudson County that it makes the Frank Hague days look like Cub Scout time. (applause) From the Jersey City Tenant Organization, from the North Bergen Organization, from the Hoboken Organization, all throughout Hudson County, we will be back by next summer with over 10,000 signatures, if need be -- if need be, with over 10,000 signatures. And three years from now, in 1991, when 60,000 to 100,000 have eviction notices, I would like to see, number one, them enforced. It seems impossible. What are they going to do, bodily take people out onto the sidewalk?

I am not against these intelligent gentlemen over here making a profit. I would like to make a profit. The people behind me on my right and on my left would like to make a profit. That is what this country is about. If someone can sit down with me, and say, "Well, I am going to make some money without hurting somebody," fine. If you have to displace them with no alternative, that is unconstitutional. (applause)

I will just wrap up by saying, this will be closely watched -- how people vote, who does not vote, who walks out, who got sick, who went to the men's room by the time of the vote, who fell asleep and didn't raise his hand. Every person will be watched, just like the last list. There was a list made up: Who voted yea, who voted nay, who went to lunch early? This is not a threat. (reaction from Committee and audience) All right, it is a threat. You've got to give them what they want.

SENATOR VAN WAGNER: Even you had to laugh at that one.

MR. ZACHAR: We do have the votes, and we do wish that everybody would look at this very carefully. Please, let's everybody get together on one issue here, and that is just humanity.

Thank you.

SENATOR VAN WAGNER: Thanks for bringing a little bit of humor to this.

I apologize for this. I don't like to do it. We had people on the list, and we started on time. I think you will all agree that we started right at 10:30. You were here before I was, and I didn't want to keep you waiting. We did call people who were not here at that time. Some of them have sent messages up to the desk saying that they have now arrived and they have to leave by a certain time. I want to be fair to the people who have been here, who have waited for their turn. I would ask your indulgence, because Mr. Tarella, I think, asked if he could just make a three-minute statement. He does represent the New Jersey Tenant Organization, so, with your indulgence, he was on the list; he was number two on the list, and he asked if he could make a brief statement, because he has to leave by one o'clock.

Mr. Tarella, I would ask that you try to keep it to three minutes, because there have been people waiting from other organizations -- who have been here, you know.

J A M E S T A R E L L A, E S Q.: I understand. Mr. Chairman, let me apologize to those people, and to you.

SENATOR VAN WAGNER: No, that's okay. No apology is necessary. Mr. Tarella, I just wanted to make it clear to people, because some people are getting the impression that they are being jumped over. That is the only reason I made that statement. There is no apology necessary.

MR. TARELLA: Thank you, Mr. Chairman. My name is James Tarella. I am second Vice President of the New Jersey Tenant Organization. I have been an attorney for 10 years, and I specialize in the representation of tenants in buildings that are undergoing conversion.

There are just a few points, because I do have a prepared statement which I will submit. There are just a few points I want to emphasize. First, we understand very well that this bill is not going to produce affordable housing. It is not designed to be a housing bill. What we want to do is restore the situation that existed before conversion was a cause for eviction. Prior to that time, the only reason a tenant could be evicted -- and it was called "just cause" for a reason -- was if the tenant did something wrong; if they didn't pay the rent; if they damaged the property. Eviction for conversion is probably the only thing on that entire list which allows the eviction of a rent-paying, good tenant.

I would also like to address the contention that has been made that this bill will drive converters out of business, because frankly I don't believe that. The State of New York has no eviction plans. I would venture to guess that 95% of the buildings in New York that convert, convert with no eviction plans. Conversion still occurred in New York. The conversion process has not been stopped as a result of no eviction of the tenants.

There is one other thing I think is most important for this Committee to consider. As I said, I have represented

tenants in a number of buildings undergoing conversion. The tenants in those buildings who are interested in buying, and who are capable of buying, at least in my experience, routinely buy. If they can afford it, if the deal makes sense to them -- and a lot of converters will try to make that kind of a deal -- those tenants buy. But, that is not why we are here today.

The reason we are here is because there are vast numbers of people in converting buildings who simply cannot afford to buy, under any circumstances. They do not have the financial resources to meet the purchase price in the first place, and perhaps more importantly and more problematic, because if someone really wants to buy, they go out and borrow the money from their relatives for the down payment, they scrape and try to put it together-- The bigger problem is affording the cost of that unit after they have bought it.

Routinely, the cost of that unit will go up two and a half to three times what it was as a rental unit, when they are paying mortgages, when they are paying taxes on the increased value of the building, because the purchase price they paid is usually five or six times what the building was assessed at as a rental. And they simply cannot afford it. The people who come before you and ask for help are not the ones in a position to purchase. You will find that there are people who can afford to purchase who don't want to buy, but they are not the ones who complain when they have to move, because they can afford to move. They have the resources. The people who are experiencing the problems are good, decent people who cannot afford to find another place to go when their three years -- or if they get four years -- when that time is up, because they are finding two things: Number one, there simply are not other rentals out there. With the conversion process alone, you are eliminating the rentals, and there was a problem before conversion started.

The second thing you are seeing-- I walked in just as Mr. Bulin was speaking and indicating that you need statewide vacancy decontrol. That would kill the possibility of affordable housing anywhere. That is the other reason that people in converting buildings cannot just pack up and move. When they try to move to another place, they find that the asking rents, whether they are supposed to be vacancy decontrolled or not-- The practicality of it is that the asking rent on a new place is usually going to be double what they were paying before, and they just can't afford it.

We are asking you to reverse what we feel was a bad decision some years ago, to allow conversion as a cause for eviction. What it will mean in a converting building is, it will be an arm's length transaction again -- this marketplace we are supposed to have. Instead of tenants being forced to buy, or to try to buy, because they are facing getting out if they don't, you will have a situation where tenants will make a choice. If they feel the deal is a good one, they will buy if they can afford it. If they can't, they will continue to live there as a renter. They will have to continue to pay their rent. We believe that is what they are entitled to.

I thank you for your time. (applause)

SENATOR VAN WAGNER: Ms. Carol Ann Short, New Jersey Builders Association.

Is Mr. Zachar still here? I just want to let him know that the Chairman is going to the men's room, but I will be back.

C A R O L A N N S H O R T, E S Q.: Good afternoon, Mr. Vice Chairman. My name is Carol Ann Short. I represent the New Jersey Builders Association, as well as the Institute of Multi-Family Housing, a fully owned subsidiary of the Builders. I would like to thank you for the opportunity this afternoon to present our views regarding condominium conversions in New Jersey.

My testimony does not specifically address the bill S-2107, but rather condominium conversions in general. I would like to say for the record, however, that for the reasons presented previously by Mr. Rosen, the Builders Association is also opposed to S-2107. The reason is because the bill will stop the conversion process, which, we suggest, is a disservice to the State.

I will try to paraphrase what I have here before me, since you already have copies of my testimony. Basically, there are four major reasons why condominium conversions are occurring in New Jersey. They are as follows: The increasing demand for home ownership; the increasing unaffordability of other forms of ownership housing; the changing of social and demographic factors; and the rapidly declining profitability of owning and operating rental property.

Let me briefly expand on each of the above-mentioned factors. First of all, there is an increasing demand for home ownership among the citizens of New Jersey. Home ownership is seen as the fulfillment of the American dream. During the 1980s, 42 million people in the United States will turn 30 years old, creating the demand for an estimated 17 million new households during this decade. No one disagrees with the fact that we do all recognize the shortage of affordable housing in this State. Condominium conversions do provide the opportunity for many of New Jersey's tenants to fulfill their American dream.

The unaffordability of other forms of ownership housing is due to inflation, the rising costs of new construction, rising interest rates, and increasing land and energy costs. Both new and used single-family homes and condominiums have become unaffordable to many who wish to take advantage of the investment opportunities and the security of owning, rather than renting.

Refurbishing rental apartments to make them more marketable is much less costly than replacing them with new units. Thus, conversions represent one of the few affordable home ownership opportunities for a large portion of the population.

Additionally, the changing social trends in recent years include a new life style with a preference for urban residential locations and maintenance-free dwellings. These changing forces have made condominiums a more desirable type of housing, thereby influencing conversions of existing rental properties.

The fourth major reason I mentioned was that conversions in New Jersey involve the declining profitability of owning and operating rental properties. The changes in the Federal tax laws, as well as the rising operating costs, have made it extremely difficult for a rental apartment building or complex to generate a sufficient cash flow and a reasonable return on investment. Many property owners have cited stringent rent control ordinances as the principal stimulus for the conversion of their properties into condominiums. Owners have continually experienced average returns on rental property dropping from 3% to 4% annually, year after year.

While the Builders Association does recognize that the conversion of buildings will result in some displacement which must be addressed, we suggest that the answer to the displacement issue is not to stop conversions. There are current laws in place which more than adequately protect most tenants from conversions. These laws have already been explained, so I won't go into the specifics -- the eviction law, as well as the Senior Citizen and Disabled Protected Tenancy Act, and the planned Real Estate Development Full Disclosure Act. The eviction law does provide up to as much as eight years protected tenancy for tenants. Three years plus five one-year stays can be granted.

The overall reduction on the rental supply due to conversions has not been nearly as extensive as many have stated. We suggest that far more of the rental housing stock is lost to abandonment and demolition, rather than to conversion. Further, the dwindling number of unsubsidized rental housing starts is not related to conversions, but rather to the declining profitability of owning and operating rental housing. Although there is no doubt that in some instances conversions have exacerbated an already tight rental market, their negative impact on the supply of rental housing has been negligible.

The reassessment of property following condominium conversions leads to increased revenue from local property taxes. The individual unit assessments, together with renovations and improvements undertaken during the conversion, generally result in a significant increase in the assessed value of the property. If there is a halt to conversions -- as what will happen with S-2107 -- depressed urban communities will lose valuable rehabilitation work, increased ratables, and an improved business climate for local merchants. It will mean less affordable housing and a further erosion of the municipal tax base.

We suggest that the physical repair and renovation of the buildings definitely has a stabilizing and revitalizing effect on previously declining neighborhoods.

I would like to comment on something said by one of the previous speakers concerning the conversion of churches and schools. If we recognize that housing is one of the most important needs of the citizens, I submit to you that the housing of people in these places is much more beneficial to the communities. There is no doubt that conversions are playing a role in the preserving and renovating of multi-family housing, which might be subject to decay and abandonment if left as rental apartments. The declining profitability due to

rapidly rising operating costs has left most owners of rental apartments with little or no economic incentives to undertake necessary renovation and repair. We conclude that although conversions are playing a role in the renovation and upgrading of multi-family housing, it is expected that in the future if left to the free market forces, the positive impact of conversions on housing quality will become even more pronounced.

Thank you.

SENATOR VAN WAGNER: Thank you, Carol. Next will be Ms. Dorothy Argyros, Neptune Coalition for Homelessness, and Mr. Ellis Barnett, Ocean County Tenants Association, followed by Mr. William Dressel and Mr. Joseph Rauch. Mr. Barnett, if you would like to come up, sir, it will save you being called anyway.

MS. ARGYROS: Good afternoon. I am Dorothy Argyros of the Monmouth County Coalition for the Homeless. By the way, I was also involved in a rent control fight in Asbury Park, where we heard the same lies we are hearing today; that rent control is going to lead to condo conversion.

In Asbury Park what happened was, we failed in our fight. According to figures given to us by Leonard Coleman -- given to this Committee, or at least in this room -- a couple of months ago, Monmouth County's condo conversion is the second highest in the State. It is a 494% increase between 1985 and 1987, and that is without rent control. So, I think you have to listen to what some of these paid members of the public who come to testify here-- I think you have to listen to them with a bit of a grain of salt, if that is not hashing a metaphor.

I am from Monmouth County. Everybody here seems to be from Hudson County. Monmouth County, in terms of condo conversion, is a very interesting case in point.

Senator Van Wagner, I am very happy that you are the Chairman of this Committee. I have a lot of confidence in your truly listening to what we have to say. Again, I think it is

sad that members of the panel are missing. It reminds me of the day -- May 2 -- when we came here with about 50 church people representing the homeless, and Governor Kean gave orders that we shouldn't even be allowed in the building, which was a total scandal. We were not allowed in the building during business hours, as soon as they found out we were representing the homeless. That is the kind of a government we have here.

Monmouth County is second on a couple of lists, and I think the position of being second on those lists is related. Monmouth County has the second highest number of homeless families in the State. We are talking about 250 families, at any given time. It is growing by between 20 and 30 new families a month. I am told that every Friday, in the landlord/tenant court in our county, you can see upwards of 200 families and people being evicted.

The other list we are second on -- as I said before -- is the list of condo conversions. We are higher than Hudson County. Hudson's percentage increase from '85 to '87 was 310; we are 494. I will tell you a couple of other things that are going on in Monmouth County, which aroused my passion so that it is difficult for me to sit here and speak words to people in business suits, when we have lives that are being threatened every month in Monmouth County. Ninety or more families, with 300 to 600 children, are being told, "You are going to have to get out on the street to live." This is a civilized society? I don't believe it.

One of the things that is happening in Monmouth County is Asbury Park. Now, gentrification-- We have had many descriptions of that today. I have trouble when I lie in bed at night and think about gentrification. I have trouble in my mind distinguishing it from foreign invasion. If a foreign invader came into our neighborhoods and looked around and said, "Oh, this is interesting property. What can we do to enjoy it? Oh, wait a minute, there are people here. Well, let's get

rid of them--" I think what they are doing in Asbury Park -- what the city fathers are doing to the people -- is little different from what a foreign invader would do. The only difference is, possibly there would be some defense. There would be some government protection against a foreign invasion, and we do not have that now. That is why we need this bill.

We have refugees; we have American refugees. We have 50,000 American refugees in New Jersey. Over half of them are children -- little children. Once, Asbury Park was a place where there was 75% tenants. Asbury Park got busy with the code enforcement. They are destroying their boarding homes; they are destroying their low-income housing; and they are putting in luxury condos. If you saw their plan for the oceanfront, and their plan for the east side of the town, and the west side-- You know, you don't see too much there in the future that is here at the present.

In Long Branch, a foreigner -- I mean a foreign gentleman, which is not his fault -- comes in and buys a building that is housing a great many Section 8 people, low-income people who have managed to live there for a long time. He wants to get them out, but then there are laws protecting them. He lets his building go to rack and ruin, and finally, when that doesn't work, the pipes burst. Code Enforcement comes in, and those people are out in a minute. One woman who lived there refused to leave. We had to go to her house with six of those gallon jugs of water, so she could stay for a little while.

They are supposed to be relocated. That is a joke. That is a joke. It is not done. They are lucky if they get a couple of hundred dollars as they leave.

Now, the new thing I want to bring up, I guess, is the new equation. I am going to try to be brief, although I resent the fact that paid representatives of the industry-- I am not making any money here. I am not even a tenant. I am a

homeowner. I am just outraged about this. (applause) I am not sure I regard as equal members of the public with myself, those wage earners and profit makers who came here to argue their position -- their point of view. They are self-interested. I am self-interested only to the extent that the idea of putting 600 children out on the street to live in Monmouth County makes me absolutely sick to my stomach, and I will not permit it personally. (applause)

I am really here speaking as a taxpayer, however, because I want to point something out to you. Developers displace families, and they make money. The families then have nowhere to go. Now, you and I, and the other taxpayers and the other members of the public, do not share in the money that the condo developer makes, but we sure as heck share in the enormous cost of supporting those thousands of people who are displaced by the developer, yes, in Monmouth County especially. I just want to say in Monmouth County what we are all paying because people were made homeless by the speculation which has been allowed to take precedence over human lives, and which has been allowed to cause so much suffering.

In 1988 -- as you, Senator Van Wagner, know -- the budget figure for motel housing alone was \$4,300,000. I am talking about Monmouth County alone. It was over that. Dozens of caseworkers had to be hired to deal with these families. When a family is fortunate enough to find housing in Monmouth County, which is rare, we have to pay the money that is necessary to move a person into that housing, which is one and a half month's rent as a security deposit, plus the first month's rent, plus utility hookups, plus, sometimes, furniture and transportation. It is costing the taxpayer a bundle everyday for these developers to make their bundle. We are not getting anything out of it but the elegant sight of, I would say, this society going down the tubes as a civilized society. I think any society that even threatens to put children out on the street to live is not civilized.

More about Monmouth County. Oh, here is something I found today -- and lost today. (witness looks through her papers). It is an article saying that when a family breaks up because of homelessness -- or any other reason-- I can't find it right now, but it says that in this State we are paying \$12,000-- Is it a year? Oh, okay, I found it. We are paying \$12,000 a month to house children in hotels. They are homeless or neglected children, "to be housed in hotels in the care of homemakers, at \$12,000 a month." Are we all, collectively, willing to order our priorities so that all of us are paying through the nose, so that a few condo developers can get rich? Is that what is going to be happening in this nation?

Back to the rest of the important stuff. I have a lot of things here about what homelessness does to children's health -- what it does to their mental health. Studies demonstrate that a homeless existence incontrovertibly places one's personal security and well-being in grave jeopardy. The fact that we are actually considering favoring profiteers over the lives of our children is horrifying to me.

Now I am going to say something I never said before, because I was afraid of being called names. Last August, I went with a group -- Women for Peace -- to Czechoslovakia, the Soviet Union, and Hungary. I saw a copy of their constitution there. There is written into the constitution a right to housing; a right to food; a right to medical care. Okay, that might simply be in their constitution. Believe me, I walked around very suspiciously. I looked for poor people, but I didn't see any. Everywhere I looked I saw this. We went to Leningrad, Moscow, and other cities, and everywhere I looked I saw apartment houses going up to replace what they lost in the war, and to improve their stock, I suppose. They are the same apartment houses. We would find them a little dull, maybe. They are big, square, 10-story, brick buildings, with lots of

flats in them. The apartments cost a very, very small fraction of the wages of the people, and they are sure of having them. When I see our President go and talk to Gorbachev about human rights, sometimes I think I am going to barf.

That is basically what I had to say. Thank you for listening. I hope this vote is going to go the right way, because-- I have to say this: We are working with families now. Our organization started in 1984 at St. Benedict's Catholic Church in Holmdel. We had, at that time, 17 organizations, half of them churches. We now have about 24. We have started to organize the families themselves. We're talking about 1000 people, and they can vote, you know. They can register and they can vote, and we are helping them to do that. Everywhere I hear -- borrowing from Shakespeare -- "Curses not loud, but deep." I think that if nothing is done about this horrible situation we have here, if no leadership is taken by the government in this, to stop this dreadful thing from happening, something very radical is going to happen very, very fast in this country.

Is this a threat? Yes, this is a threat. (applause)
Thank you.

SENATOR VAN WAGNER: Sir?

E L L I S B A R N E T T: Is it my turn?

SENATOR VAN WAGNER: Yes, it is.

MR. BARNETT: My name is Ellis Barnett. I am speaking for the Ocean County Tenants Organization. I will be very brief, you can rest assured, and be comfortable -- very brief.

The background against which I want to make my brief statement is this: Forty-eight percent of all households have incomes of less than \$20,000 a year. It is not to forget that a number of those are below \$20,000 -- \$18,000, \$16,000, \$15,000, \$12,000. These are household incomes. Against this background, we have to consider the validity and what we ought to do about S-2107.

The Ocean County Tenants Organization asks the Committee to pass this bill onto the floor as it is, unaltered, unchanged. We support the bill utterly. We consider it essential to the social health of this State. Without it, the polarization of the people of New Jersey will widen, adding to the already intolerable social ills that afflict us.

Government institutions and others may regard the critical housing situation, particularly in the rental sector, as a minor matter, of concern only to a so-called special interest. But this attitude stems either from a plain disregard of the facts, or social myopia. The facts cannot be talked or shrugged aside.

A recent study by the congressionally mandated Neighborhood Reinvestment Corporation states that by the year 2000, nearly 19 million Americans may be homeless because of gentrification -- that is, condo conversion -- and deterioration of low- and moderate-income housing stock. The number of households in need of housing will climb from 12 million to 19 million. These figures, according to many housing experts, are an underestimation. The New Jersey Council on Affordable Housing says that 145,000 housing units will be needed by 1993. But Commissioner Coleman, of the Department of Community Affairs, stated that only about 60,000 units will be built statewide by 1993.

I don't know how, in our imagination, we will be able to bridge this gap between fantasy and reality. Translated into human terms, it becomes almost impossible to conceive. About 48,000 people -- 16,000 families in all -- in New Jersey will be homeless this year, not including those who are doubling up or who are not contacting State services. Ocean County alone has a shortage of 9174 units. The June, 1988, "News Bulletin" of the AARP -- the American Association of Retired Persons -- speaks of "the deepening national housing crisis, affecting young and old alike." It tells about half of

all older women living alone who spend 50% or more of their incomes for rent. As many as two million federally assisted apartments face conversion to condominiums.

What comes to mind at this point is a saying with which most of us are familiar. It is a quote from Scripture. I will paraphrase it: The foxes have holes in the ground. The birds of the air have nests. But the children of men have nowhere to lay their heads. If we believe this with only a portion of our being, we might be able to avert the crisis that portends and confronts us in the future.

The task of New Jersey is not to facilitate the eviction of tenants for the purpose of conversion to condominiums, but statewide programs of education on the housing crisis, and the enlistment of the support of its citizens behind an authentic campaign to correct this inhumane situation.

Thank you. (applause)

SENATOR VAN WAGNER: I would like to call now Mr. William Dressel and Mr. Joseph Rauch, representing the League of Municipalities.

W I L L I A M G. D R E S S E L, J R.: Thank you, Mr. Chairman. My name is Bill Dressel. I am Assistant Executive Director of the State League of Municipalities.

SENATOR VAN WAGNER: Excuse me for one minute, Bill. Just so you can get prepared, following Mr. Dressel will be Mr. David Schwartz and Mr. Howard Kent.

MR. DRESSEL: Joe Rauch, Finance Director of South Brunswick Township, and Chairman of the League's Finance and Taxation Committee, joins me here today.

First of all, Mr. Chairman, I would like to compliment you for convening this hearing. The subject of condominium conversion is an important issue. We need more forums like this to identify major issues which impact on all interested parties, including local governments, which I represent.

We will not comment today on Senate Bill 2107 or any other specific piece of legislation. We will briefly discuss some issues involving tax implications and the provision of essential services which impact on local governments generally. We have corresponded with each of our member municipalities, and we have requested comments on this issue generally. We are receiving comments everyday. We would request that the record be kept open, and we will submit this information to your Committee aide. Hopefully, we can continue a dialogue on an ongoing basis.

At this time, Mr. Chairman, I would like to turn our presentation over to Mr. Joseph Rauch.

J O S E P H R A U C H: Thank you very much for the opportunity to appear here today. As Mr. Dressel just indicated, we have some general comments on how the condo conversions relate to the operations of municipal government.

As Bill indicated, we have solicited from the various local government officials and professionals, input on these various problems. We have already received some comments, a few of which we wanted to mention to you today. For example, assessors have indicated to us that while it is their obligation to start to assess these units individually when they become condominium units, they do not receive the master deeds until about the time that COs are issued, which makes it very difficult for them to do their job in a timely manner. This creates other problems. You can envision what happens if this process does not function the way it was intended to.

We also have a problem we received from the tax collectors, saying that when you take conversions of condominiums -- and we have condominium conversions not only of housing units, but of commercial office structures, warehouses-- All of these items are being converted to condominiums. When this is done what happens is, we have a tax bill for a single unit, and that unit then-- All of a sudden,

we have to turn around and bill the individual condominium unit separately. It becomes difficult, because present law in New Jersey does not permit us to bill anything on the first two quarters on that kind of a conversion. This, then, makes the owner/occupant of the new condominium unit get hit with the total taxes in that first year during the last two quarters. They have to pay a full year's taxes during the third and fourth quarters.

So, there is a need that this be addressed, not only for condominium conversions, but subdivisions, in order that the various municipalities and their tax collectors may be able to spread this tax more evenly over the four quarters, so as not to be so burdensome.

Another area-- As you know, there are many municipal water and sewer utility operations. We have run into a number of problems with them. What happens is, an apartment complex, for example, can be changed over to a condominium, yet they are serviced with a single water meter for a single service. We recommend that with our new condominium structures that definitely provision be made that they be separately metered and/or have the ability to discontinue service on one unit, without having to do it on all. As it stands today, municipalities are put in the position that if we have a problem where one owner of a condominium unit that has been converted uses large amounts of water -- for example, washing all their cars in the family, and everything -- the others then refuse to pay because there is an unfair proportion. We end up with an unpaid water bill. The result is that then we are forced to shut off the service of everyone, if there is only one shutoff. We certainly do not want to do that.

It is worse when it comes to sewer service. Certainly in sewer service, as you understand, you cannot shut off a sewer service. We don't want to shut off anyone's service, but if you have to do something, you have to then wait for the tax

sale process. These utility liens are enforced, as are tax delinquents on the sale of municipal property for the enforcement of liens. What do we do then? Do we force a lien against all of the units? Do we do it individually?

We do have some problems. We have only mentioned a few of them here today. We will be submitting -- as Mr. Dressel indicated -- additional information to your Committee. I will be at a meeting tomorrow of our State Association -- the Tax Collectors and Treasurers -- at which time I expect to get some additional materials. Hopefully, working together, we can resolve these issues, so we do not create hardships for our taxpayers, nor for the municipal governmental operations.

That is pretty much my testimony for today. We thank you again for allowing us to appear.

SENATOR VAN WAGNER: Thank you, Mr. Rauch. Mr. David Schwartz and Mr. Howard Kent. We are going to go straight through, so if anyone wants to break to get something to eat or drink, or whatever-- Are you Mr. Schwartz, sir?

D A V I D S C H W A R T Z: Yes.

SENATOR VAN WAGNER: Is Mr. Kent here? (affirmative response) Do you want to come up, sir? I am just doing this so we can-- We still have quite a few people to go. The next speakers following Mr. Schwartz and Mr. Kent will be Mr. Travedi and Mr. Patel of the Park Avenue Tenants Unit. They will be next. Sir?

MR. SCHWARTZ: I am from the Blackstone Company, which is a manufacturer and installer of replacement windows, doors, and kitchen cabinets throughout the State of New Jersey. The reason I am here -- as Mr. Rosen mentioned earlier -- is that we are heavily dependent upon the conversion business as our source of income. The investments that are being made in apartments are almost exclusively tied to the conversion business. There is very little incentive otherwise to do this kind of activity. Roughly 85% of our volume in the replacement

window business comes from the conversion business. If it did not exist, we would have to shut down our plant.

Currently, we are employing approximately 70 people, who otherwise might not be employed at all. These are production workers, for the most part. We are paying an above-average hourly wage, and have a full benefits program, unlike many other opportunities for similar people. These opportunities would not exist if we did not have the conversion business upon which to rely for our production.

If I may, I would like to submit to the Committee some literature which describes, in a little bit better detail, what we do. I will give it to you when I am finished speaking.

I am speaking not only on behalf of my company, but on behalf of hundreds of companies and literally thousands of workers in the State of New Jersey who rely upon the condo conversions to support their livelihood. This kind of work is not only beneficial to the apartments themselves -- it improves aesthetically and functionally their use to their owners, as it would be -- but also provides opportunities for small manufacturing companies and contractors, both large and small, to make a living in this State. I fear what the repercussions would be if this business were to dry up. It would have a severe and immediate impact on our industry, on my company in particular, and on many other companies just like mine,

I am firmly opposed to this legislation, and hope that you can take into consideration the many workers and owners of small companies who will be affected by it.

SENATOR VAN WAGNER: Mr. Kent?

H O W A R D K E N T: Mr. Chairman and Mr. Vice Chairman: My name is Howard Kent. There has been much talk today of "the developer." I would like to more consider myself someone who owns and operates rental properties. The only properties I have converted were properties that were necessitated to be converted by a rent control ordinance that would not allow a

fair profit, even after an attempt at a hardship appeal and going through the processes, as they may be.

I think to buy property in the State of New Jersey today, and to operate it at a profit-- It is able to be done, and it can be done well and fairly if, in fact, we are not legislated out of business. If we have to spend large dollars to make investments to improve our properties, in order to get a fair return we must be able to charge those rents.

There has been much talk today of the large developer doing this, and the large developer doing that. While many units are owned by the "large developers," there are many of us out here who are just making a living doing business. I was trained as an accountant. As an aside, I grew up in New Jersey, went to school in New Jersey, went to college in New Jersey, and pay my mortgage through a New Jersey bank. I think we who are just trying to operate properties have to know that if we should feel we want to get rid of, or sell our property, we should be able to sell it for the highest and best use. I believe that is our right. I don't think our highest and best use should be taken away from us.

I think the effect of the legislation -- S-2107 -- that you are considering today would do that. Therefore, I am opposed to that bill.

There are a couple of things that have to be pointed out. I am sure many of you are aware of these, but I will bore you for two or three more seconds. A gentleman comes here and says there are eight hundred and some odd evictions within a five-block radius. He didn't tell us how many of those evictions were for nonpayment of rent; for keeping a dog in an apartment where he was not supposed to; for installing a washing machine in violation of his lease; or for any other reason. Let's quote facts and facts. How many of them were due to condominiums? How many of those were served in compliance with a law that says you must give a three-year

notice, even to a senior citizen, and then they must apply for their protection under the Act?

The fact that a gentleman is 77 years old-- It might be disheartening that he must receive that notice from the court, but that is the law. A condo converter -- an owner/operator, whoever converts that building -- must comply with the law, because if he doesn't, he waives his rights, and then a lawyer from the NJTO is going to walk in and say, "You did not serve it in compliance with the law." You can't say, "I was just trying to be nice. I didn't want to upset my tenant."

So, we must understand that while you can quote numbers and make numbers sing, the practical facts are that the senior citizens who are here today are not being affected. There is even an exception to the one building which I had in Englewood, New Jersey, where I had a tenant who presented a financial statement of \$1.3 million -- an 82-year-old woman, who was earning on her portfolio \$39,000 a year. When asked why she was only earning \$39,000, she said, "I am buying growth stocks." I just think-- The judge upheld that she was below the minimum, and therefore was entitled to protected senior citizen tenancy. While there may be cases where a senior may just be making it, and it may be a hardship even though the law states-- There is the other side of the coin -- the senior citizen who is sitting there who has a tremendous network, but thinks it is cheaper because of rent control to keep the rental he or she has.

Thank you very much.

SENATOR VAN WAGNER: Thank you, Mr. Kent.

SENATOR COWAN: Mr. Kent, just for your information-- Of course, I don't know that the numbers are factual as to the 827 -- or whatever the number was -- but I am very familiar with that area, and these apartments were bought for conversions.

MR. KENT: Sir -- Mr. Vice Chairman -- the fact that some of those people received the notice does not mean that they are about to be evicted, nor will be evicted. If a senior citizen receives it--

SENATOR COWAN: I fully understand that. I also understand the matter of subpoenas that are issued to people for eviction, in the same area.

SENATOR VAN WAGNER: I would like to call now Mr. Travedi and Mr. Patel. (no response) Not here, okay. Mr. Philip Schneider, past President of the Summit Tenant Association, who will be followed by Mr. Donald Legow, President, New Jersey Council of the Multi-Family Housing Industry. Yes, sir?

P H I L I P J. S C H N E I D E R: Good afternoon, ladies and gentlemen. My name is Philip Schneider. I am from Summit, New Jersey. I have been involved in landlord/tenant matters for the past three years, initially in a landlord/tenant situation. Then I became involved in forming the Summit Tenant Association, and subsequently I ran for political office in trying to achieve a council seat in 1986. But now, as then, I am really here as a matter of conscience.

During this time, I made many observations and I formed some opinions. Everything boils down to relaying them to you right now.

I could go on and speak freely on these matters, but for the sake of brevity, as well as thoroughness, I ask for your attention as I briefly read a statement summarizing my ideas.

SENATOR VAN WAGNER: Do you have a copy of that?

MR. SCHNEIDER: Yes, but I prefer to read it.

SENATOR VAN WAGNER: Yeah, but I mean after you read it.

MR. SCHNEIDER: Yes, I do.

SENATOR VAN WAGNER: Okay.

MR. SCHNEIDER: Honorable legislators: I am here to speak for the tenant. I believe every one of New Jersey's 567 municipalities should have the option of enacting rent control, as well as affording their tenant communities the ability to accept or decline conversion to condominiums.

I am from the City of Summit, which is at the northern tip of Union County. My representatives are Senator DiFrancesco, Assemblyman Franks, and Assemblywoman Ogden. Summit, while once leading Union County's 21 municipalities in per capita income, is currently seventh in this ranking. Thus, it may be considered a blended community of the affluent and the middle class.

However, Summit is unique in having 33% of its population live in rental units, which account for 25% of all housing units in the city. These tenants are not poor, nor normally considered dependent. However, I have, since 1985, witnessed an ever-increasing loss of financial and mobile independence within the tenant community. The situation is evident by the disproportionate amount of rent to come from income, which is an ever-increasing ratio. There are approximately 27 apartment complexes in the city.

At this point, I wish to illustrate the rental community of Summit as a microcosm of New Jersey suburban regions. Traditionally, the use of property is a privilege, particularly when such is leased for habitation. With this privilege exists certain ethics of landlordism, such as fair rent increases, as well as the security of residency. The implied duty of a landlord as relevant to the concept of property ownership today in America must be considered.

Shelter is virtually an inalienable right, as well as a necessity. Therefore, those who professionally choose to invest energies into managing such a vital part of human life for profit, must, in exchange for this privilege, also accept awareness of the ethics of landlordism. Families must

themselves be an integral part in the equation of balance between profit and humane responsibility. Investors do not put their investment in retail merchandise, nor into personal services of some sort. They voluntarily, knowingly or otherwise, choose to enter an investment affecting the lives of people at a fundamental level.

Generally, the landlords of Summit were reasonable men, but suddenly in recent years a real estate phenomenon has begun to occur as the scarcity of residences has developed. Notwithstanding that, a simple problem of supply and demand is not alone at issue. Extraneous circumstances have added to the situation to create a whole mess of problems, each problem to become inextricably related to one another. A true situation of chaos in the rental community of Summit exists. The following are seven considerations of problems for analysis and action in the sense of good government:

Problem 1: Unrestrained greed. Why should greed be restrained? Why? Because the entire law is an exercise in moral regulation. Certain behavior is encouraged and certain behavior is discouraged. As a majority of a democracy determines a republic, also should the inhabitants of a community determine their displacement.

Problem 2: Overpriced development. Affordable homes for all who work within and contribute to a town should be a primary concern of a municipality. Traditionally, a justified balance of individual income and comparable dwellings has existed. However, an unchecked imbalance of supply and demand is rapidly gaining ground. Ethics aside, why would a speculator build two houses for two families, if he knew that if only one home existed one family would outbid the other beyond market value? Such strategies have forced equally unjust reciprocal decisions -- such as the Mt. Laurel II decision -- upon communities, in an attempt to remedy the market imbalance. Rent stabilization is a home rule safety valve.

SENATOR VAN WAGNER: Excuse me. You said that the Mt. Laurel II decision was an unjust decision?

MR. SCHNEIDER: I believe it attempted to balance a previously unjust situation.

SENATOR VAN WAGNER: Oh, okay. I'm sorry, I misunderstood you.

MR. SCHNEIDER: Okay. Problem 3: Yesterday's money. Many of the people renting in Summit are old. They sold their homes long before the sudden appreciation of real estate. They are living on money made yesterday. Every increase in rent will take something from their table. I have witnessed this. If rents are allowed to increase in an unrestrained amount annually, with a disregard to the current inflation -- around 4% to 6%; interest rates down to 10-1/2, gas down to a dollar a gallon, and numerous capped salaries -- Summit, and similar towns, will lose citizens in the suburban communities who rent as a way of life while establishing their roots and contributions within these communities. In their place will emerge transient tenants moving along with the next jump in rent. Though possibly more affluent, or even more financially flexible than the established tenant, they shall be far less interested in the long-term welfare of their temporary community. A 10% annual rent increase alone can virtually double rents in seven years, while few salaries accelerate at this pace.

Problem 4: Abuse of the intent of the law. New Jersey Statute 2A:18-61.31 provides that, "In a municipality which does not have a rent control ordinance in effect, no evidence of increased costs which are solely the result of a conversion, including but not limited to any increase in financing or carrying costs, and which do not add services or amenities not previously provided, shall be used as a basis to establish the reasonableness of a rent increase," and it continues. My particular apartment complex, assessed in 1983

for \$952,000, was sold by the traditional landlord to what I would term a converting cartel in September of 1985, for \$1,673,400. Thirty days later, the property was sold to the actual out-of-town converter for \$2,700,000. All but \$30,000 of this purchase price was financed. In other words, \$2,670,000 was financed with \$30,000 down. Suddenly, in January of 1986, two months later, rents were raised in ranges of 35% to over 50%, with no indication of a conversion, although there was mention of such at the application of finance.

In January, 1987, tenants were served the plan of conversion. Thus, the entire intent of the law had been circumvented. Only after 30 trial days were such increases denied. In other words, the courts are a realistic and practical recourse for protecting tenants from the burden of conversions, as would be the forthright 51% ratification proposal.

Problem 5: Conversion cartels. Who am I talking about? Refer to the past year's real estate section of The Star-Ledger for a synopsis. Each article embellishing a transaction of apartments to condos lists the principals and their subordinates. There is never a mention of the burdened and displaced tenant. These disguised advertisements promulgate a Utopian myth of productive habitation, without ever increasing the market by a single unit. These cartels have instituted legal expenses to manipulate economic eviction as a mere business expense, similar in concept to the builder's cost for excavation. The sacrifices of a tenant to challenge such a machine in the legal system are prohibitive. The converter cartel acquires a property of living human beings, and delivers a dwelling of broken inhabitants to an awaiting investor. They use all the right banks, Realtors, and political friends. An entire city will ignore its own community from within, from their influence.

A common trick of conversion is the insider's price. I see additional chaos as the market may fall below these insider prices, and the tenants, desperate to keep their homes, are left holding a negative bank note. Such a conversion tactic may be avoided if a decision for purchase need not be made in a hasty, pressured 90-day period, but at the end of a three-year protected tenancy period, perhaps; limited protected tenancy, that is, and that no particular stipulations consider rent increases. In other words, you have three years protected tenancy, but you could be out in two months if they raised the rent high enough. At least the problem could be alleviated, by having an equitable value of purchase influenced by the need of 51% ratification for conversion.

We live in a mutually dependent society. By allowing the value and the use of land both through sanctimonious developments such as apartment conversion be in the hands of the investor, is like letting loose a bull in a market, and the faster the charge, the harder the crash. The propaganda of converter cartels causes young couples and senior citizens to own an overmortgaged, glorified apartment unit called a condominium. Once an entire region has been converted, and virtually all alternative rental units removed from the market, there will exist a situation of potential calamity. The bottom may fall from the condo market, not from the investor, but from the individual purchaser. Devalued mass sales may occur, as adjustable rate mortgages begin their ascent, or if subsequent new apartment units are held from construction until after all existing conversions are virtually completed.

Although only a possibility, 51% conversion ratification would also allow a greater value determination -- in other words, a more true value of the unit -- by the community of the town, rather than some long-gone investing group. This would be possible if the town itself were able to mandate the possibility of such a consensus. In other words, a

consideration may be to let a town make its own decision whether to adopt the 51% bill, similar to the situation of rent control. In other words, increase the home rule situation.

There are only seven problems that I have limited this to. Problem 6: Housing shortage and displacement. Mass displacement is a social burden. Unrestrained condo conversion creates no new housing units. Why, unwilling to a majority of residents, should the age-old concept of renting be discarded in place of condo ownerships, when coincidentally a person renting or owning a home is similarly subject to either a landlord in his bank, or a bank directly, with taxes being paid in either instance? Most tenants, however, would dream of owning a home. Fifty-one percent conversion ratification would assure them a realistic and attainable opportunity for ownership. Although this may mean less of a windfall on a conversion investment, certain investors will see solid, long-term situations of opportunity, without causing mass displacement.

Finally, Problem 7: Partisan in economic politics. Of principle and politics, you communicate your vote. If you wish to be reelected, the needs of your constituents must weigh consideration beyond political action contributions.

In conclusion, indiscriminate condo conversions and exorbitant rent increases must now be recognized as a communal drain, which they are. On one hand, a town's property values must be maintained, yet on the other hand, a town should not become a haven to the speculator, anxious to profit from the vulnerable resident of the community.

It is time for criteria to be established to protect with security the average honest worker with a stable residency and rent policy. Fair market value of newly constructed dwellings will naturally determine their rate of vacancy. Equitable balances, so vital to the long-term interest of a town, are right now being jeopardized by the, if not negative,

the passive attitude toward the unjust practices within our rental communities.

By enacting the 51% law, the housing shortage problem would be addressed, while averting one of displacement. And like a wall, this law may be taken down. Additionally, every municipality must continue to have the potential protection of rent control. From chaos will be order, if good government protects the homes of its constituents in the course of the decisions of this State. And personally, S-2107 is needed.

SENATOR VAN WAGNER: Thank you.

MR. SCHNEIDER: You're welcome. Thank you for your considerations.

SENATOR VAN WAGNER: Thank you. We will now have Mr. Legow. He will be followed by-- I see Mayor Cucci has arrived. Mayor, we called you earlier. We received the message that you would be here later, so when Mr. Legow finishes, we will ask you, Mr. Cohen, and Mr. Lazarus if you want to come forward together.

D O N A L D L E G O W, E S Q.: Mr. Chairman, Mr. Vice Chairman: My name is Don Legow. I am the President of the New Jersey Council of the Multi-Family Housing Industry, which, as you are probably aware, is a trade association of owners, managers of apartment houses, and the multi-housing industry throughout the State of New Jersey. In addition, so you will know who I am, I am also a practicing attorney in the State of New Jersey. I have been in the owner/management business in the State of New Jersey for 30 years. I practice and own property in nine counties in this State, from Bergen County down to Camden County. I might indicate that in that capacity, I have also attended the cattle call in the Monmouth County Courthouse on Friday, when you have several hundred tenants who are up for eviction. I think that, to a large extent, is where the new homeless are coming from. I see it myself in my practice and in my travels around the State. I also read about it in the papers.

But, we can't possibly contribute the homeless who are being generated by people being evicted to condominium conversion. I have a very heavy operation in Mercer County, and there are virtually no conversions in Mercer County at the present time. However, there is a significant number of tenants coming up every week -- a significant number of evictions. It really is a function that the people just cannot even pay those particular rents. They may be \$400 to \$500. But if they have lost their job, or if they become ill for two or three or four weeks, there is no fall-back. There is nothing in place to keep them there for a short period of time. I submit that-- I know the lady from the Neptune Tenants Association who spoke, and there is no question that that is being generated. But to lay the blame for the generation of homeless as a result of their inability to pay the rent upon the converters, I think is an improper assessment of just what is happening.

The rental apartments, together with the single-family homes, for years were the shelter industry in New Jersey. But in the last decade, condominium and cooperative forms of ownerships have proliferated, and there has been a significant number of conversions. Rather than looking upon these as something nefarious, as one would reason from the laws that are being proposed to deal with conversions, I think you really just have to consider them as just another aspect of the shelter industry. Other people in that industry -- and I am not in that industry; I am not a converter -- can better deal with exactly what they do. But because it is a part of our basic industry, we at the Multi-Family Housing Industry are concerned with, and oppose the attempt to place severe limitations on these conversions. It is just further eroding those basic property rights, upon which this country was founded, and which have enabled this country to prosper, and I might say, New Jersey especially to prosper.

It is ironic that as I came into the building today, I was handed a newspaper from the Communist Party, telling me that this is the wave of the future. I just hope it isn't. I hope we continue to function the way we have been functioning since the foundation of this country; that is, on a capitalistic society. But it looks like things may be changing, and I would like to address that in a little while.

It should be noted -- and I think it was pointed out by others -- that the conversions do not diminish the number of available living quarters. It is just changing the form of ownership. It is likely, in our hostile climate of restrictive rent controls -- and I operate my buildings -- approximately 20 locations -- in about seven, or maybe nine different rent control situations-- In our hostile climate of restrictive rent controls and excessive regulations, I would assume -- I am pretty certain -- that many of these apartments could only have been saved through conversions, which is often the only alternative left to deterioration and eventual abandonment. I think someone previous to me cited David Listoken's report -- Professor David Listoken's report -- indicating that there was something in the magnitude of 10,000 apartments abandoned in Hudson and Essex Counties alone in the last seven years. When we are looking for affordable housing, to just allow that much to be destroyed -- not just abandoned, but destroyed -- smacks, to me -- strikes me as just folly.

Restrictions on conversions were proposed ostensibly as a response to a perceived, though I do not believe yet demonstrated, claim of displacement of persons who had no other affordable housing to go to. Again, everybody who has spoken before has come down to the same thing. It all boils down to unaffordable housing, because when they have to go, if there is an affordable house to go to, then they will go. People don't want to-- If there is an alternative, they will go. I think here we might point out that one of the problems that I see,

and I found out from listening today, based upon my knowledge of the law as an attorney, even speaking to someone who I thought would know better-- I was told, "Here is a 77-year-old man, and where is he going to go? He was served with an eviction notice." But we pointed out to him that all he has to do is file for protected status, and he will be protected. The person who I thought would know better, didn't even realize that that was available. That was a gentleman I spoke to out in the hall.

Maybe what we should do is get better dissemination of information to the tenants in the State of New Jersey, advising them of the tremendous number of laws which are on our books now, which protect them. Everyone has said that New Jersey is the only State that has a law which enables someone to be evicted. It is really the reverse. In every other state practically, with three or four exceptions, you don't even have to go to court to get a court order. You can evict anybody, and say, "Look, move out of my place. It's mine." New Jersey has comprehensive laws to protect tenants. Other states have virtually nothing.

So, when you are talking about New Jersey being the only State that does it-- Whatever New Jersey does is five times more stringent than what everybody else out there does. It is easy to review the laws throughout the country to find out that that is so.

If that is really the problem -- affordable housing and dislocation -- then all parties -- the State, the municipalities, the general public, and private industry -- must work together to solve the problem, because more restrictions will not create housing. They are not going to create it. The current housing problems are due largely to the unduly restrictive and excessive regulations and legislation, which have already stifled significant development of rental housing at adequate levels to compensate for the natural loss

due to obsolescence, fire, other disasters, and just population increase.

So our efforts, then, should be targeted to that need; that is, affordable housing, and everybody comes down and says, "There is no other place to go." Well, we have to create it then. I don't think you will create it by choking off an important housing option. We are selling parcels now from \$40,000 to \$100,000. You can't buy individual houses for that. This is that option. When we discuss displacement and affordability, we think it is important to clarify who is to be protected. Who needs this? Assistance, we submit, should go to those who cannot, and not to those who will not. If you can't do it, we all say, "Come on, you need protection," and you have already given it to those people.

I submit -- along with others here testifying -- that the issues that are presented do not require a blunderbuss approach, which is what is being advocated, especially by S-2107, but by other bills that have been proposed in the past, and are still on the books. Rather, we should be looking at micro-laser surgery, pinpointed to the problem. Let's find out what our problem is, and go to it.

Everyone says it is affordable housing. Is it fair to require someone to move out of a place that he has been in for five or ten years? You know, I really submit to this body that, if you go to a lifetime non-eviction procedure, then, in all fairness, you have to treat the landlord-- You have to give him something, because what you have said to a landlord is this: "At first, I am going to restrain your income, be it 4%, 7%, 2%" -- whatever it is. You said, "I am going to restrain it," and the courts have said that there is a constitutional limitation. If you go below a certain amount, that is unconstitutional taking. You can't do it. But, they do not define where that is. That is another reason we need State legislation. But, since they do not define where it is, we don't know exactly. We are operating in an unusual situation.

Now what we have done is, we have come along and said, "We are not going to allow you to convert." We have now said, "You are stuck with this property. We won't let you make money," on one end. You're making less than what you could do if you sold the building and put it into CDs, with no headaches. Now we have said to you, "But you can't change that and get your equity out of it by selling and converting." I think as a moral thing to do to a property owner -- and I am not saying these property owners are all major operators; there are a lot of people who have saved and scrimped when they were young, and now they have a 30- or 40-unit building-- That is their nest egg. You are now saying to them, "Well, it is a moral issue. You can't sell it, and you can't make any real income," because of rent control.

I submit that if we are going to go to a lifetime non-eviction, then why not say, "Fine, let the rent then go to a fair market rent," other than those people who are currently protected, because the senior citizens are at a certain level?

Now, I would submit to you that if you put at issue, "Do you want the rent control, or do you want the lifetime non-eviction?-- I submit that 99% of the people coming here will say to you, "No, I want that rent control. I don't want the non-eviction, I want the low rent." I submit that we are not really talking about displaced people. We are not really talking about a lot of the other things we have heard here today. We are essentially talking about economics. People do not mind moving, but they don't want to move to a higher rent.

But, you can't have it both ways. It isn't fair. If we are talking morality here -- and there is nothing wrong with talking that -- I think you have to say-- It is not moral to say, "I won't let you get your equity out through a sale, and I won't let you make a heck of a lot of money." Eight percent returns, 7%, 6-1/2%-- You are allowing a 2% a year increase. Maybe the CPI is currently running 6%. It's still at 2-1/2%. I think it is immoral.

The solution to this problem if, in fact, affordable housing is a problem, can only be accomplished: By providing new rental units for all segments of the community; by renovating and upgrading the existing housing stock; by providing housing opportunities for low- and moderate-income individuals; and by providing relief from restrictive rent control ordinances. All of these are necessary to preserve rental housing.

Owners of rental properties who are in this market -- that's me and all of my associates, all of my members -- must be given incentives to maintain their properties.

Finally, by spreading the responsibility for a solution among the general population, a long-range solution can be achieved. Obviously, we are not fools. This is going to require substantial funding, at levels that just can't be supported by private industry alone, and that is what we are being asked to do now. Therefore, funding mechanisms must be employed from elsewhere. The State can provide substantial funding through casino revenues, realty transfer funds, the financability of the New Jersey Mortgage and Housing Finance Agency. Municipalities can provide funding by capturing the increase in property taxes which would result from conversions, comparing the taxes they get from the converted property to what it was before it was converted. Let's earmark some of that for affordable housing.

In that regard, aren't we really asking private industry to perform government's function? If the people can't afford it, does government have an obligation to support -- to do something for them? Okay, fine, but is it out of the realm of possibility to say, "Take that money you're getting in taxes and buy that parcel. Go buy a parcel over here, or a parcel over there, and condemn that property. Buy it, and let the municipality own it"? That is morally the right thing to do. Take the funds from the general public, and morally go out and

buy a parcel that can be used for affordable housing. These funds can be used to provide down payment assistance, buy down interest rates to affordable levels, and create rent subsidies to provide money for local governments to develop or purchase rental units for this targeted group. The programs could be tailored whereby the subsidies could be recaptured and put back into use, if there was a sale of a unit or a change in the beneficiary's income level.

These ideas are not new. We have stated them before. Other people have talked about them, and they have been successfully operating in many parts of the country. New Jersey, we submit, without a serious attempt to create a comprehensive housing policy, will find itself in the same position next year. Even if this bill is defeated, and we hope it is -- we feel it is a very poor bill -- in the years to come we will have the problem. But if you keep on using Band-Aids to cover an open wound, nothing is going to change. The wound is just going to continue to deepen.

We urge you to defeat -- to not allow this bill out. We feel it is a very bad bill, not predicated upon what are really the facts. We urge its defeat.

Thank you very much.

SENATOR VAN WAGNER: Thank you, Mr. Legow. Mayor Cucci, Mr. Cohen, and Mr. Lazarus, would you like to come forward, or would you be more comfortable there?

M A Y O R A N T H O N Y R. C U C C I: Good afternoon, Senator Van Wagner and Senator Cowan. Our apologies for being late. Unfortunately, there was a car aflame, and I guess we lost a good half hour. Nevertheless, we genuinely apologize, and do appreciate and thank you--

SENATOR VAN WAGNER: No apology is necessary.

MAYOR CUCCI: All right, thank you. We do appreciate and thank you for the opportunity to speak at this Committee hearing.

Let me just make some brief remarks, but their brevity should not be misunderstood as not showing concern for the depth of the problem we face in Jersey City, Hudson County, and certainly elsewhere in the State. I would like to say that one of the things that this administration did, since July 1, 1985, was immediately, through our HED Director, Rick Cohen -- and he can speak on this more definitively and give a lot more statistics-- If we are going to supply affordable housing, or make affordable housing at all possible, it would be incumbent upon us to take the city's already owned property, land, and/or buildings, and not have to resort, as was just said, to the city becoming a real estate business, and go out private revenue producing properties to accommodate affordable housing.

We took that reserve, and yet the city realized, in other areas, the proper land sales to bring in moneys that were so badly needed. Those reserves in land and/or buildings are all committed to by virtue of a formula that was worked out -- a non-mandated formula -- that developers would contribute back to affordable housing, either by actual physical construction on the site of their development, an off-site commitment, or money in lieu of. Also, a company that was a formula, without being mandated -- that is now being discussed as a mandate throughout the State -- was for the infrastructure that would go.

Jersey City immediately took the proper steps in that direction. We are very fortunate that a bill on warehousing was just upheld. That would certainly be a deficit to any kind of an accomplishment to fulfill the need.

If we talk about raising the prices to people, so that their rental units become market priced-- Well, if they can afford the market price, they can afford to buy the conversions. That is just the thing. We're saying in Jersey City that we have a tremendous number of conversions that are going on. We have the commitments for affordable housing set

aside. We have \$9 million committed to that affordable housing, but that is for low- and moderate-income families. What is happening now is, we are creating an -- for want of a better term -- an indigent category. That indigent category is made up of hard-working people, who may be bordered between a moderate and a middle income, who have long been living and paying the rents that were qualified in their apartments, but who now do not earn enough to qualify to purchase that apartment, not even through an inside price. So, they are indigent in the sense that they are earning too much to go into subsidized housing, but they are not earning enough to qualify for buying the very conversion where they have been paying their rent. To me, that is another indigent category we have to contend with.

If we are doing everything possible -- and we are -- to accommodate low- and moderate-income families, and yet we are not succeeding, by the demand of numbers that are out there -- not that we are not succeeding by our efforts -- then we are going to create another category of displacement -- people with nowhere to go. Those people, who are hard-working people, who cannot afford even an inside price and do not qualify for it-- We are going to have a displacement then where if there were affordable housing for moderate- and low-income families, they couldn't qualify. Yet, there is nothing comparable they can go to.

So, it is a situation that has a greater scope than the one we are talking about here. I don't know how much you can succeed and yet call it success, if you are constantly slipping downhill. Yet Jersey City, I will have to say, has been one of the leaders -- if not the leader, at least one of the leaders -- in the last three years, in making every possible preparation within the structure of the law, and within the framework of our needs. Those needs are ethical and moral. There are moral rights also to a landowner, as there

are to everyone else. It works both ways. We understand that. As much as we have been kept abreast, we are still going to find ourselves in a position of constantly being short on the low and moderate, and also now being short in what borders on the middle area.

The bill that is proposed -- that and the greater scope of the meaning of this hearing -- takes on an important meaning for us in Jersey City. We are not unique in Jersey City with this problem. It is shared by other municipalities in our county of Hudson, and it is certainly shared in other municipalities and communities throughout the State of New Jersey.

I can always come back for any questioning, but I would like, for more definitive and statistical results and projections, to call on Mr. Rick Cohen, who is the Director of the Jersey City Department of Housing and Economic Development.

SENATOR VAN WAGNER: Before you begin, Rick, I just want to tell all of you that everyone who is on the list will be heard. Is Mr. Romaniello still here? (no response) Maril McFaul -- is she still here? (affirmative response) Okay. Mr. Barry Melvin -- is he still here? (affirmative response) Mr. Neil Godt -- is he still here? (no response) Ben Lambert? He is still here. George Sodowic? He's here. Michael Pesce? He's here. William Graubard? (no response) And Richard Falkin? (affirmative response) Okay, we still have those people yet to testify.

L A I N E T I G A N E: My name wasn't called.

SENATOR VAN WAGNER: What is your name, ma'am?

MS. TIGANE: Laine Tigane.

SENATOR VAN WAGNER: Did you sign a slip?

MS. TIGANE: I signed one this morning.

SENATOR VAN WAGNER: Oh, okay. Yes, sir?

G E O F F B E R N E: I also signed a slip this morning.

SENATOR VAN WAGNER: What is your name, sir?

MR. BERNE: Berne.

SENATOR VAN WAGNER: Yes, okay, Mr. Geoff Berne. Go ahead, Mr. Cohen.

R I C K C O H E N: Thank you, Senator.

SENATOR VAN WAGNER: I'm sorry, we have one other, Mr. Joe Laura, who is here on behalf of County Executive Robert Janiszewski -- Hudson County.

MR. COHEN: Given that kind of a list, I will try to be short, so that I don't hold anyone up.

Everybody thinks of Jersey City as a gold coast, where you hear about the development of 25,000 new units of housing, 25 million square feet of office space, and two million square feet of retail. The assumption is that that is leading to just enormously positive effects across the entire city. In my department, which is the Department of Housing and Economic Development, we see some of the other sides of it as well. We administer the Rent Leveling Office; we do rent receivership; tenant assistance, and all of that sees the other side of the gold coast, which is largely reflected in the condominium conversion problem.

For the reasons that I am going to articulate, I agree totally with the Mayor that our office is a very strong supporter of the 2107 bill, which would provide additional protection to tenants who are facing condominium conversions. Let me tell you what the conditions are, and why we support it so strongly.

The State tells Jersey City, at the current time, that Jersey City needs 5988 units of new affordable housing, in order to accommodate people who are indigenously in need of housing in Jersey City and people who are expected to resign. That's 5988 units. We calculated 20,000 units. Twenty thousand households need rental housing assistance in Jersey City, due to the fact that they pay too much for that housing as it currently is, given the fact that they may live in substandard

conditions, or live in conditions where they face imminent displacement.

They are also facing huge cost increases. In Jersey City, rents are doubling every five years. Property values are doubling every five years. Recently, a block in Jersey City -- one city block -- sold for \$6.5 million an acre. That gets translated into housing prices that do not make housing affordable. On the waterfront, where we are talking about 25,000 new homes -- those homes are not going to be selling at affordable prices. Those homes are going to sell for \$240 or \$250 a square foot, which translates, in some cases, to units that cost as much as \$750,000 for a two-bedroom unit. That is not quite affordable.

Those problems are exacerbated by the fact that Jersey City is the center -- as far as we are concerned -- of the condominium conversion crisis, and I will give you the figures, as we see them, and why this is a crisis that is particularly hitting Jersey City.

Between 1979 and 1986, we counted 3579 condominium conversions. In the first half of '86, half of those conversions occurred. That was 40% of all of the condominium conversions in the entire State of New Jersey, and Jersey City is not quite 40% of the whole State. Out of those conversions, 75% involved previously occupied rental units. We did a recount in 1987 -- the first quarter of '87, one year later -- and we discovered that 411 buildings had been registered as condominiums, involving 9065 dwelling units. That is a huge number of apartments in a city that had only 80,000 to begin with.

The average rent of those units prior to conversion was \$377. After conversion, the average sales price was well over \$100,000. Plus, the size of the units was being reduced. Previously, they were basically two bedrooms and larger, and they were being reduced to sizes of about one and a half

bedrooms on the average. For a moderate-income family to buy one of those units-- It would take 75% of that family's income to buy the unit. For a low-income family, they would only have to devote 125% of their income, neither of which is an affordable way of purchasing homes. If they looked for other apartments if they had to move out of those places, that \$377 rent they were paying prior to conversion-- They would face apartment prices of \$625 on the average in '87. That's 131% too expensive for a moderate-income family; 210% too expensive for a low-income family.

We did another count in the first quarter of '88. Another 2000 units were registered as converted to condominiums. So, that is a total of 11,000 units we have counted as of the first quarter of 1988, that have filed for condominium status with the State. That is a huge number that is taking away affordable units that are very important in Jersey City.

Seventy-eight percent of those, according to the State's own figures, are occupied rental units. When people say, "Well, we are just converting the tenor of the unit. We are not changing the number of units--" If people can't afford those units, they have to go look elsewhere.

Clearly what is also occurring is, people are faced with no options in terms of where to go. Where do people really go? They look for affordable housing. The affordable vacancy rate in Jersey City is next to zero. In fact, in terms of affordable units that are available, we discovered 273 cases in one year of properties where landlords were intentionally withholding vacant rentable units from the housing market, which could be rented to people in order to provide them affordable housing. Those 273 cases involved nearly 2000 rentable units which are being intentionally withheld, so that people can actually convert to condominiums. So, they can't go to the rental market. If they go for public housing, there is a waiting list of 6000 families.

I heard one speaker say, "Well, this does not result in homelessness." The top cause of homelessness among people in the Jersey City shelter is evictions. That confirms what the State has found out. Across the State, the top cause of homelessness of people in shelters is evictions. In terms of affordable housing, the Mayor articulated everything we are doing to try to create affordable housing. We have a pipe line supported by contributions from developers, balanced housing money, regional contribution agreements, and a variety of other resources of 1200 units. That is more than any other community in the rest of the State, but 1200 units is nothing compared to 11,000 condominium conversions, or 20,000 people in need of housing.

I heard one of the other speakers also talk about this as a question of economics, and as a question of economics one issue we just discovered is that-- We got the printout of all the condominiums in Jersey City that are currently occupied. Thirty-two hundred units have already gone onto the tax rolls. This is a huge number of condominiums. We have 8000 more to wait for, if these other units get occupied. But, we do not talk about condominium conversion as a question of economics. We talk about it as a question of people. Our department considers the displacement of people due to condominium conversion not an economic problem, but a social and psychological disaster -- a collective trauma for people. National studies and our own information show that people who are displaced end up largely in substandard dwelling units. They face the likelihood of being displaced again and again. After they are relocated, they end up having to relocate a second time and a third time. Often, large families having to look for housing end up with smaller units, so there is overcrowding for large families. For closely knit neighborhoods-- Neighborhoods get destroyed due to the effects of displacement. Then, in condominium conversion, unlike the

conversion due to government action or CDBG assistance, these people do not get government assistance for their conversions. Nobody looks at them. They are displaced individually, and this adds to their social and psychological problems.

We discovered that in families that are displaced, there is economic instability; there are problems with kids; there is a sense of grieving for a lost home that really causes problems. For the elderly we see physical illness and sometimes mental illness due to involuntary displacement. Those are not economic problems; those are human problems. That is why we endorse the idea that due to condominium conversion, nobody should be displaced.

The solutions I have heard talked about-- We have heard developers talk about taking a variety of subsidies and creating affordable housing. We are doing everything we can, and we have only 1200 units we are creating. Part of it is because the stock is not owned by Jersey City. The stock is in the hands of developers and speculators. We can't get a hold of it, and that deprives us of the ability to create additional affordable housing.

Given the fact of the resources that are out there, the lack of housing stock, and the lack of land -- and as the Mayor often tells me, "They don't make land any more" -- it is hard to just say we are going to be able to create housing or find replacement housing for all the people who are displaced by 11,000 condominium conversions. We actually have to prevent the displacement of people who, through no fault of their own, end up on the streets. Therefore, we endorse Senate Bill 2107.

Thank you.

SENATOR VAN WAGNER: Sir?

DEPUTY MAYOR JEROME LAZARUS: Thank you. I just want to make one point. Jersey City tried to be innovative by trying to administer this matter of the conversions by passing an ordinance which provided, in effect,

for price control over the converted apartments, so that people would be able to afford the apartments -- people who were living there as rentals. The courts, at this particular point, have held that this form of action in order to control the conversion, but still make it possible for a conversion to proceed, but at a price that people could afford, be knocked down. It is now under appeal. I just wanted that information to be before the Committee.

Thank you.

SENATOR VAN WAGNER: Thank you, sir. Thank you, Mayor, for coming, and Mr. Cohen.

MAYOR CUCCI: Thank you.

SENATOR VAN WAGNER: Mr. Barry Melvin and Mr. Neil Godt. They will be followed by Mr. Joe Laura and Councilman George Aviles. Yes, sir?

B A R R Y M E L V I N: My name is Barry Melvin, Mr. Chairman. I have been in the real estate business for 25 years. I am a partner in the firm of Carmeld (phonetic spelling) and Company. We are in the business of converting rental units into condominium and cooperative ownership. If the proposed legislation is enacted, it will have a severe negative impact on the future of our business and, I believe, on the life style of many New Jersey residents.

Twenty-five years ago, the American dream was to own your own home, white picket fence and all. Since World War II, thousands and thousands of apartments were built to house World War II veterans and young people who could not yet afford their own home during this period. Meanwhile, the cost of single-family housing has elusively risen above the means of many people who rented an apartment in the hopes of someday owning their own home. The conversion of some of these rental units to condominium ownership today, provides current renters with the opportunity of owning their own home at a price significantly below the cost of single-family housing or newly constructed condominiums.

To promote legislation that thwarts this opportunity flies in the face of what has been the American dream for the past 50 years. Sure, this creates dislocation problems three or four years down the line for some. However, to promote indefinite occupancy by tenants who are renters, is to deny other people the opportunity to own their own homes, which, in most cases, represents the biggest single investment in their lives, and the single largest asset.

You are creating public policy that runs counter to the aspirations of most Americans. The cost of single-family housing has risen beyond the means of the majority of most Americans, certainly most first-time home buyers, which represent most of the condominium purchasers. When I first entered this business, we could buy the land and build an entire apartment community for an average cost of \$10,000 per apartment; for everything, including land, site, apartments, and amendities. Today, it costs that much just to rehabilitate the interiors of individual apartment units being converted.

Today, the American dream is changing. Young people aspire to buy their own condominiums, because they know they cannot afford single-family housing. The proposed legislation promotes just the opposite. Somehow you are idealizing the concept of a tenant who rents his apartment to the day he dies, has nothing to show for it, and passes on nothing to his children. Rental housing is needed for low- and moderate-income people. It is a problem which this nation needs to address directly, on both the state and national level, rather than taking away the legitimate aspirations of most Americans.

The concept of perpetual tenancy would only discourage people from seeking to fulfill their dreams. Also, it will discourage investment in properties which, in many cases, are aging and in need of rehabilitation. The timing on the return on investment cannot be forecast within a reasonable period of time.

I would like to add two comments: First of all, I see that most of the protesters here today are either senior citizens or from Hudson County. Perhaps special attention should be addressed to their needs, but their needs, and the response to their needs, should not be pressed upon the entire State. What we have heard about is a housing crisis in Jersey City and Hoboken. That does not represent the State, and it does not represent the nation. The kinds of problems that you have to deal with today are 100% opposite than those in other parts of the State and, for that matter, in other parts of the nation. There is no housing problem in Houston or Dallas. There are other economic problems. So what you have there is a case of supply and demand, which has created, in your term, a crisis. But what you really have, and what this bill addresses is not the struggle between the haves and the have nots. It is the struggle between the have nots and the have nots.

I am talking about those renters who do not own their own apartments, and those renters and other young people and other Americans who do want to, if not today, then in the future. Condominium ownership, and conversions in particular, offer a viable alternative to single-family housing. Single-family housing today is beyond the reach of the majority of residents of New Jersey and other states in the country. The most viable alternative for those people is condominium ownership. The restrictions you are proposing take away that alternative.

Thank you

SENATOR VAN WAGNER: Thank you, sir. Mr. Joe Laura and Councilman George Aviles, if you would like to come up together. Mr. Laura is representing the Hudson County Executive, Mr. Robert Janiszewski. Councilman Aviles, we called on you a little earlier, but we were advised you were delayed in getting here.

C O U N C I L M A N G E O R G E A V I L E S: My name is George Aviles. I am a Councilman from Jersey City, representing the Journal Square Ward.

I want to speak in favor of legislation that does what S-2107 does; that is, it gives persons who are in occupancy a continued right to remain in their apartments. We have to put that bill in proper perspective. It is a bill that deals with the very limited aspect of the entire real estate industry. What we are talking about is existing occupied multi-family units. That should be emphasized. We are not going after one- and two-family homes. We are not going after new construction of condominium units. It is a very limited aspect of the entire real estate industry. It happens to be an aspect that traditionally housed so many of our poor and working people.

In Hudson County in particular, the area with which I am most familiar, the rental properties -- the multi-family rentals -- have become an extraordinarily scarce commodity. In an ideal situation, we would simply like to let the market take its course and provide for all the housing we need. Unfortunately, because of the scarcity of the commodity, laissez-faire is not a possibility right now. It is a situation where our government needs to act. We need to become an aggressive referee when the commodity is becoming less and less available to the people who need this very basic human need.

We, as a municipal government, as you just heard from the Deputy Mayor, have done virtually everything we could within the law and, some would say, even beyond the law, to try to attempt to deal with this problem. Municipal governments can go no further, and the courts have made that eminently clear. This past Monday, one of our pieces of legislation -- the anti-warehousing legislation that we passed -- was upheld. In that decision, Judge Humphreys, himself, has indicated that more is needed, and more can only come from the State.

We tried a condominium moratorium, as you heard from Mr. Lazarus. That has been struck down, and is working its way to the appellate process. I am not terribly optimistic about the success of that. But again, that seeks to emphasize that the cities have gone to their legal limit, I believe. Now, we have to come to you, because we have no other choice.

I think this deals with an issue that is basic to what Americans have come to believe this country is about; that is, people thought that when their homes were threatened, they could go to the government for some kind of protection. Yes, we would all agree that it would be ideal, in an ideal society, if every young person who wanted to buy a single-family home had one available at a reasonable price. However, when the purchase of that home involves the displacement of some senior citizen, who is caused to go through some very traumatic experience, I think the price is a little bit too high.

I have been to meetings, one as late as last Saturday. It was kind of interesting to see the kind of reaction people are getting and are coming forth with when dealing with this issue. At the meeting -- in my ward it is mostly-- I guess I have the most apartment houses in my ward in Jersey City. It is mostly white senior citizens. What they are saying to me is, "Councilman, why is it that the State legislators will not pass this bill to give us the protection?" They are really questioning how our government is operating. I am starting to see some strange things in the way people are looking for answers. One of the people at the meeting had somehow gotten a list of the contributions that the real estate industry has made to all of the Senators. They were going through the list, detailing, "Well, this guy won't vote for it because he got this much from the real estate industry." People are just searching for answers, and are continuing so hard to question our government. I am doing everything I can to reassure them that their issue is something

that is a very top priority in what this Legislature is going to be dealing with.

As a matter of fact, this morning, in a quick conversation that the Mayor and I had with the Governor, the Governor, himself, indicated that he is looking at some bills. I am not exactly sure what that means. Maybe it is this one, I hope it is. But I think it is an issue that really has to come to the top of the priorities this Legislature is dealing with. I see there is a lot of interest in some very legitimate things, like the protection of our shores; the protection of the public against excessive insurance rates. I would like to add another issue to that agenda. I think that issue should be the impact condominium conversion is having on a very basic human need, and that is continued housing of so many of our residents, and especially our senior citizens.

I would like to thank you for having me here today.

SENATOR VAN WAGNER: Mr. Joseph Laura?

J O S E P H L A U R A: Mr. Chairman, thank you for this opportunity. My name is Joseph Laura. I am Director of Policy and Program Development for the County of Hudson. I am here representing Bob Janiszewski, the County Executive.

I have some prepared testimony from the County Executive. I will just paraphrase it and keep it as brief as possible. I think both Senator Van Wagner and Senator Cowan are well-aware of Hudson County -- what has gone on in past years, and what is going on now. I do want to cite just a couple of statistics that have not been made. I know that is hard to believe through all of this, that they haven't been mentioned, but I don't think they have.

Hudson County, despite the influx of affluent people in recent years, still has the highest unemployment among non-agricultural counties in New Jersey. Among all counties, it ranks nineteenth. It also has the highest unemployment rate in the New York City metropolitan area; the highest incidence

of AIDS cases in New Jersey; the highest infant mortality rate; and the second lowest per capita income in the entire Northeast, on a county basis. That is not to say that condominium conversions are, in any way, responsible for all these factors, but it is contributing to the problems that Hudson County is now facing. A lot of people are working poor in Hudson County. They come to our offices on a regular basis asking for help. They are not poor enough, thank God, to need public assistance, but they are not well off enough to afford their own homes. We feel it is this legislation that is needed to protect these people, at least as a first step.

I would like to respond to two points that have been made today, and then I will turn the microphone over to other people who have waited very patiently. Two things: We are very concerned in Hudson County that the problem of conversions and displacement and homelessness is only being made to seem a Hudson County problem. We know, in fact, that it is not. We know that in neighboring counties -- in lower Bergen County, in areas of Passaic County, Essex County, Union County -- the same things are happening, perhaps not yet in as great as numbers as Hudson County, but they are happening. I will tell you that the fabric of the community of Hudson County is being torn asunder by condominium conversions. Families which have long lived together, if not in the same building, definitely in the same neighborhood, are being torn apart, and there is a price that will be paid for this. It is being paid now. We are certain that it will be paid again in the future, perhaps at a greater cost.

But, just two points to respond to, and that will be it. I heard the representatives of the developers and the converters talk an awful lot about the responsibility they have to their investors, and there is no question that they do have a responsibility to those people. However, we also feel that they have a responsibility to the community in which they have

chosen to invest. Much has been said about the fact that senior citizens now have protection. That is true, but they could use more protection. But no mention -- or very little mention -- has been made of the working poor people, who for macroeconomic reasons far beyond their control, just simply cannot keep up with the spiraling costs of housing, particularly along the waterfront communities. But I will tell you that it also affects other communities in Hudson County in the western area as well -- Harrison, Kearny, East Newark, and other areas.

I think that in line with the public/private partnership that has characterized so much of New Jersey's success in recent years, we in Hudson County believe that the people in the real estate business do have a responsibility to work with government. Along with that, we are setting up a Housing Resource Center on a county-wide basis to work with them, and we invite their participation. We take them at their word when they say that they, too, are concerned about creating affordable housing. However, unlike them, we do believe, unequivocally that passage of Senate Bill 2107 is a necessary first step; in fact, a crucial foundation toward creating a sound, affordable housing policy.

The County Executive's administration stands ready to work with this Committee, with tenants and developers alike, to create a successful housing policy. But first, we urge you to release this bill from Committee, so that we can all get on with our mission.

Thank you.

SENATOR VAN WAGNER: Mr. Ben Lambert and Mr. George Sodowic, followed by Maril McFaul, Geoff Berne, and Laine Tigane. Is that right, Laine?

MS. TIGANE: Yes, thank you.

SENATOR VAN WAGNER: I don't like to mispronounce people's names.

B E N J A M I N D . L A M B E R T , J R . , E S Q . : Thank you very much. I appreciate the opportunity, and I admire your indulgence, your patience, and your stamina. I will try to be brief as a result of all of that.

I am here to testify on behalf of the Coalition for Better Housing, as well as as an attorney who is involved very much in representing property owners, as well as tenants. In the conversion context, I have represented sponsors and converters. I have also represented tenants in opposition to conversions. I have been practicing law for 13 years. The first three years of that practice was on the regulatory side of things in the New Jersey Attorney General's office, where I represented the prime regulator of this whole process, the Department of Community Affairs. I mention that only because I think I bring a perspective of both the regulator and the regulated to this issue.

One of the things I learned as a lawyer in my legal training was about the concept of property ownership. One of the things I learned was that whether you are a landlord or a single-family homeowner, when you took title to property you acquired something that lawyers call "fee simple absolute." I have practiced in Texas, and in New Jersey also, and the one thing I have learned in practicing in New Jersey is that ownership of property when you are a landlord in New Jersey might be a fee, but it certainly isn't simple, and it is far from absolute.

We have heard people talk today in favor of S-2107, cite the inscription on the Statue of Liberty, analogize to AIDS, and talk about conversion as promoting crack use. Probably this is the greatest challenge I have had as a lawyer, to now stand here and talk in opposition to this type of legislation in light of that, if we take all of it on face value. I submit to you that S-2107 attacks something equally fundamental, and that is this right of property ownership.

I don't think there are very many other professions, businesses, or entrepreneurial endeavors that would tolerate the type of intrusion by the Legislature or regulators as is being asked to be tolerated by landlords, where we will come in and dictate the profits that are fair and reasonable as returns, where we will limit the way in which they can practice that profession, or engage in that entrepreneurial business, and even prohibit certain aspects of it. We certainly do not see it in the provision of food, in the profession of medical services, or anything else that is equally as fundamental as housing. I certainly would not suggest to you today that there is not an issue that needs to be addressed, in terms of affordable rental housing. But what I would submit to you is that S-2107 does not address the real issue. I cannot disagree with you that the issue exists, but it is not an issue created by condominium conversion. What we really need to see is an approach to providing and creating affordable rental housing for those who need it.

If we analogize the situation to a bleeding artery, S-2107 would purport to put a Band-Aid over it, and I don't think that is the type of answer we need. If I were sitting in your seat, I would certainly realize that the easy answer would be to release S-2107, to be in favor of it. It is emotionally appealing. It gains you applause. It probably gains you votes. But, it is the easy answer. The difficult answer is to look to how we can create a long-term cure to the problem, which we all agree, regardless of which side of the issue we are on, exists -- providing affordable housing. It is difficult to address. It is easy to pass S-2107, but it is difficult to make the hard decisions.

I have faith in you as legislators, because I also vote for you, that you will be willing to make the hard choice, even though it may be an unpopular choice, and look for a meaningful cure to the problem which exists.

As an attorney, I would like to just mention to you a couple of points about the proposed legislation. One thing that concerns me substantially is the constitutionality of the proposal. While it has been mentioned today that someone has taken a look at it and is certain that it is constitutional and enforceable, I submit to you that I have a grave concern about its constitutionality, particularly in the way in which it would be retroactive in its application to conversions that have taken place, to many, many individuals who have relied upon the status of the law as it was at the time, many years ago. This would all change.

In addition, I would submit to you that to invite the municipal involvement that this bill would invite, in terms of more stringent regulation, or perhaps prohibition of conversion, would invite disaster. We have heard testimony about the disaster we have seen in terms of local rent control. I think we are only going to see a greater disaster if we leave to the municipalities the way that conversion will be regulated beyond the impact of S-2107.

So, we do not need piecemeal approaches. We need an overall approach. We need it on a statewide basis. Why should the law of property ownership be one way in Jersey City and another way in a neighboring municipality? I don't think that is really what we all want to see.

Lastly, a comment was made by the very first speaker who spoke here today in favor of S-2107. He appealed to your sense of social responsibility as legislators. I, likewise, will appeal to that sense of social responsibility. I think it is your responsibility to make sure that you are in favor of, and report out of Committee, bills that address the real problem, and which are enforceable and which make sense in the total context of the issues presented. I don't think that S-2107 reaches that goal, and I think you should be critical in your review of it in that regard.

In addition, the one thing about social responsibility I would really emphasize to you, is the social part of it. The problem is for society to respond to and to be responsible for, not for those private property owners who happen to be landlords.

Thank you very much for your attention.

SENATOR VAN WAGNER: Thank you, Mr. Lambert. Mr. George Sodowic.

GEORGE SODOWIC, ESQ.: Mr. Chairman, Mr. Vice Chairman: I realize that the hour is late, and I appreciate your indulgence in staying here this late.

My name is George Sodowic, and I am an attorney. I represent many property owners, and I represent some converters. I have been involved in real estate from a legal standpoint for about 19 years now. Prior to that, I was in the building business. I have also been an author for Matthew Bender on legal transactions involving condominiums, and I am a member of the State Bar Association's Subcommittee on Common Ownership.

I think it is evident from everyone who has testified today that there is a problem. I think it is also evident that this bill -- S-2107 -- does not address, and is not the answer to the problem. I read through S-2107, and it raises some of the following questions in my mind: Why does the bill protect every tenant, regardless of their income? Why should tenants who have substantial income be protected for life? Why should tenants who have two residences be protected for life? I know tenants from my conversion clients who live in Florida during the winter, or who have an apartment in Long Branch or Asbury Park for three months. This bill would protect them. Is that fair? Does that answer the question of affordable housing? Why should a property owner be forced to subsidize rental of affluent tenants? Why should a property owner be forced to continue to subsidize low artificial rents? What really is the basis? Where are the statistics which support S-2107?

The issue really, as has been testified, is affordable rents -- affordable housing. This bill does not address that issue. It does not create any new housing. It does not create any new affordable housing. It does not create any new affordable rents.

If we can divert for just one second-- If you take a piece of paper and write down the sum of \$50,000-- Now, what is that sum? That sum is the cost to erect a one-bedroom -- the average cost to erect a one-bedroom manufactured house on land that is owned by a municipality. That is a documented figure. That figure has been used in building houses and town houses in Newark and other inner cities. If you take the \$50,000 and multiply it by--

SENATOR VAN WAGNER: Excuse me. Did you say that was the cost of production, including acquisition of the land?

MR. SODOWIC: No, the land is municipal owned land, or government owned land.

SENATOR VAN WAGNER: Oh, okay.

MR. SODOWIC: If you take the \$50,000 and multiple it by 8%-- Why 8%? Because I am going to use the analogy of an EDA tax-free loan. At 8%, that yields \$4000 a year, which would cover principal and interest. That would be the payment that would be necessary for the occupant of this unit, to live in it and pay off the EDA bond over a 25-year period. Four thousand dollars divided by 12 is approximately \$333 a month, which is clearly within the affordable rental guidelines and affordable housing.

I submit that S-2107 is--

SENATOR VAN WAGNER: Excuse me. Does that include management costs and taxes?

MR. SODOWIC: Taxes would be separate, just like in some rentals you have to add the tax pass-through to the low rent you have now.

SENATOR VAN WAGNER: Okay. Is this condominiumized--

MR. SODOWIC: No, this could be single family; it could be owned by a nonprofit corporation; it could be owned by a municipal housing development; it could be owned by the State. I submit for this Committee's consideration the true answer to the problem, not as has been stated previously -- a Band-Aid approach, or something to pinch the bleeding artery for a couple of years-- The true approach is to create more affordable housing. The government and the municipalities have the means at their hands through eminent domain, tax-free bonds, to do this. What I suggest is that proper legislation be enacted to combine all these powers; to authorize an agency to issue the appropriate bonds; to authorize that agency to use State or municipal lands to build this affordable housing, so that we meet the problems of the homeless; we meet the problems of the low-income people.

Senate Bill 2107 does not address that issue. It does not address the issue of what about the rights of third parties who want to buy a house; who want to own a piece of the rock. We are denying them that right. I submit that the present protection of three and four years, and even up to eight years, and senior citizens for 40 years, is just unfair. To grant lifetime protection to every tenant is an overkill. It is not based on hard evidence, nor do I believe it is constitutional. It is, I submit, a form of inverse condemnation. Who is going to reimburse the property owner as to the taking, under this bill, of some of his property rights?

It is most important to remember one important fact: Conversions do not eliminate housing. They only change the form of housing. We do not throw people out on the streets, and then destroy that unit. Someone occupies that unit. We are still satisfying a housing need. What you're saying is, all of a sudden only tenants have become a protected class. That is special legislation, unless there is a special reason for it. Why should you deny someone who wants to buy a unit in

Jersey City or Hoboken or Asbury Park or Morristown, the right to buy a unit? The housing still remains. Conversions do not demolish it; do not destroy it. But what conversions do is-- They renovate old buildings; they rehabilitate old buildings. What was the spark that kindled the rejuvenation in Hudson County? It was converters who came in and bought old, dilapidated, empty buildings -- some empty and some filled with tenants, but they renovated them, along Kennedy Boulevard, along the main streets, along the side streets. They employed laborers; they employed the window manufacturers. We had a snowball effect. We took substandard housing. We took housing that was 50 or 60 years old, and we brought it up to standards. Senate Bill 2107 will kill that initiative. It will kill any incentive to renovate or rehabilitate existing structures.

The bill itself -- S-2107 -- does not allow any rehabilitation costs or renovation costs to be passed on to tenants. This provision deals a death stroke to any owner's incentive to renovate or rehabilitate. It also deals a death stroke, as I said, to rejuvenating inner cities.

Lastly, there is a section 8 in this bill, which allows a municipality to pass ordinances to regulate conversions. Need I say more? This is nothing more than an invitation to political infighting and mass confusion. I submit that the law books are filled with State statutes that preempt this field. Let's not turn it into chaos. Let's leave it the way it is.

In summary, Mr. Chairman, Mr. Vice Chairman, I submit that the act is unfair. It is not based on any solid facts. It does not really answer or solve the issue. It will create hardship for innocent purchasers by the fact of its retroactivity. One example: We have people who bought units wanting to reside there, thinking that three years down the road they can evict that tenant. Now you are going to tell

them, "Sorry, Charlie, you can't evict that tenant. You bought yourself an investment. If you have to take a loss, that's too bad." Is that fair? Is that just? Retroactivity is illegal. Retroactivity is unconstitutional.

The bill also will have a detrimental fiscal impact on municipal revenues by tax assessments being lowered. I submit that this bill, in its present form, should not be considered by this Committee any further. I submit there are answers, and I urge this Committee and the Legislature to address those issues head-on and solve the problem of housing for low- and moderate-income families, and the homeless.

Thank you, Mr. Chairman, Mr. Vice Chairman.

SENATOR VAN WAGNER: I would like to call Maril McFaul, Geoff Berne, and Laine Tigane. They will be followed by Mike Pesce, William Graubard, and Richard Falkin. The final testifiers will be Mr. Travedi and Mr. Patel.

M A R I L M c F A U L: Okay, I would like to speak in favor of this bill very briefly, but only as a stopgap measure. I think to enact a permanent bill at this time, due to the instability of the economy and the instability of the political structure of the State, would be a mistake. I think what they need to do is just simply pass something, maybe for five years, and wait until the State of New Jersey finds a way to develop a housing plan to get rid of the apartheid that seems to be developing within the State.

I think what has caused this problem primarily, is something that has caused a problem throughout the country -- growth. Now, California, as you probably know, has passed a lot of legislation to stop growth. They have just stopped it. Oregon zapped it. Last week, it was defeated by one vote in Orange County. Orange County went from 1.6 million people to about 2.4 in eight years. So they voted that the way they would stop it would be to make the developers come in and pay large sums to put in new hospitals, parks, etc. Well, the city council, or the county council, voted it down by one vote.

I think in California, the people who moved to California, and the West Coast generally, were Protestants from the Midwest, who had a high degree of political conscienceness. All right? The people who have moved to New Jersey are usually from New York City. All right? Now, New York City is a wonderful place, but it is the most Catholic part of the United States. I have nothing against the Catholic Church, you know. It threw me out of three or four schools of their schools, but other than that I think it is a very nice institution. But, they are not prone to create strong central governments. I think in the State of New Jersey there is no way they are going to get a housing plan, unless they develop a strong central government, at least on a county basis. You cannot create a central plan where you have-- I have statistics right here from The Village Voice. It says that two-thirds of the people in the State live in the affluent suburbs, one-third live in the inner cities. Now it happens that these inner cities are located, usually, in ecologies that no one really wants. They are in the Passaic River Valley. So, we do not, perhaps, have the same type of apartheid as exists in Chicago, whereby you have a situation that-- It is really two cities. It has maybe three million people on the north side -- in the northern suburbs -- three million people within the city itself, and they are both within the same county. They are within the same political structure, but actually one is within the City of Chicago and one is the suburbs, and one has nothing to do with the other. It is really two cities within the City of Chicago.

Now in New Jersey, the way we're going, we can create not so much two cities, as two separate ecologies, whereby the money takes the high ground -- which is happening in Hudson County and in Morris County -- and we leave the low ground, or the river valleys to the low-income people. Of course, the coastal regions are an exception. I think there must be a plan

whereby the power structure is shifted from these municipalities that are really too splintered and too fragmented to handle what is happening to them, and more power given to the county governments. If the county governments were allowed to create planning whereby they would be able to build green strips, or whatever you want to call them -- recreation areas -- within the whole county, to make the county feel as if it has some kind of a community base-- The way it is now, frankly, the community base, like in my area in North Bergen-- You know, I could scratch up the money. The community itself is not strong enough and it isn't politically viable enough to invest in, simply because it doesn't have a political base that makes any sense. You cross the river -- the Delaware over there -- into Catholic Allentown, Easton, Doylestown-- You can get a pretty good house around there for maybe \$40,000 or \$50,000. With it, you get a political base that is organized. There is no organization to a political base in a State made up of 589 (sic) municipalities, whereby you have some kind of Catholic tribal warfare. I mean, I don't want to-- I am a Catholic myself, but there is no control. Everybody does his or her own thing.

Now, in the City of New York -- I will just mention this in passing -- the Conservative Party of the City of New York is made up 75%, 80% of either Catholics or Italians. There is nothing wrong with the Conservative Party of New York, except that it does not want state government. It only wants people to do their own thing. That works fine. Everybody can do their own thing, terrific, except when there is a problem -- an economic problem -- which there is in this country. Everyone is moving out of the heartland. I mean, like, there is loads of housing in Texas, Cincinnati, Kentucky, Indiana. Everybody is going to either coast.

Now, this article I have here, which I will leave loads of copies of, explains this phenomenon clearly. In other

words, Georgia has the same problem; Washington, D.C. has the same problem. What exists here, exists other places in the country, not just in New Jersey. It exists in every coastal area in the United States -- I mean on the Pacific Coast and the Atlantic Coast. They handle it in different ways.

SENATOR VAN WAGNER: You are taking sort of a historic view of the settlers living along the rivers and so on as a--

MS. McFAUL: Yeah. Well, I digressed. I apologize for the digression. I will sum up briefly.

SENATOR VAN WAGNER: I just want to ask you a question. Are you advocating regionalizing governments, rather than--

MS. McFAUL: Oh, absolutely, 100%.

SENATOR VAN WAGNER: Okay.

MS. McFAUL: Thank you. Naturally, I don't think that this is going to be done overnight. It is going to take at least five to ten years maybe to develop stronger county government, if it ever will happen. But, given the option of what we have-- I mean, Hudson is really funny, if you stop to think about it. It's got the Irish in Kearny and in Bayonne, who have no low-income housing. It's got the Italians in the northern part, like West New York and North Bergen, which did have, until four or five years ago, loads of low-income housing. I mean, I've been there 20 years, 21 years, and have never paid more than \$300. My whole neighborhood is that way. So what happens is, there are no condos in Kearny; there are no condos in Bayonne. But they turned my whole 12-block area condo, simply because we were the ones who were paying under 300 bucks a month. This is not what you would call planning. I mean, if they had a county government in Hudson County that could plan a quota system whereby Kearny, Bayonne, and North Bergen each had to take "X" number of units of low-income housing, dependent upon their local employment-- Like, for instance, in North Bergen, most of the local employment is in

the trucking companies at the foot of the hill. The truck drivers were all evicted from my building. They have no place to live. I mean, they have no place to go, and they all have kids. It's a real horror for them.

Maybe perhaps Kearny does not have low-income truck drivers, so they don't need the same amount of low-income housing, but to get some kind of a ratio between the economy of the township or the municipality and the income of the workers. In other words, if most of the workers are dependent upon working in a township that has a low wage, you are going to have to have more low-income housing. But to simply say, "Okay, you are going to have all the low-income housing in one part of the county, and all the high-income housing in another part of the county" -- which is just what has happened in Hudson-- "We have high income in the south and the west, and low income in the north, so therefore, let's solve the whole thing and turn the whole place condo." This is not regional planning.

I think what this bill could possibly do is put a temporary hold, whether it be three or five years, on evictions, until such time as a stable political system can be devised that can reflect what is really happening, which is a growth that we cannot handle. As I am sure you all know, we were a million and a half in 1920; we are now pushing eight million. The same story for Atlanta. Atlanta is now, I think, pushing three million from about a million just about 10 years ago. There is growth in some areas, and there is no growth in other areas. It is anybody's guess as to what is going to happen 10 years down the road. Until we know what is going to happen 10 years down the road, I think we should simply pass something that will stabilize the political games that people are playing until such time as we know what is happening.

Thank you very much.

SENATOR VAN WAGNER: Thank you.

MS. McFAUL: I will leave you this information.

SENATOR VAN WAGNER: Thank you.

MR. BERNE: I was one of the first speakers at the ill-fated first hearing, and I guess I am one of the last speakers at this one. The first hearing was adjourned until today. So, wanting to be sure that my comments were, in fact, included in the testimony and would, in fact, be heard, I would like to, if not repeat, at least go from the same point and say my piece, as I said then, and make sure that it goes somewhere. I am not sure whether my initial testimony was recorded.

SENATOR VAN WAGNER: Yes, it was, but this will also go on the record. You will be recorded twice.

MR. BERNE: Okay, I will try not to repeat myself.

SENATOR VAN WAGNER: No, that's all right.

MR. BERNE: My name is Geoff Berne. I am not from Hudson County, but I am a victim of condo conversion from Mercer County. Yes, we also -- starting with my unit at The Orchard in East Windsor -- which is called The Orchard at East Windsor-- It was turned to co-op. We were the first, supposedly, in Mercer County and, to the best of my knowledge, the first of several, although I haven't kept score. We had 350 units, approximately 2600 people. The first announcement was made of the co-op conversion three years ago. As of June 5, the hearings were held. The judgment was held to approve a termination of my residency in The Orchard, and of those who three years ago were given such notification, most of whom moved out.

When the first announcement was made of the co-op conversion, the big selling point in the papers and in any speeches made by the sponsors was that they were giving us a chance to own a piece of the American dream, and that we were being given a golden opportunity to own our own residences. That is the point I would like to speak to -- briefly I promise -- today.

Very, very few of the tenants bought. I would say maybe 40 to 50 units were bought by tenants. The overwhelming majority of the tenants moved out, leaving the units in the hands of new owners owning their pieces of the American dream? No, left in the hands of new speculators and landlords who rented the units out to others, who were then given a chance to rent their apartments. Is that the American dream, this so-called dream of home ownership, with a picket fence? There are no picket fences. There are no owners living there. There are speculators who are living somewhere else, who very often use these empty apartments as tax write-offs, and keep them there until they can find tenants who, by the way, are a very transient lot, and come and go, replacing what was a very stable community of working tenants and renters with children -- a community -- replacing it with single people who come and go, leave their dogs loose. It is a very different sort of situation from what it was. The whole community of upwards of 2000 people have been moved out.

I would like, if I may, to draw an analogy. The only thing that this keeps bringing back to me-- I was born during World War II. I remember the air raids during World War II, and I remember my biggest nightmares, at the age of five, as I pulled down the dark green shades, was being told that the Germans could invade our country. This was the image of an air raid drill. And they would come and they would move us out of our houses. When the first announcement was made of co-op conversion in our development three years ago, and I had to tell my son, who was age six, that we were being uprooted, I could only remember a generation ago, when my greatest fear was that something like this could happen, and we would be powerless to resist it.

I would just like to advance myself as a person who has been unaffected by what has been described as the American dream, because it seems to me that the biggest rationale that

has been given to you for allowing co-op conversions to go unimpeded, is that you are giving people the opportunity to participate in home ownership, in ownership of some kind. I am unaffected by the romance of home ownership. I am a tenant for life, if I can be. Why? Because I have other priorities. I have other things that if I have the money-- I don't have the money. I drive a 1978 vehicle, with 135,000 miles on it. I do not own a VCR. I watch the Mets games on the Sports Channel without subscribing to it. If you have ever tried that, you know what it looks like. There is a lot of interference on the screen. Why? I don't think it is something I want to invest in. So, that will give you some idea of what my priorities are.

What is my priority? Three years ago when they announced the co-op and gave me the opportunity to buy as an insider, I decided not to, because I decided the \$10,000 that I would save by not buying, prorated over a three-year period until now, when I have now been given an eviction-- I could use that money. One of the things I invested in was a thing that was very important to me, which was the musical training of my child. Three years ago he was six years old, and I started him on the violin. I have invested roughly -- I don't know how many thousands of dollars a year -- taking him in and out of New York in my 1978 vehicle every Sunday to take violin lessons. This summer he is going to play at Princeton at the Westminster Conservatory in a symphony orchestra, at the age of nine. I am very proud of that. That is what I invested my money in, not in a house.

So, I have priorities. I think if you gave many Americans the chance to express their dreams of this sort, you would find a lot of American dreams. One of them is not necessarily to go on termite inspections and to ride a lawnmower for the rest of their lives. I know a family with four children living in Hamilton Township. They have a beautiful house, on the outside. They have four children. Do

you know what they have? They have a rug. They have no furniture. They are living with a beautiful painted kitchen, and a blue rug in the living room and no furniture. Her greatest dream would be to have musical instruction for her children, so she says, but it is not a dream great enough for them to sacrifice a house.

What you are doing by allowing conversions is buying the idea that people have to have an obligation to own, and that they would not have a right to not own. It seems to me that in America, we are not like the British. It is the British dream, not the American dream. It is John Locke that they should have property ownership; that in order to vote you have to own property. We believe that people are people even if they don't own property. I consider myself one of them. For that constituency -- and I think it is a very large one -- I hope I can speak forcefully for S-2107.

SENATOR VAN WAGNER: Thank you, Mr. Berne. Ms. Tigane, followed by Mr. Falkin and William Graubard.

MS. TIGANE: Thank you for the opportunity. I will make my comments very short. They are about myself, as a sample for many other senior citizens. I have lived in North Bergen for 32 years. As a senior citizen, I receive protection. The landlord challenged me to court because I overran the money in 1985, \$4000 over the \$36,000 limit. The \$4000 I made extra one time overtime, which doesn't happen in our company maybe in 10 years. To do this, to overearn this money-- I wanted to balance my personal income. I was a half year unemployed the year before. Also, I had to cover medical and court expenses. The medical expenses were close to-- From the carelessness of the doctor, I was two weeks in the hospital, and it cost me over \$6000. The testifying doctor told me I had 12 hours to live. This cost me all extra money.

Now, the \$4000 which I made overtime didn't even cover all of these expenses. However, my landlord's lawyer summoned me and my senior citizen protection was repealed.

My question is, the \$4000 which I overearned also included an IRA of \$2000. Now, this \$2000, is this balancing up the greed of the landlord to putting me out of my apartment where I have lived for so long, and where in my senior citizen years-- Where should I go to start all over again? It has taken me many years to even buy a chair or a table to furnish my apartment. Where can I start to do this all over again?

In this problem, I am not the only one. I am sure there are some others with the same condition. When I moved to this apartment 17 years ago, I paid \$150 rent per month. Now I pay \$318. The landlord says that is not enough money. They don't get enough payment to cover expenses. But the rent has increased over 100%.

I deeply ask you to protect me and other senior citizens. Please pass Senate Bill 2107. Thank you very much for the opportunity.

SENATOR VAN WAGNER: Thank you, ma'am. Mr. Falkin?

R I C H A R D F A L K I N: Gentlemen, ladies: Thank you for the opportunity to speak. I come to speak to you about success with the condominium bill and with the conversions, up to a point, I believe. I am a converter. I have converted units in Orange. I am currently converting in Orange and in Plainfield, as well as in other communities, but it is these two of which I really want to speak, because people have already, indirectly I guess, called me immoral, have called me a cartel, have called me everything under the sun. I look at myself as one of the more independent moral people here.

What I want to talk to you about, and why I think S-2107 does not do what we want it to do-- I am speaking of Seven Oaks Village in Orange, which is a 73-unit complex right by the VA Hospital, if you are familiar with the area, which we bought in 1985 in foreclosure. Half of the units were vacant. It took us two years to go through and renovate. We did convert the complex. We ran one ad. We started last

November. People slept out overnight. I ended up getting there, instead of at 10 o'clock in the morning, about six o'clock in the morning, with coffee and donuts, because I just didn't want people sleeping out, looking for the opportunity to be there.

As I said, the complex was half vacant at the time that we bought it. We renovated it. We put a tremendous amount of money into the complex. You are now telling me, with this S-2107 if it comes through, that I may not be able to finish the conversion of the rest of the complex, for which I have a waiting list of about 100 names for these last 30 units. People are looking for urban affordable housing. We are providing that. The prices we are talking about are in the range of \$50,000, \$60,000, and \$70,000 per unit. The majority of the people who have purchased to date in this complex have gone through the New Jersey Housing Finance Agency, as far as using all the State funding with the minimum down payment.

We are a success here. We took a property that was not getting any taxes from the town, which we bought through foreclosure. We turned around inner city properties. Who are buying these properties? Seton Hall professors, doctors at the VA Hospital, local pharmacists, people who all work in the area, who are thrilled to death with what is happening.

If S-2107 comes about and I can't move the people who do not want to buy, who have been offered very, very fair deals, we will be limiting the growth of this inner city, keeping it at the same level it is. That is not what we want.

The other property I will speak to you about is Meadowbrook Village. Meadowbrook Village has the distinction of being the first garden apartment complex in New Jersey. It is in Plainfield, on Front Street. If you remember -- it was in all of the newspapers a number of years ago -- Meadowbrook Village assumed another name. The name of the village was Murderbrook. This is where the policewoman who was on her

knees was, like, assassinated, with the gun put to her head. No one wanted to touch the place.

When we went in and bought it, June 1 a year ago, we gutted it. The first day I went in to see Chief Proxner (phonetic spelling). He said, "Oh, another one is here." We proved our morality. We have gotten rid of the drugs; we have gotten rid of everything that was there. We turned the complex around with private funding. We have been open now for about three weeks. I have a number of units sold. Those people who are coming back appreciate the fact of what we have done.

If you can't allow me to continue to do this work, to provide first-time housing for these people, or for people who do not want to leave the area-- The pricing I am talking about for these units is \$60,000, \$70,000, and \$80,000 for affordable housing. A lot of these people are using the State funding at 9-1/4 for 30%, with 5% down, 95% financing. It does work. It takes a person like myself with vision, some people say. I owe a lot to my partners also. What we are talking about is, the idea works. I employ right now 128 people at the complex, just doing renovation. Mr. Schwartz from Blackstone Windows-- I put his windows in. As far as everything that is done, right down from new roofs, new windows in the kitchens, new bathrooms-- We are providing the affordable housing that everyone here is talking about. I would even give Mr. DeFina -- I think that is his name -- an apartment, anywhere he wants, as a condo or a co-op, because they are affordable.

No one ever said that people have the right not to move forever. Yes, there is affordable housing being accomplished within the State. We are the type of people who are doing it. I am looking forward to your help to continue this, because together I think it is a good partnership.

Thank you. I will give you this brochure, so you can get an idea of what we are doing.

SENATOR VAN WAGNER: Thank you. Is there anyone else who wishes to testify, who we do not have on the list?

M I C H A E L P E S C E: I am on the list.

SENATOR VAN WAGNER: What is your name, sir?

MR. PESCE: Mike Pesce.

SENATOR VAN WAGNER: I did call Pesce earlier. I probably mispronounced it.

MR. PESCE: You called it, but I didn't get called in terms of coming up and speaking.

SENATOR VAN WAGNER: Oh yeah, I meant for you to come up. Okay? I'm sorry.

MR. PESCE: That's quite all right. It is not often one gets virtually a one-on-one meeting with a legislative body. For that, I guess I thank you.

My name is Mike Pesce. I am with the Circus Real Estate Group, which is an organization in the conversion business. In the last 10 years we have converted over 70 apartment houses to condominiums or co-ops, and we continue to manage about 5000 units primarily of buildings that we have, in fact, converted. We are here, as you might suspect, to oppose S-2107. A lot of the arguments have already been made, and certainly at this late hour I will not repeat them.

I would like, however, to give--

SENATOR VAN WAGNER: Could you tell us where most of your activity is?

MR. PESCE: Yeah. It is in north central New Jersey, basically from Union County and up.

SENATOR VAN WAGNER: Including Hudson and Bergen?

MR. PESCE: Very little in Hudson, but certainly Bergen. A substantial amount of activity in Bergen, Essex, and Passaic -- centered in those counties.

I would like to add a little bit of flesh to what has been talked about in somewhat vague terminology; that is, this bill will, in fact, put a halt to conversions. It is not a situation where it will slow them down. It is not a situation where it will depress the prices to a point where the units

become affordable to a greater segment of the population. It is going to bring conversion to a grinding halt.

Somebody said, "Well, this is the bill they have in New York City." This is not New York City, in many respects, thank God. The economics of New Jersey are very different, and our organization will not be in this business if this bill passes.

So, take that as a given that it is going to stop. Then the question is, who gets hurt? Obviously, our organization gets hurt. I submit to you, though-- I suspect there were many people in this room before who would not shed a tear if conversions stopped. On the other hand, I think there are many people outside these doors who would find that to be a very distressing eventuality. Those people are the people who buy our units. Now, we have talked about who they are. Let me tell you a little bit more about who they are. They are basically three categories of people. By far the largest category is the tenants themselves within the buildings that we convert. The question is, why do these people buy? They buy, number one, for security. That sounds a little bit strange, but it is security. At least when they buy their units, they know what their housing costs are going to be in the foreseeable future. Not so when they are a rent paying tenant, subject to the vicissitudes and the ups and downs of rent control ordinances and the costs incurred by their landlord, and his particular needs. They buy because they get price discounts. For every building that we convert, the price offered to a tenant is approximately 20% less than what an outside person pays. That outside price is obviously market value; otherwise, an outsider wouldn't pay it. So, right off the bat, they end up with an asset that is worth 20% more than they paid for it the day they receive their deed at the closing table.

They also buy for tax benefits, and that is self-explanatory. It is the same thing that anybody with a single-family home gets that a tenant does not get. And they buy because of, you know, the American dream and the piece of the rock. But what I would like to focus on is the people who buy who have absolutely no legal compulsion to buy. That is the senior citizens. You know, obviously we had in a building we converted in Ramsey, New Jersey -- in northern Bergen County -- 33 approved senior citizens. They had an absolute unequivocal right to stay there until 102 or until they died, and believe me, if anyone lives until they are 102, they can stay there until they die in our buildings. Thirteen of those 33 bought their units. Why? Because they found it to be a sound investment. Perhaps ultimately they wanted to turn it over to their children, but they certainly had no gun to their heads whatsoever. We converted a building in Cranford, where 17 out of 37 senior citizens, who had no legal obligation to move, buy, or otherwise at any point in time, bought their units.

Let me just read a couple of sentences from a letter we received from a tenant in a building in Clifton, which we are in the process of converting. This is actually addressed to his fellow tenants, in an attempt to allay their fears of the conversion and to encourage them to, in fact, not do anything to oppose it. He says to them, and I will just read a couple of selected sentences: "I feel we are already being offered a fair deal, and must tread cautiously not to louse it up. The sponsor is already doing a great deal of work here, and we will begin with a cleaned up and spruced up project." And lastly, "If you think I am wrong, watch how quickly many present tenants will slap down that deposit when the sponsor gets final approval. I know I will." This is a building into which we, in the six months we have owned it, have put a half a million dollars. That half a million dollars is primarily in

the common areas, areas that will benefit the tenants who have the right to remain as protected tenants, as well as the owners of the units. I think he probably said it better than I.

This bill, when it brings condominium conversion to a halt, will not permit this tenant to buy his unit, and all of those similarly situated. Please think about that segment of the population before you vote in favor of this bill.

The second segment of the population that buys are the first-time homeowners. I won't belabor that at all. I think it is now self-evident. It has been hammered home too many times today, that these people simply have no viable alternative as first-time home buyers. You cannot find single-family detached homes at any affordable prices any more. I was at a meeting last night -- I am in the management end of the company -- with a condominium board, which was comprised of three young people who bought their units, one of them a preexisting tenant, the other two from outside the complex originally. When I told them what I was doing today -- coming down here to testify in opposition to this bill -- their comment to me was, "Well, we sure hope you succeed, because absent conversions we would not be living where we are now. We would not have had the ability to buy at all." So, please keep that segment of the population in mind before you pass this bill, and basically take away their home ownership possibility, at least at this juncture in their lives.

Lastly, our investors. The comment made before regarding the East Windsor example is certainly atypical in our experience in conversions. Our buildings are not bought up and the units are not bought up by speculators coming in and thereafter renting the units. I can tell you that the dynamics of the situation today, and the economics of the situation, just do not permit it. You know, they can't get enough rent on the units after they purchase them to have it make any sense for any kind of long-term period. So, there are select people

who buy for investment purposes. Usually there are noneconomic factors influencing their decision as well, like they want to buy it because they want their son and daughter to live in the unit; like they want to buy it because one day they figure, "I am going to sell this house that I don't feel like attending to any more, and I'll have a place to go at that point." Some of them, in fact, buy just because they understand that real estate has been very good to a lot of people in this State, and this is their small way to get a piece of that opportunity. Understand, the people who do buy for an investment are not the landed gentry in the State of New Jersey. They are the plumbers, the carpenters, the accountants, the lawyers -- people who do not necessarily have empires built elsewhere, but this is their little entree into that field.

It's late, so I will stop at this point. I would just urge you, if there in fact is a need, and I think that after everything that has gone on there is a need to address the truly needy and their need for affordable housing, I would encourage you to be creative, to focus upon that need, but not to paint with a broad brush, which is what S-2107 does, and end up hurting, certainly in my judgment, many more people than you help.

Thank you very much for your time.

SENATOR VAN WAGNER: Is there anyone else?

MR. BERNE: May I just respond to that?

SENATOR VAN WAGNER: No, I'm sorry, sir. In a Committee meeting, you could, but this is a public hearing. We have exhausted ourselves, as well as our testimony. I should announce -- and I know Senator Cowan has already communicated this to the various organizations -- that we will not be taking up S-2107 in tomorrow's meeting. We will be taking it up on June 23, because of the illness of some of our members.

We will note for the record, if you will, that Ms. Tigane wanted to clarify the fact that her earnings average \$23,000 a year.

MS. TIGANE: It is about \$28,000.

SENATOR VAN WAGNER: About \$28,000 a year. She wanted to clarify that for the record, so it will not appear as though she were--

MS. TIGANE: The overtime earning was only a one-time possibility. Therefore--

SENATOR VAN WAGNER: Okay, we made that for the record.

MS. TIGANE: --it would be very difficult for me to pay the \$700 for maintenance and the \$1200 present time price for the condo apartment. I am not able to do that.

SENATOR VAN WAGNER: We understand. I think that point was well made.

MS. TIGANE: Thank you very much.

SENATOR VAN WAGNER: Thank you, ma'am. This closes the public hearing on this issue. We will deliberate on these various measures on June 23.

(HEARING CONCLUDED)

