

PUBLIC HEARING  
before  
ASSEMBLY REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE  
on  
S-1247 and A-1777  
(Building Authority Act)

Held:  
October 9, 1980  
Assembly Chamber  
State House  
Trenton, New Jersey

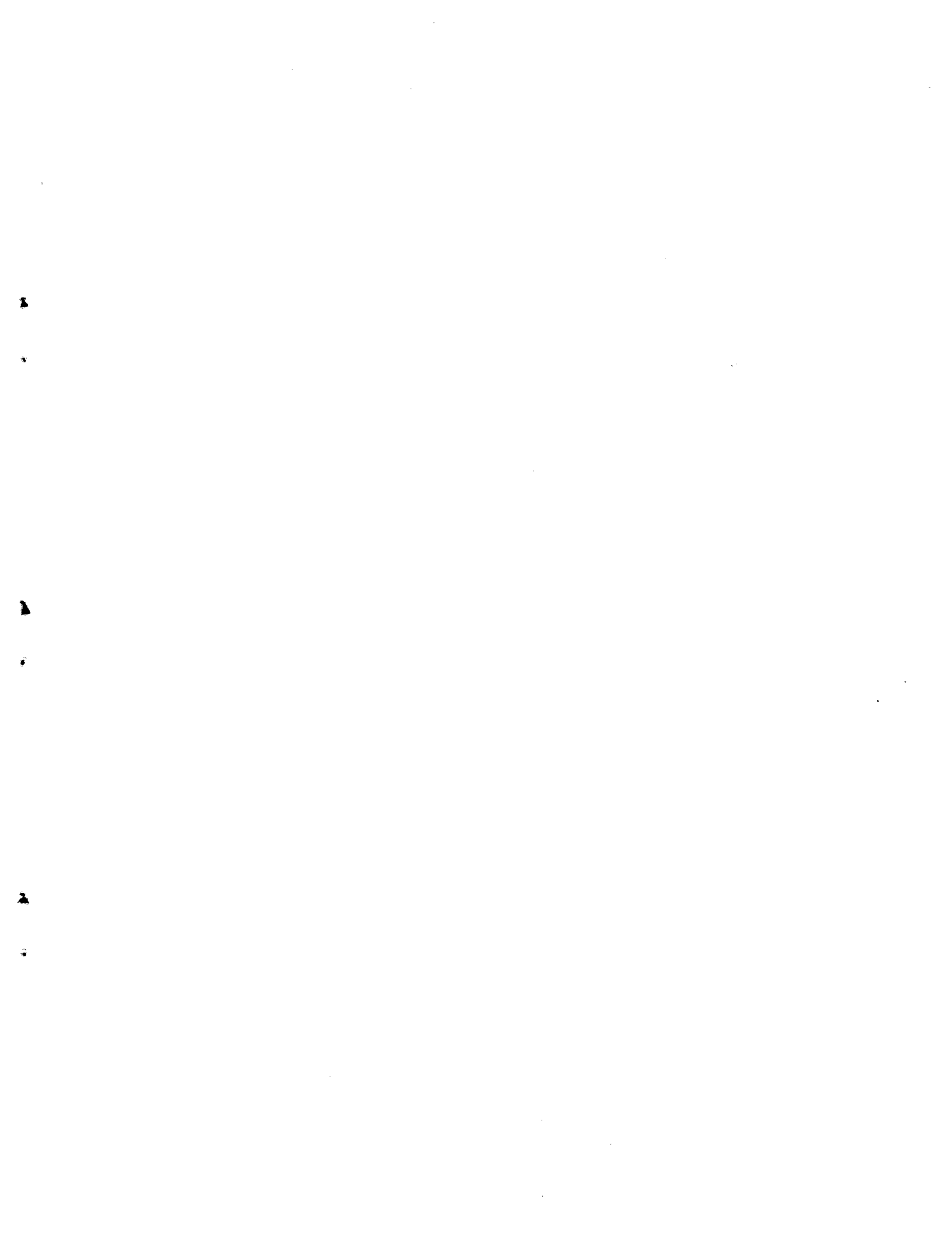
MEMBERS OF COMMITTEE PRESENT:

Assemblyman Richard Van Wagner, Chairman  
Assemblyman Byron M. Baer  
Assemblyman Daniel J. Dalton  
Assemblyman James J. Barry  
Assemblywoman Barbara F. Kalik  
Assemblywoman Jane Burgio  
Assemblyman Karl Weidel

ALSO:

William D. Zuzzio, Aide  
Assembly Revenue, Finance and Appropriations Committee  
Office of Legislative Services

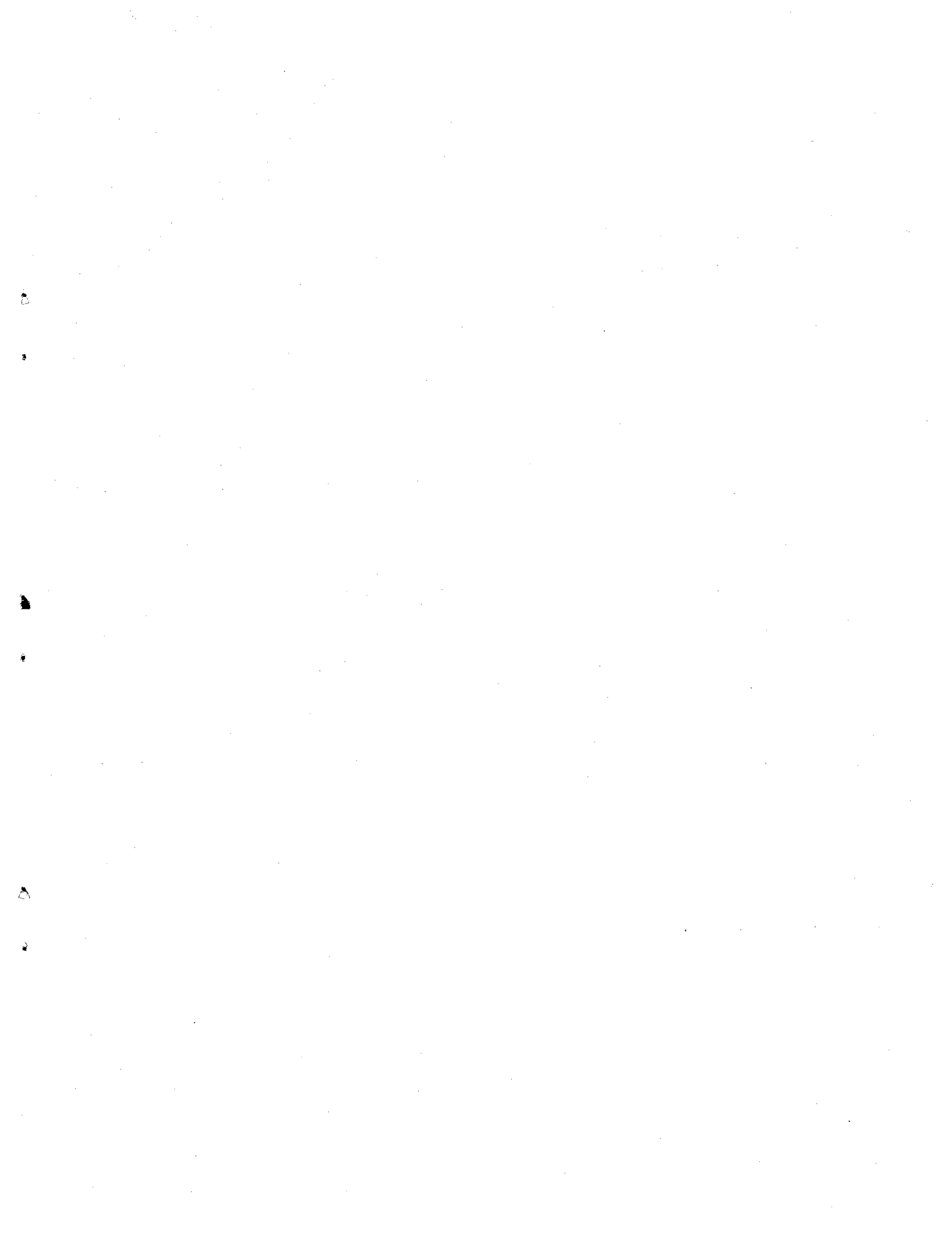
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SENATE, No. 1247

# STATE OF NEW JERSEY

INTRODUCED APRIL 28, 1980

By Senators MERLINO and LIPMAN

Referred to Committee on Revenue, Finance and Appropriations

AN ACT creating the New Jersey Building Authority, defining the powers, duties and functions thereof, authorizing the issuance of bonds or notes of the authority and providing for the terms and security thereof, and providing an appropriation for the authority.

1 BE IT ENACTED by the Senate and General Assembly of the State  
2 of New Jersey:

1 1. This act shall be known and may be cited as the "New Jersey  
2 Building Authority Act."

1 2. As used in this act\*, *unless the context clearly indicates*  
1A *otherwise\**:

2 a. "Authority" means the New Jersey Building Authority  
3 created under this act.

4 b. "Bonds" means bonds issued by the authority pursuant to  
5 this act.

6 c. "Local governmental agency" means any municipality, county,  
7 school district, or any agency, department or instrumentality of  
8 any of the foregoing, or any other public body having local or  
9 regional jurisdiction or powers and not constituting a State agency.

10 d. "Notes" means notes issued by the authority pursuant to  
11 this act.

12 e. "Project" means any building or buildings suitable for office  
13 space, for storage and warehouse facilities, for motor vehicle in-  
14 spection stations, *\*for testing and research laboratories,\** and for  
15 public television operations, including related structures, parking  
16 facilities, improvements, real and personal property or any inter-  
17 est therein, including lands under water, space rights and air  
18 rights, and other appurtenances and facilities necessary or con-  
19 venient to the use or operation of the building or buildings,

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.**

20 acquired, owned, constructed, reconstructed, extended, rehabili-  
20A stated or improved by the authority.

21 f. "State agency" means the State or any officer, department,  
22 board, commission, bureau, division, public authority or corpora-  
23 tion, agency or instrumentality of the State.

1 3. The Legislature finds and declares the following:

2 a. That for many years the functions of the State Government  
3 have grown and that during this period of rapid expansion no  
4 definite program has been adopted for the housing and carrying  
5 out of the operations of the many State agencies.

6 b. That many State agencies have their offices in privately owned  
7 or inadequate State owned buildings and that these buildings are  
8 inadequate to meet the needs of these State agencies and the needs  
9 of the people of the State.

10 c. That it is to the economic benefit and general welfare of the  
11 citizens of the State to provide sufficient office space and related  
12 facilities for these State agencies and thus provide for a more  
13 efficient and economic operation of State Government.

14 d. That in order to provide for office space and related facilities  
15 at a cost that these State agencies can afford, it is necessary to  
16 create and establish a building authority for the purposes of con-  
17 structing and operating office buildings and related facilities to meet  
18 the needs of State agencies.

19 e. It is necessary and in the public interest that this building  
20 authority have the necessary funds to provide for predevelopment  
21 cost, temporary financing, land development expenses, construction  
22 and operation of office buildings and related facilities for the use  
23 of, and sale or rental to, State agencies.

24 f. For these purposes, there should be created a corporate  
25 governmental agency to be known as the "New Jersey Building  
26 Authority" which, through issuance of bonds and notes to the  
27 private, investing public may provide or obtain the capital  
28 resources necessary to acquire, construct, reconstruct, rehabilitate  
29 or improve these office buildings and related facilities necessary or  
30 convenient to the operation of any State agency.

31 g. That the acquisition, construction, reconstruction, rehabilita-  
32 tion or improvement of these office buildings and related facilities  
33 necessary or convenient to the operation of any State agency are  
34 public uses and public purposes for which public money may be  
35 loaned and private property may be acquired and tax exemptions  
36 granted, and that the powers and duties of the New Jersey Building  
37 Authority as set forth in this act are necessary and proper for the  
38 purpose of achieving the ends here recited.

1 4. a. There is established in the Department of the Treasury a  
2 public body corporate and politic, with corporate succession, to be  
3 known as the "New Jersey Building Authority." The authority is  
4 constituted an instrumentality of the State exercising public and  
5 essential governmental functions, and the exercise by the authority  
6 thereof of the powers conferred by this act shall be deemed and held  
7 to be an essential governmental function of the State.

8 b. The membership of the authority shall consist of \*~~seven~~\*  
9 \**nine*\* directors as follows: the State Treasurer, the Comptroller of  
10 the Treasury \**the Legislative Budget Officer*\* and the Chairman of  
11 the Commission on Capital Budgeting and Planning who shall be  
12 members ex officio, and \*~~four~~\* \**five*\* directors appointed by the  
13 Governor with the advice and consent of the Senate for terms of  
13A 4 years \**no more than three of whom shall be of the same political*  
13B \**party*\*. The directors of the authority, other than the ex officio  
14 directors, first appointed by the Governor shall serve for terms  
15 of 1 year, 2 years, 3 years and 4 years, respectively, and thereafter  
16 directors shall be appointed for terms of 4 years. Each director  
17 shall hold office for the term of his appointment and until his  
18 successor shall have been appointed and qualified. A director  
19 shall be eligible for reappointment. Any vacancy on the board  
20 of directors occurring other than by expiration of term shall be  
21 filled in the same manner as the original appointment but for the  
22 unexpired term only.

23 c. Each appointed director may be removed from office by the  
24 Governor, for cause, after a public hearing, and may be suspended  
25 by the Governor pending the completion of the hearing. Each  
26 director before entering upon his duties shall take and subscribe  
27 an oath to perform the duties of his office faithfully, impartially  
28 and justly to the best of his ability. A record of the oaths shall be  
29 filed in the office of the Secretary of State.

30 d. A chairman shall be appointed by the Governor from the  
31 directors of the authority other than the ex officio directors, and the  
32 directors of the authority shall elect one of their number as vice  
33 chairman thereof. The directors shall elect a secretary and a  
34 treasurer who need not be directors, and the same person may be  
35 elected to serve both as secretary and treasurer. The powers of the  
36 authority shall be vested in the directors thereof in office from time  
37 to time and \*~~four~~\* \**five*\* directors of the authority shall con-  
38 stitute a quorum at any meeting thereof. Action may be taken and  
39 motions and resolutions adopted by the authority at any meeting  
40 thereof by the affirmative vote of at least \*~~four~~\* \**five*\* directors

41 of the authority<sup>\*</sup> [ ], no less than two of whom shall be directors  
42 ex officio<sup>\*</sup>. No vacancy on the board of directors of the authority  
43 shall impair the right of a quorum of the directors to exercise all  
44 the powers and perform all the duties of the authority.

45 e. Each director and the treasurer of the authority shall execute  
46 a bond to be conditioned upon the faithful performance of the duties  
47 of the director or treasurer, as the case may be, in such form and  
48 amount as may be prescribed by the Comptroller of the Treasury.  
49 Bonds shall be filed in the office of the Secretary of State. At all  
50 times thereafter, the directors and treasurer of the authority shall  
51 maintain these bonds in full effect. All costs of the bonds shall be  
52 borne by the authority.

53 f. The directors of the authority shall serve without compensa-  
54 tion, but the authority shall reimburse its directors for actual  
55 expenses necessarily incurred in the discharge of their duties.  
56 Notwithstanding the provisions of any other law, no officer or em-  
57 ployee of the State shall be deemed to have forfeited or shall for-  
58 feited his office or employment or any benefits or emoluments thereof  
59 by reason of his acceptance of the office of ex officio director of the  
60 authority or his services therein.

61 g. The State Treasurer and the Comptroller of the Treasury of  
62 the State, as ex officio directors of the authority, may *\*each\** designate  
63 an officer or employee of *\*[their departments]\* \*the Department of the Treasury\**  
64 to represent *\*[them]\* \*him\** at meetings of  
64A the authority *\*the Legislative Budget Officer, as ex officio director*  
64B *of the authority, may designate an employee of his agency to*  
64C *represent him\**, and the Chairman of the Commission on Capital  
65 Budgeting and Planning, as ex officio director of the authority,  
66 may designate a member *\*or the executive director\** of the Commission  
67 on Capital Budgeting and Planning to represent him at  
68 meetings of the authority. Each designee may lawfully vote and  
69 otherwise act on behalf of the director for whom he constitutes  
70 the designee. The designation shall be in writing delivered to the  
71 authority and shall continue in effect until revoked or amended in  
72 writing delivered to the authority.

73 h. The authority may be dissolved by act of the Legislature on  
74 condition that the authority has no debts or obligations outstanding  
75 or that provision has been made for the payment or retirement of  
76 these debts or obligations. Upon any dissolution of the authority  
77 all property, funds and assets thereof shall be vested in the State.

78 i. A true copy of the minutes of every meeting of the authority  
79 shall be forthwith delivered by and under the certification of the  
80 secretary thereof to the Governor *\*and the presiding officers of*

80A *both houses of the Legislature*\*. No action taken at any meeting  
81 by the authority shall have effect until 15 days after a copy of the  
82 minutes has been so delivered unless during the 15-day period the  
83 Governor shall approve the same in which case the action shall  
84 become effective upon the approval. If, in the 15-day period, the  
85 Governor returns the copy of the minutes with veto of any action  
86 taken by the authority or any member thereof at that meeting, the  
87 action shall be of no effect. The powers conferred in this sub-  
88 section upon the Governor shall be exercised with due regard for  
89 the rights of the holders of bonds and notes of the authority at any  
90 time outstanding; and nothing in, or done pursuant to, this subsec-  
91 tion shall in any way limit, restrict or alter the obligation or powers  
92 of the authority or any representative or officer of the authority to  
93 carry out and perform in every detail each and every covenant,  
94 agreement or contract at any time made or entered into by or on  
95 behalf of the authority with respect to its bonds or notes or for the  
96 benefit, protection or security of the holders thereof.

1 5. Except as otherwise limited by this act, the authority shall  
2 have power:

3 a. To make and alter bylaws for its organization and internal  
4 management and, subject to agreements with noteholders and  
5 bondholders, to make rules and regulations with respect to its  
6 projects, operations, properties and facilities.

7 b. To adopt an official seal and alter the same at pleasure.

8 c. To sue and be sued.

9 d. To make and enter into all contracts and agreements necessary  
10 or incidental to the performance of its duties and the exercise of  
11 its powers under this act.

12 e. To enter into agreements or other transactions with and accept  
13 grants and the cooperation of the United States or any agency  
14 thereof or any State agency in furtherance of the purposes of this  
15 act, including but not limited to the development, maintenance,  
16 operation and financing of any project and to do any and all things  
17 necessary in order to avail itself of this aid and cooperation.

18 f. To receive and accept aid or contributions from any source of  
19 money, property, labor or other things of value, to be held, used  
20 and applied to carry out the purposes of this act subject to such  
21 conditions upon which this aid and these contributions may be  
22 made, including but not limited to, gifts or grants from any depart-  
23 ment or agency of the United States or any State agency for any  
24 purpose consistent with this act.

25 g. To acquire, own, hold, sell, assign, exchange, lease, mortgage  
26 or otherwise dispose of real and personal property or any interest  
27 therein in the exercise of its powers and the performance of its  
28 duties under this act.

29 h. To appoint an executive director and such other officers,  
30 employees and agents as it may require for the performance of its  
31 duties, and to fix their compensation, promote and discharge them,  
32 all without regard to the provisions of Title 11 of the Revised  
33 Statutes.

34 i. To acquire, construct, reconstruct, rehabilitate, improve, alter  
35 or repair or provide for the construction, reconstruction, improve-  
36 ment, alteration or repair of any project and let, award and enter  
37 into construction contracts, purchase orders and other contracts  
38 with respect thereto in such manner as the authority shall  
39 determine.

40 j. To arrange or contract with a county or municipality for the  
41 planning, replanning, opening, grading or closing of streets, roads,  
42 roadways, alleys or other places, or for the furnishing of facilities  
43 or for the acquisition by a county or municipality of property or  
44 property rights or for the furnishing of property or services, in  
45 connection with a project.

46 k. To sell, lease, assign, transfer, convey, exchange, mortgage or  
47 otherwise dispose of or encumber any project or other property  
48 no longer needed to carry out the public purposes of the authority  
49 and, in the case of the sale of any project or property, to accept  
50 a purchase money mortgage in connection therewith; and to lease,  
51 repurchase or otherwise acquire and hold any project or property  
52 which the authority has theretofore sold, leased or otherwise con-  
53 veyed, transferred or disposed of.

54 l. To grant options to purchase any project or to renew any  
55 leases entered into by it in connection with any of its projects,  
56 on such terms and conditions as it deems advisable.

57 m. To acquire by purchase, lease or otherwise, on such terms  
58 and conditions and in such manner as it may deem proper, or by  
59 the exercise of the power of eminent domain, except with respect  
60 to lands owned by the State or any public lands reserved for  
61 recreation and conservation purposes, any land and other property,  
62 including railroad lands and land under water, which it may  
63 determine is reasonably necessary for any of its projects or for  
64 the relocation or reconstruction of any highway by the authority  
65 and any and all rights, title and interest in that land and other  
66 property, including public lands, highways or parkways, owned

67 by or in which a State agency or local governmental agency has  
68 any right, title or interest, or parts thereof or rights therein and  
69 any fee simple absolute or any lesser interest in private property,  
70 and any fee simple absolute in, easements upon or the benefit of  
71 restrictions upon, abutting property to preserve and protect any  
72 project.

73 n. To prepare or cause to be prepared plans, specifications,  
74 designs and estimates of costs for the construction, reconstruction,  
75 rehabilitation, improvement, alteration or repair of any project,  
76 and from time to time to modify these plans, specifications, designs  
77 or estimates.

78 o. To sell, lease, rent, sublease or otherwise dispose of any  
79 project or any space embraced in any project to any State agency  
80 and to establish and revise the purchase price, rents or other  
81 charges therefor; provided, however, that the incurrence of any  
82 liabilities by a State agency under any agreement entered into with  
83 the authority pursuant to the aforesaid authorization, including,  
84 without limitation, the payment of any and all rentals or other  
85 amounts required to be paid by the agency thereunder, shall be  
86 subject to and dependent upon appropriations being made from  
87 time to time by the Legislature for that purpose *\*and approval by*  
87A *the presiding officers of both houses of any such lease, as provided*  
87B *by law\*.*

88 p. To sell, lease, rent, sublease or otherwise dispose of to any  
89 person, firm or corporation any surplus space in any project over  
90 and above that sold, leased, rented, subleased or otherwise disposed  
91 of to State agencies and to establish and revise the purchase price,  
92 rents or charges therefor.

93 q. To manage or operate any project or real or personal property  
94 related thereto whether owned or leased by the authority or any  
95 State agency, and to enter into agreements with any State agency,  
96 or any local governmental agency, or with any person, firm, associa-  
97 tion, partnership or corporation, either public or private, for the  
98 purpose of causing any project or related property to be managed.

99 r. To provide advisory, consultative, training and educational  
100 services, technical assistance and advice to any person, firm,  
101 association, partnership or corporation, either public or private, in  
102 order to carry out the purposes of this act.

103 s. Subject to the provisions of any contract with noteholders or  
104 bondholders, to consent to any modification, amendment or revision  
105 of any kind of any contract, lease or agreement of any kind to  
106 which the authority is a party.

107 t. To determine\*, *after holding a public hearing in the municipi-*  
 107A *pality in which the project is to be located,\** the location, type and  
 108 character of the project or any part thereof and all other matters  
 109 in connection with all or any part of the project, notwithstanding  
 110 any land use plan, zoning regulation, building code or similar regu-  
 111 lation heretofore or hereafter adopted by any municipality, county,  
 112 public body corporate and politic, or any other political subdivision  
 112A of the State.

113 u. To borrow money and to issue its bonds and notes and to  
 114 secure the same and provide for the rights of the holders thereof  
 115 as provided in this act.

116 v. Subject to any agreement with bondholders or noteholders, to  
 117 invest moneys of the authority not required for immediate use,  
 118 including proceeds from the sale of any bonds or notes, in these  
 119 obligations, securities and other investments as the authority shall  
 120 deem prudent.

121 w. To procure insurance against any loss in connection with its  
 122 property and other assets and operations in such amounts and  
 123 from such insurers as it deems desirable.

124 x. To engage the services of architects, engineers, attorneys,  
 125 accountants, building contractors and financial experts and such  
 126 other advisors, consultants and agents as may be necessary in its  
 127 judgment and to fix their compensation.

128 y. To do any act necessary or convenient to the exercise of the  
 129 foregoing powers or reasonably implied therefrom.

1 6. Notwithstanding any other provision of this act, the authority  
 2 may not undertake the acquisition, construction, reconstruction,  
 3 rehabilitation or improvement of a project unless \***[the board**  
 4 **of]**\* \*.\*

4A *\*a. The Commission on Capital Budgeting and Planning has*  
 4B *approved the State's utilization of space in the project, finding it*  
 4C *in furtherance of the public purposes of the State agency to which*  
 4D *it is to be leased or by which it is to be owned.*

4E *b. The presiding officers of both houses of the Legislature have*  
 4F *approved the lease agreement.*

4G *c. The board of\** directors of the authority finds that:

5 *\*[a.]\* \*(1)\* The project will be leased to or owned by a State*  
 5A *agency.*

6 *\*[b. The project will be in furtherance of the public purposes of*  
 7 *the State agency to which it is to be leased or by which it is to be*  
 8 *owned.]\*\**

9 *\*[c.]\* \*(2)\* Adequate provision has been, or will be, made for*  
 10 *the payment of the cost of acquisition, construction, operation,*  
 11 *maintenance and upkeep of the project.*

12 \***[d.]**\* *(3)*\* Plans and specifications assure or will assure  
13 adequate light, air, sanitation and fire protection.

14 \***[e.]**\* *(4)*\* There is a feasible method for the relocation of  
15 families and individuals displaced from the project area into decent,  
16 safe and sanitary dwellings\***[ ]**, which are or will be provided in the  
17 project area or in other areas not generally less desirable in regard  
18 to public utilities and public and commercial facilities, at rents or  
19 prices within financial means of these families or individuals,  
20 and reasonably accessible to their places of employment.\***[ ]** *\*in*  
20A *accordance with the provisions of the "Relocation Assistance Act*  
20B *of 1967"* (P. L. 1967, c. 79, C. 52:31B-1 et seq.) *and the "Reloca-*  
20C *tion Assistance Act"* (P. L. 1971, c. 362, C. 20:4-1 et seq.), *which-*  
20D *ever is applicable.\**

21 \***[f.]**\* *(5)*\* *The plans and specifications for the project assure*  
22 *that the project will comply with all applicable standards and*  
23 *requirements prescribed by State or Federal law which promote*  
24 *the public health or protect the environment.*

25 *(6)* *The plans and specifications for the project assure that it*  
26 *will comply with the requirements of the "State Uniform Con-*  
27 *struction Code Act"* (P. L. 1975, c. 217, C. 52:27D-119 et seq.).

28 *(7)* *The location of the project is consistent with the State's*  
29 *urban policy of concentrating public investments in distressed*  
30 *urban centers and assisting in the revitalization of the older cities,*  
31 *except for a project intended to serve a region which contains no*  
32 *such urban center.\**

1 7. a. No municipality shall modify or change the drawings, plans  
2 or specifications for the construction, reconstruction, rehabilitation,  
3 alteration or improvement of any project of the authority, or the  
4 construction, plumbing, heating, lighting or other mechanical branch  
5 of work necessary to complete the work in question, nor to require  
6 that any person, firm or corporation employed on any such work  
7 shall perform the work in any other or different manner than that  
8 provided by the drawings, plans and specifications, nor to require  
9 that any person, firm or corporation obtain any other or additional  
10 authority, approval permit or certificate from the municipality in  
11 relation to the work being done, and the doing of the work by any  
12 person, firm or corporation in accordance with the terms of the  
13 drawings, plans, specifications or contracts shall not subject the  
14 person, firm or corporation to any liability or penalty, civil or  
15 criminal, other than as may be stated in the contracts or incidental  
16 to the proper enforcement thereof; nor shall any municipality  
17 require the authority or any State agency which leases or purchases  
18 the project to obtain any other or additional authority, approval,

19 permit, certificate or certificate of occupancy from the municipality  
20 as a condition of owning, using, maintaining, operating or occupying  
21 any project acquired, constructed, reconstructed, rehabilitated,  
22 altered or improved by the authority or by any subsidiary thereof.  
23 The foregoing provisions shall not preclude any municipality from  
24 exercising the right of inspection for the purpose of requiring  
25 compliance by any project with local requirements for operation and  
26 maintenance, affecting the health, safety and welfare of the  
28 \*occupants\* thereof, provided that the compliance  
29 does not require changes, modifications or additions to the original  
29A construction of the project.

30 b. Each municipality in which any project of the authority is  
31 located shall provide for the project, whether then owned by the  
32 authority, any subsidiary, or any State agency, police, fire, sani-  
33 tation, health protection and other municipal services of the same  
34 character and to the same extent as those provided for other resi-  
35 dents of the municipality.

36 c. In carrying out any project, the authority may enter into  
37 contractual agreements with local governmental agencies with re-  
38 spect to the furnishing of any community, municipal or public facili-  
39 ties or services necessary or desirable for the project, and any local  
40 governmental agency may enter into these contractual agreements  
41 with the authority and do all things necessary to carry out its  
42 obligations under the same.

1 8. The authority, in the exercise of its authority to make and  
2 enter into contracts and agreements necessary or incidental to  
3 the performance of its duties and the execution of its powers, shall  
4 adopt standing rules and procedures providing that no contract on  
5 behalf of the authority shall be entered into for the doing of any  
6 work, or for the hiring of equipment or vehicles, where the sum to  
7 be expended exceeds the sum of \$7,500.00 unless the authority shall  
8 first publicly advertise for bids therefor, and shall award the  
9 contract to the lowest responsible bidder. Advertising shall not  
10 be required where the contract to be entered into is one for the  
11 furnishing or performing of services of a professional nature or  
12 for the supplying of any product or the rendering of any service  
13 by a public utility subject to the jurisdiction of the Board of Public  
14 Utilities and tariffs and schedules of the charges made, charged,  
15 or exacted by the public utility for any products to be supplied  
16 or services to be rendered are filed with the board. This section  
17 shall not prevent the authority from having any work done by its  
18 own employees, nor shall it apply to repairs, or to the furnishing  
19 of materials, supplies or labor, or the hiring of equipment or

20 vehicles, when the safety or protection of its or other public property  
21 or the public convenience require, or the exigency of the accomplish-  
22 ment of the projects will not allow advertisement. In that case, the  
23 board of directors of the authority shall, by resolution, declare the  
24 exigency or emergency to exist, and set forth in the resolution the  
25 nature thereof and the approximate amount to be so expended.

1 9. If the authority shall find it necessary in connection with  
2 the undertaking of any of its projects to change the location of  
3 any portion of any public highway, or road, it may contract with  
4 any government agency, or public or private corporation which may  
5 have jurisdiction over the public highway or road to cause the  
6 public highway or road to be constructed at such location as the  
7 authority shall deem most favorable. The cost of the reconstruction  
8 and any damage incurred in changing the location of the highway  
9 shall be ascertained and paid by the authority as a part of the cost  
10 of the project. Any public highway affected by the construction  
11 of any project may be vacated or relocated by the authority in the  
12 manner now provided by law for the vacation or relocation of public  
13 roads, and any damages awarded on account thereof shall be paid  
14 by the authority as a part of the cost of the project. In all under-  
15 takings authorized by this subsection, the authority shall consult  
16 and obtain the approval of the \*~~Department~~\* *Commissioner*\*  
16a of Transportation.

17 b. In addition to the foregoing powers, the authority and its  
18 authorized agents and employees may enter upon any lands, waters  
19 and premises for the purpose of making surveys, soundings, drill-  
20 ings and examinations as it may deem necessary or convenient for  
21 the purposes of this act, all in accordance with due process of law,  
22 and this entry shall not be deemed a trespass nor shall an entry  
23 for this purpose be deemed an entry under any condemnation pro-  
24 ceedings which may be then pending. The authority shall make re-  
25 imbursement for any actual damages resulting to the lands, waters  
26 and premises as a result of these activities.

27 c. The authority shall also have power to make reasonable regula-  
28 tions for the installation, construction, maintenance, repair, renewal,  
29 relocation and removal of tracks, pipes, mains, conduits, cables,  
30 wires, towers, poles and other equipment and appliances, herein  
31 called "public utility facilities", of any public utility as defined in  
32 R. S. 48:2-13, in, on, along, over or under any project. When-  
33 ever the authority shall determine that it is necessary that any  
34 public utility facilities which now are, or hereafter may be, located  
35 in, on, along, over or under any project shall be relocated in the  
36 project, or should be removed from the project, the public utility

37 owning or operating the facilities shall relocate or remove the same  
38 in accordance with the order of the authority. The cost and  
39 expenses of the relocation or removal, including the cost of in-  
40 stalling the facilities in a new location, or new locations, and the  
41 cost of any lands, or any rights or interests in lands, and any  
42 other rights, acquired to accomplish the relocation or removal,  
43 shall be ascertained and paid by the authority as a part of the  
44 cost of the project. In case of any relocation or removal of facilities,  
45 as aforesaid, the public utility owning or operating the same, its  
46 successors or assigns, may maintain and operate the facilities, with  
47 the necessary appurtenance, in the new location or new locations,  
48 for as long a period, and upon the same terms and conditions,  
49 as it had the right to maintain and operate the facilities in their  
50 former location or locations. In all undertakings authorized by this  
51 subsection the authority shall consult and obtain the approval of  
52 the Board of Public Utilities.

1 10. a. The authority may exercise the power of eminent domain  
2 in the manner provided in the "Eminent Domain Act of 1971,"  
3 P. L. 1971, c. 361 (C. 20:3-1 et seq.).

4 b. The authority may take possession of any property with re-  
5 spect to which it institutes an eminent domain action upon filing  
6 of a declaration of taking and otherwise as provided by Article V  
7 of the "Eminent Domain Act" (C. 20:3-15 et seq.).

1 11. a. The authority may from time to time issue its bonds or  
2 notes in such principal amounts as in the opinion of the authority  
3 shall be necessary to provide sufficient funds for any of its corpo-  
4 rate purposes, including the payment, funding or refunding of the  
5 principal of, or interest or redemption premiums on, any bonds or  
6 notes issued by it whether the bonds or notes or interest to be  
7 funded or refunded have or have not become due, the establishment  
8 or increase of such reserves to secure or to pay the bonds or notes  
9 or interest thereon and all other costs or expenses of the authority  
10 incident to and necessary to carry out its corporate purposes and  
11 powers; provided, however, that the aggregate principal amount  
12 of bonds and notes of the authority outstanding at any time may  
13 not exceed \$250,000,000.00. In computing the principal amount of  
14 bonds and notes outstanding for purposes of the foregoing limita-  
15 tion there shall not be included any bonds or notes, the principal  
16 of and interest on which have been paid or the payment of which  
17 has been provided for by the issuance of refunding bonds or other-  
18 wise. In addition, if the authority has issued bonds or notes to  
19 finance the total cost of a project based on estimates prepared by  
20 an independent consultant and it shall later be determined by the

21 consultant that the costs of the project *\*as initially approved\**  
22 have increased, the authority shall be authorized to issue the  
23 additional bonds or notes required to finance the increased costs,  
24 even if the aforementioned \$250,000,000.00 limitation is exceeded  
24A by the issuance.

25 b. Whether or not the bonds and notes are of such form and  
26 character as to be negotiable instruments under the terms of Title  
27 12A, Commercial Transactions, of the New Jersey Statutes, the  
28 bonds and notes are hereby made negotiable instruments within  
29 the meaning of and for all the purposes of Title 12A, subject only  
30 to the provisions of the bonds and notes for registration.

31 c. Bonds or notes of the authority shall be authorized by a reso-  
32 lution or resolutions of the authority and may be issued in one or  
33 more series and shall bear such date or dates, mature at such time  
34 or times, bear interest at such rate or rates of interest per annum,  
35 be in such denomination or denominations, be in such form, either  
36 coupon or registered, carry such conversion or registration priv-  
37 ileges, have such rank or priority, be executed in such manner, be  
38 payable from such sources in such medium of payment at such  
39 place or places within or without the State, and be subject to such  
40 terms of redemption, with or without premium, as such resolution  
41 or resolutions may provide.

42 d. Bonds or notes of the authority may be sold at public or pri-  
43 vate sale at such price or prices and in such manner as the authority  
44 shall determine. Every bond shall mature and be paid not later  
45 than 50 years from the date thereof.

46 e. Bonds or notes may be issued under the provisions of this  
47 act without obtaining the consent of any department, division,  
48 commission, board, bureau or agency of the State, and without any  
49 other proceeding or the happening of any other conditions or other  
50 things than those proceedings, conditions or things which are spe-  
51 cifically required by this act.

52 f. Bonds or notes of the authority issued under the provisions  
53 of the act shall not be in any way a debt or liability of the State or  
54 of any political subdivision thereof other than the authority and  
55 shall not create or constitute any indebtedness, liability or obliga-  
56 tion of the State or of any political subdivision or be or constitute  
57 a pledge of the faith and credit of the State or of any political sub-  
58 division but all such bonds and notes, unless funded or refunded  
59 by bonds or notes of the authority, shall be payable solely from  
60 revenues or funds pledged or available for their payment as au-  
61 thorized in this act. Each bond and note shall contain on its face  
62 a statement to the effect that the authority is obligated to pay the

63 principal thereof or the interest thereon only from its revenues,  
64 receipts or funds pledged or available for their payment as au-  
65 thorized in this act and that neither the State nor any political  
66 subdivision thereof is obligated to pay the principal or interest  
67 and that neither the faith and credit nor the taxing power of the  
68 State or any political subdivision thereof is pledged to the payment  
69 of the principal of or the interest on the bonds or notes.

70 g. Each issue of bonds or notes of the authority may, if it is  
71 determined by the authority, be general obligations thereof pay-  
72 able out of any revenues, receipts or funds of the authority subject  
73 only to any agreements with the holders of particular bonds or  
74 notes pledging any particular revenues or funds, and shall be  
75 secured by one or more of the following:

76 (1) Pledge of rentals, receipts and other revenues to be derived  
77 from leases, sales agreements, service contracts or similar con-  
78 tractual arrangements with one or more State agencies, whether  
79 or not the same relate to the project or part thereof financed with  
80 the bonds or notes, or a pledge or assignment of the leases, sales  
81 agreements, service contracts or instruments evidencing similar  
82 arrangements and the rights and interests of the authority pro-  
83 vided that such leases, sales agreements, service contracts or sim-  
84 ilar contractual arrangements shall be in effect at the time of the  
85 issuance of the bonds or notes;

86 (2) Pledge of grants, subsidies, contributions or other payments  
87 to be received from the United States of America or any instru-  
88 mentality thereof or from the State or any State agency;

89 (3) A first mortgage on all or any part of the property, real or  
90 personal, of the authority then owned or thereafter to be acquired;  
91 provided that the property so mortgaged as improved and de-  
92-98 veloped by application of the proceeds of the bonds or notes shall  
99 be \*~~appraised~~\* *appraised*\* as at least equal to the amount of  
99A the bonds or notes;

100 (4) Pledge of the revenues and receipts estimated to be there-  
101 after derived from the ownership or operation of the project or  
102 part thereof or from the lease or sale thereof, including any in-  
103 come from investment of the funds and moneys held in connection  
104 therewith and pledged to the payment of the bonds or notes and  
105 the interest thereon or a pledge of any lease, sales agreement,  
106 service contract or instrument evidencing similar arrangements  
107 to be entered into subsequent to the issuance of the bonds or notes;

108 (5) Pledge of all moneys, funds, accounts, securities and other  
109 funds, including the proceeds of the bonds or notes.

1 12. In any resolution of the authority authorizing or relating  
2 to the issuance of any bonds or notes, the authority, in order to  
3 secure the payment of the bonds or notes and in addition to its other  
4 powers, shall have power by provisions therein which shall consti-  
5 tute covenants by the authority and contracts with the holders of  
6 the bonds or notes, to:

7 a. Secure the bonds or notes as provided in section 11.

8 b. Covenant against pledging all or any part of its revenues or  
9 receipts or its leases, sales agreements, service contracts or  
10 other security instruments, or its mortgages or other agreements,  
11 or the revenues or receipts under any of the foregoing or the  
12 proceeds thereof, or against mortgaging or leasing all or any part  
13 of its real or personal property then owned or thereafter acquired,  
14 or against permitting or suffering any lien on any of the foregoing;

15 c. Covenant with respect to limitations on any right to sell,  
16 mortgage, lease or otherwise dispose of any project or any part  
17 thereof or any property of any kind;

18 d. Covenant as to any bonds and notes to be issued and the limi-  
19 tations thereon and the terms and conditions thereof and as to the  
20 custody, application, investment, and disposition of the proceeds  
21 thereof;

22 e. Covenant as to the issuance of additional bonds or notes or  
23 as to limitations on the issuance of additional bonds or notes and  
24 on the incurring of other debts by it;

25-28 f. Covenant as to the payment of the principal of or interest  
29 on the bonds or notes, or any other obligations, as to the sources  
30 and methods of the payment, as to the rank or priority of the  
31 bonds, notes or obligations with respect to any lien or security or  
32 as to the acceleration of the maturity of the bonds, notes or  
33 obligations;

34 g. Provide for the replacement of lost, stolen, destroyed or  
35 mutilated bonds or notes;

36 h. Covenant against extending the time for the payment of  
37 bonds or notes or interest thereon;

38 i. Covenant as to the redemption of bonds or notes and privileges  
39 of exchange thereof for other bonds or notes of the authority;

40 j. Covenant as to the fixing and collection of rents, fees, rates  
41 and other charges, the amount to be raised each year or other  
42 period of time by rents, fees, rates and other charges and as to the  
43 use and disposition to be made thereof;

44 k. Covenant to create or authorize the creation of special funds or  
45 moneys to be held in pledge or otherwise for construction, operating

46 expenses, payment or redemption of bonds or notes; reserves or  
47 other purposes and as to the use, investment, and disposition of the  
48 moneys held in these funds;

49 l. Establish the procedure, if any, by which the terms of any  
50 contract or covenant with or for the benefit of the holders of bonds  
51 or notes may be amended or abrogated, the amount of bonds or  
52 notes the holders of which must consent thereto, and the manner  
53 in which the consent may be given;

54 m. Covenant as to the construction, improvement, operation or  
55 maintenance of any project and its other real and personal prop-  
56 erty, the replacement thereof, the insurance to be carried thereon,  
57 and the use and disposition of insurance moneys;

58 n. Provide for the release of property, leases or other agree-  
59 ments, or revenues and receipts from any pledge or mortgage and  
60 to reserve rights and powers in, or the right to dispose of, property  
61 which is subject to a pledge or mortgage;

62 o. Provide for the rights and liabilities, powers and duties arising  
63 upon the breach of any covenant, condition or obligation and pre-  
64 scribe the events of default and the terms and conditions upon  
65 which any or all of the bonds, notes or other obligations of the  
66 authority shall become or may be declared due and payable before  
67 maturity and the terms and conditions upon which the declaration  
68 and its consequences may be waived;

69 p. Vest in a trustee or trustees within or without the State such  
70 property, rights, powers and duties in trust as the authority may  
71 determine, including the right to foreclose any mortgage, which  
72 may include any or all of the rights, powers and duties of any  
73 trustee appointed by the holders of any bonds or notes pursuant  
74 to section 21 of this act and to limit or abrogate the right of the  
75 holders of any bonds or notes of the authority to appoint a trustee  
76 under this act, and to limit the rights, duties and powers of the  
77 trustee;

78 q. Execute all mortgages, leases, sales agreements, service con-  
79 tracts, bills of sale, conveyances, deeds of trust and other instru-  
80 ments necessary or convenient in the exercise of its powers or in  
81 the performance of its covenants or duties;

82 r. Pay the costs or expenses incident to the enforcement of the  
83 bonds or notes or of the provisions of the resolution or of any  
84 covenant or agreement of the authority with the holders of its  
85 bonds or notes;

86 s. Limit the rights of the holders of any bonds or notes to enforce  
87 any pledge or covenant securing bonds or notes; and

88 t. Make covenants other than or in addition to the covenants  
89 authorized by this act of like or different character, and to make  
90 such covenants to do or refrain from doing such acts and things  
91 as may be necessary, or convenient and desirable, in order to better  
92 secure bonds or notes or which, in the absolute discretion of the  
93 authority will tend to make bonds or notes more marketable, not-  
94 withstanding that the covenants, acts or things may not be  
95 enumerated herein.

1 13. Any pledge of revenues, receipts, moneys, funds, levies, sales  
2 agreements, service contracts or other property or instruments  
3 made by the authority shall be valid and binding from the time  
4 when the pledge is made. The revenues, receipts, moneys, funds or  
5 other property so pledged and thereafter received by the authority  
6 or a subsidiary shall immediately be subject to the lien of the  
7 pledge without any physical delivery thereof or further act, and  
8 the lien of any pledge shall be valid and binding as against all  
9 parties having claims of any kind in tort, contract or otherwise  
10 against the authority irrespective of whether the parties have  
11 notice thereof. Neither the resolution nor any other instrument by  
12 which a pledge under this section is created need be filed or  
13 recorded except in the records of the authority.

1 14. Neither the directors of the authority nor any person execut-  
2 ing bonds or notes issued pursuant to this act shall be liable  
3 personally on the bonds or notes by reason of the issuance thereof.

1 15. The authority may establish such reserves, funds or accounts  
2 as may be, in its discretion, necessary or desirable to further the  
3 accomplishment of the purposes of the authority or to comply  
4 with the provisions of any agreement made by or any resolution  
5 of the authority.

1 16. The State of New Jersey does hereby pledge to and covenant  
2 and agree with the holders of any bonds or notes issued pursuant  
3 to authorization of the act that the State will not limit or alter the  
4 rights or powers hereby vested in the authority to acquire, con-  
5 struct, maintain, improve, repair and operate any project in any  
6 way that would jeopardize the interest of the holders, or to perform  
7 and fulfill the terms of any agreement made with the holders of  
8 the bonds or notes, or to fix, establish, charge and collect such rents,  
9 fees, rates, payments, or other charges as may be convenient or  
10 necessary to produce sufficient revenues to meet all expenses of the  
11 authority and to fulfill the terms of any agreement made with the  
12 holders of the bonds and notes, together with interest thereon, with  
13 interest on any unpaid installments of interest, and all costs and

14 expenses in connection with any action or proceedings by or on  
15 behalf of the holders, until the bond and notes, together with  
16 interest thereon, are fully met and discharged or provided for.  
17 The State does hereby further pledge to and covenant and agree  
18 with the holders of any bonds or notes issued pursuant to autho-  
19 rization of this act that the State will not increase the maximum  
20 principal amount of bonds and notes permitted to be outstanding  
21 at any time pursuant to section 11 of this act, until the bonds and  
22 notes, together with interest thereon, are fully met and discharged  
23 or provided for.

1 17. The State and all public officers, governmental units and  
2 agencies thereof, all banks, trust companies, savings banks and  
3 institutions, building and loan associations, savings and loan asso-  
4 ciations, investment companies, and other persons carrying on a  
5 banking business, all insurance companies, insurance associations  
6 and other persons carrying on an insurance business, and all execu-  
7 tors, administrators, guardians, trustee and other fiduciaries, may  
8 legally invest any sinking funds, moneys or other funds belonging  
9 to them or within their control in any bonds or notes issued pur-  
10 suant to this act, and such bonds or notes shall be authorized  
11 security for any and all public deposits.

1 18. All State agencies and all local governmental agencies, not-  
2 withstanding any contrary provision of law, may lease, lend,  
3 grant or convey to the authority at its request upon such terms  
4 and conditions as the governing body or other proper authorities  
5 of the State agencies or local governmental agencies may deem  
6 reasonable and fair and without the necessity for any advertise-  
7 ment, order of court or other action or formality, other than the  
8 authorizing ordinance of the governing body of the municipality,  
9 the authorizing resolution or ordinance of the governing body  
10 of the county, or the regular and formal action of any public body  
11 concerned, any real property or interest therein which may be  
12 necessary or convenient to the effectuation of the purposes of the  
13 authority, including public highways and other real property  
14 already devoted to public use.

1 19. All State agencies may purchase, lease, rent, sublease or  
2 otherwise acquire any project or any space embraced in any project  
3 from the authority and pay to the authority such amount as may  
4 be agreed upon between the State agency and the authority as the  
5 purchase price, rent or other charge therefor. Any agreement  
6 entered into by any State agency with the authority pursuant to  
7 the aforesaid authorization, shall expressly provide that the incur-

8 rence of any liabilities by the agency under the agreement, includ-  
9 ing, without limitation, the payment of any and all rentals or other  
10 amounts required to be paid by the agency thereunder, shall be  
11 subject to and dependent upon appropriations being made from  
12 time to time by the Legislature for that purpose.

1 20. a. All projects and other property of the authority are  
2 declared to be public property devoted to an essential public and  
3 governmental function and purpose and shall be exempt from all  
4 taxes of the State or any political subdivision thereof; provided  
5 that when all or any part of a project is leased, subleased or  
6 licensed to, or otherwise used under an arrangement providing for  
7 the acquisition thereof by any person, firm, association, partner-  
8 ship or corporation, other than a State agency, a local govern-  
9 mental agency or other public body the interest created by the  
10 lease or other arrangement and the appurtenances thereto shall be  
11 listed as the property of the lessee or the user under the other  
12 arrangement, or their respective assignees, and be assessed and  
13 taxed as real estate, but this provision shall not be deemed to  
14 modify or repeal in any respect any tax exemption or tax abate-  
15 ment that the person, firm or corporation shall otherwise be en-  
16 titled to with respect to the property of the project or part thereof.  
17 All bonds or notes issued pursuant to this act are declared to be  
18 issued by a body corporate and politic of the State and for an  
19 essential public and governmental purpose and these bonds and  
20 notes, and the interest thereon and the income therefrom and from  
21 the sale, exchange or other transfer thereof, and all funds,  
22 revenues, income and other moneys received or to be received by  
23 the authority shall at all times be exempt from taxation, except for  
24 transfer, inheritance and estate taxes.

25 b. Projects and property of the authority shall be deemed to be  
26 "State property" under P. L. 1977, c. 272 (C. 54:4-2.2a et seq.)  
27 and shall be assessed and subject to an in lieu tax payment pro-  
28 vided in that act unless the interest created by a lease, sublease or  
29 license or other arrangement is subject to tax as real estate under  
30 this section.

1 21. a. If the authority shall default in the payment of principal  
2 of, or interest on, any issue of notes or bonds after the same shall  
3 become due, whether at maturity or upon call for redemption, and  
4 the default shall continue for a period of 30 days, or if the au-  
5 thority shall fail or refuse to comply with the provisions of this  
6 act, or shall default in any agreement made with the holders of  
7 any issue of notes or bonds, the holders of 25% in aggregate

8 principal amount of the notes or bonds of the issue then outstand-  
9 ing, by instrument or instruments filed in the office of the clerk of  
10 any county in which the authority operates and has an office and  
11 proved or acknowledged in the same manner as a deed to be  
12 recorded, may appoint a trustee to represent the holders of the  
13 notes or bonds for the purposes herein provided.

14 b. The trustee may, and upon written request of the holders of  
15 25% in principal amount of the notes or bonds then outstanding  
16 shall, in his or its own name:

17 (1) By suit, action or proceeding enforce all rights of the note-  
18 holders or bondholders, to require the authority to carry out any  
19 other agreements with the holders of the notes or bonds and to  
20 perform its duties under this act;

21 (2) Bring suit upon the notes or bonds;

22 (3) By action or suit, require the authority to account as if it  
23 were the trustee of an express trust for the holders of the notes  
24 or bonds;

25 (4) By action or suit, enjoin any acts or things which may be  
26 unlawful or in violation of the rights of the holders of the notes or  
27 bonds;

28 (5) Declare all notes or bonds due and payable, and if all defaults  
29 shall be made good, then, with the consent of the holders of 25%  
30 of the principal amount of the notes or bonds then outstanding, to  
31 annul the declaration and its consequences.

32 c. The trustee shall in addition to the foregoing have and possess  
33 all of the powers necessary or appropriate for the exercise of any  
34 functions specifically set forth herein or incident to the general  
35 representation of bondholders or noteholders in the enforcement  
36 and protection of their rights.

37 d. The Superior Court shall have jurisdiction of any suit, action  
38 or proceeding by the trustee on behalf of the noteholders or bond-  
39 holders. The venue of any suit, action or proceeding shall be laid  
40 in the county in which the principal office of the authority is located.

41 e. Before declaring the principal of notes or bonds due and pay-  
42 able, the trustee shall first give 30 days' notice in writing to the  
43 authority.

1 22. All sums of money received pursuant to the authority of this  
2 act, whether as proceeds from the sale of bonds or notes or as  
3 revenues or receipts, shall be deemed to be trust funds to be held  
4 and applied solely as provided in the proceedings under which the  
5 bonds or notes are authorized. Any officer with whom or any bank  
6 or trust company with which such sums of money shall be deposited

7 as trustee thereof shall hold and apply the same for the purposes  
8 thereof, subject to such provisions as this act and the proceedings  
9 authorizing the bonds or notes of any issue or the trust agreement  
10 securing the bonds or notes may provide.

1 23. On or before March 31 in each year the authority shall make  
2 an annual report of its activities for the preceding calendar year to  
3 the Governor and to the Legislature. The report shall set forth a  
4 complete operating and financial statement covering its operations  
5 during the year. The authority shall cause an audit of its books  
6 and accounts to be made at least once in each year by certified public  
7 accountants and the cost thereof shall be considered an expense of  
8 the authority and a copy thereof shall be filed with the State  
9 Treasurer and the Comptroller of the Treasury.

1 24. All officers, departments, boards, agencies, divisions and  
2 commissions of the State are authorized to render any and all of  
3 such services to the authority as may be within the area of their  
4 respective governmental functions as fixed or established by law,  
5 and as may be requested by the authority. The cost and expense  
6 of any such services shall be met and provided for by the authority.

1 \*25. *The authority shall adopt rules and regulations to establish*  
2 *an affirmative action program for the hiring of minority workers*  
3 *employed in the performance of construction contracts undertaken*  
4 *in connection with any of its projects, and to expand the business*  
5 *opportunities of socially and economically disadvantaged contrac-*  
6 *tors and vendors seeking to provide materials and services for*  
7 *those contracts, consistent with the provisions of the "Law Against*  
8 *Discrimination," P. L. 1945, c. 169 (C. 10:5-1 et seq.). The authority*  
9 *shall provide for the proper enforcement and administration of*  
10 *these rules and regulations.\**

1 \***[25.]**\* \*26.\* It is the intent of the Legislature that in the event of  
2 any conflict or inconsistency in the provisions of the act and any  
3 other acts pertaining to matters herein established or provided for  
4 or in any rules and regulations adopted under the act or other acts,  
5 to the extent of the conflict or inconsistency, the provisions of the  
6 act and the rules and regulations adopted thereunder shall be  
7 enforced and the provisions of the other acts and rules and regula-  
8 tions adopted thereunder shall be of no effect.

1 \***[26.]**\* \*27.\* If any clause, sentence, paragraph, section or part  
2 of the act shall be adjudged by any court of competent jurisdiction  
3 to be invalid, the judgment shall not affect, impair or invalidate the  
4 remainder thereof, but shall be confined in its operation to the  
5 clause, sentence, paragraph, section or part thereof directly in-  
6 volved in the controversy in which the judgment shall have been  
7 rendered.

1 \***[27.]**\* \*28.\* This act shall be construed liberally to effectuate the  
2 legislative intent and the purposes of this act as complete and  
3 independent authority for the performance of each and every act  
4 and thing herein authorized and all powers herein granted shall be  
5 broadly interpreted to effectuate such intent and purposes and not  
6 as a limitation of powers.

1 \***[28.]**\* \*29.\* There is appropriated to the authority from the  
2 General State Fund the sum of \$100,000.00 or so much thereof as  
3 may be necessary, for the purposes of carrying out its function and  
4 duties pursuant to this act. The appropriation shall be repaid to  
5 the General State Fund as soon as practicable\*, *at an annual*  
6 *interest rate of 8%\** out of excess revenues or other funds of the  
7 authority not required to pay the principal of or interest on any  
8 bonds or notes of the authority or retire such bonds or notes or to  
9 meet reserve requirements with respect thereto and not required  
10 for any other purposes of the authority.

1 \***[29.]**\* \*30.\* This act shall take effect immediately.

ASSEMBLY, No. 1777

STATE OF NEW JERSEY

INTRODUCED JUNE 12, 1980

By Assemblymen STOCKMAN, McMANIMON and BROWN

Referred to Committee on Revenue, Finance and Appropriations

AN ACT creating the New Jersey Building Authority, defining the powers, duties and functions thereof, authorizing the issuance of bonds or notes of the authority and providing for the terms and security thereof, and providing an appropriation for the authority.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "New Jersey  
2 Building Authority Act."

1 2. As used in this act:

2 a. "Authority" means the New Jersey Building Authority  
3 created under this act.

4 b. "Bonds" means bonds issued by the authority pursuant to  
5 this act.

6 c. "Local governmental agency" means any municipality, county,  
7 school district, or any agency, department or instrumentality of  
8 any of the foregoing, or any other public body having local or  
9 regional jurisdiction or powers and not constituting a State agency.

10 d. "Notes" means notes issued by the authority pursuant to  
11 this act.

12 e. "Project" means any building or buildings suitable for office  
13 space, for storage and warehouse facilities, for motor vehicle in-  
14 spection stations, and for public television operations, including  
15 related structures, parking facilities, improvements, real and per-  
16 sonal property or any interest therein, including lands under water,  
17 space rights and air rights, and other appurtenances and facilities  
18 necessary or convenient to the use or operation of the building or  
19 buildings, acquired, owned, constructed, reconstructed, extended,  
20 rehabilitated or improved by the authority.

21 f. "State agency" means the State or any officer, department,  
22 board, commission, bureau, division, public authority or corpora-  
23 tion, agency or instrumentality of the State.

1 3. The Legislature finds and declares:

2 a. That a constant demand by citizens for increased public ser-  
3 vices in virtually every area of governmental activity has resulted  
4 in the growth and expansion of major State departments, and in  
5 the creation of new agencies assigned to perform specific functions.

6 b. That while considerable effort has been devoted to implement-  
7 ing the most efficient employment and personnel practices in the  
8 State Government, less than equal effort has been devoted to the  
9 housing of State agencies, with the result that many are forced  
10 to conduct their State business in inadequate State or privately  
11 owned buildings, thereby diminishing the capacity of the agencies  
12 to serve their constituencies, and depriving all the citizens of New  
13 Jersey of the effective and efficient State services to which they  
14 are entitled.

15 c. That it is to the economic benefit and general welfare of the  
16 citizens of the State to provide sufficient office space and related  
17 facilities for these State agencies and thus provide for a more  
18 efficient and economic operation of State Government.

19 d. That in order to provide for office space and related facilities  
20 at a cost that these State agencies can afford, it is necessary to  
21 create and establish a building authority for the purposes of con-  
22 structing and operating office buildings and related facilities to  
23 meet the needs of State agencies.

24 e. It is necessary and in the public interest that this building  
25 authority have the necessary funds to provide for predevelopment  
26 cost, temporary financing, land development expenses, construction  
27 and operation of office buildings and related facilities for the use  
28 of, and sale or rental to, State agencies.

29 f. For these purposes, there should be created a corporate  
30 governmental agency to be known as the "New Jersey Building  
31 Authority" which, through issuance of bonds and notes to the  
32 private, investing public may provide or obtain the capital  
33 resources necessary to acquire, construct, reconstruct, rehabilitate  
34 or improve these office buildings and related facilities necessary  
35 or convenient to the operation of any State agency.

36 g. That the acquisition, construction, reconstruction, rehabilita-  
37 tion or improvement of these office buildings and related facilities  
38 necessary or convenient to the operation of any State agency are  
39 public uses and public purposes for which public money may be  
40 loaned and private property may be acquired and tax exemptions  
41 granted, and that the powers and duties of the New Jersey Building  
42 Authority as set forth in this act are necessary and proper for the  
43 purpose of achieving the ends here recited.

1 4. a. There is established in the Department of the Treasury a  
2 public body corporate and politic, with corporate succession, to be  
3 known as the "New Jersey Building Authority." The authority is  
4 constituted an instrumentality of the State exercising public and  
5 essential governmental functions, and the exercise by the authority  
6 thereof of the powers conferred by this act shall be deemed and  
7 held to be an essential governmental function of the State.

8 b. The membership of the authority shall consist of seven di-  
9 rectors as follows: the State Treasurer, the Comptroller of the  
10 Treasury and the Chairman of the Commission on Capital Budget-  
11 ing and Planning who shall be members ex officio, and four directors  
12 appointed by the Governor with the advice and consent of the  
13 Senate for terms of 4 years. The directors of the authority, other  
14 than the ex officio directors, first appointed by the Governor shall  
15 serve for terms of 1 year, 2 years, 3 years and 4 years, respectively,  
16 and thereafter directors shall be appointed for terms of 4 years.  
17 Each director shall hold office for the term of his appointment and  
18 until his successor shall have been appointed and qualified. A  
19 director shall be eligible for reappointment. Any vacancy on the  
20 board of directors occurring other than by expiration of term shall  
21 be filled in the same manner as the original appointment but for the  
22 unexpired term only.

23 c. Each appointed director may be removed from office by the  
24 Governor, for cause, after a public hearing, and may be suspended  
25 by the Governor pending the completion of the hearing. Each  
26 director before entering upon his duties shall take and subscribe  
27 an oath to perform the duties of his office faithfully, impartially  
28 and justly to the best of his ability. A record of the oaths shall be  
29 filed in the office of the Secretary of State.

30 d. A chairman shall be appointed by the Governor from the  
31 directors of the authority other than the ex officio directors, and the  
32 directors of the authority shall elect one of their number as vice  
33 chairman thereof. The directors shall elect a secretary and a  
34 treasurer who need not be directors, and the same person may be  
35 elected to serve both as secretary and treasurer. The powers of the  
36 authority shall be vested in the directors thereof in office from time  
37 to time and four directors of the authority shall constitute a quorum  
38 at any meeting thereof. Action may be taken and motions and  
39 resolutions adopted by the authority at any meeting thereof by the  
40 affirmative vote of at least four directors of the authority, no less  
41 than two of whom shall be directors ex officio. No vacancy on the  
42 board of directors of the authority shall impair the right of a

43 quorum of the directors to exercise all the powers and perform all  
44 the duties of the authority.

45 e. Each director and the treasurer of the authority shall execute  
46 a bond to be conditioned upon the faithful performance of the duties  
47 of the director or treasurer, as the case may be, in such form and  
48 amount as may be prescribed by the Comptroller of the Treasury.  
49 Bonds shall be filed in the office of the Secretary of State. At all  
50 times thereafter, the directors and treasurer of the authority shall  
51 maintain these bonds in full effect. All costs of the bonds shall be  
52 borne by the authority.

53 f. The directors of the authority shall serve without compensa-  
54 tion, but the authority shall reimburse its directors for actual  
55 expenses necessarily incurred in the discharge of their duties.  
56 Notwithstanding the provisions of any other law, no officer or em-  
57 ployee of the State shall be deemed to have forfeited or shall for-  
58 feited his office or employment or any benefits or emoluments thereof  
59 by reason of his acceptance of the office of ex officio director of the  
60 authority or his services therein.

61 g. The State Treasurer and the Comptroller of the Treasury of  
62 the State, as ex officio directors of the authority, may designate an  
63 officer or employee of their departments to represent them at meet-  
64 ings of the authority, and the Chairman of the Commission on  
65 Capital Budgeting and Planning, as ex officio director of the au-  
66 thority, may designate a member of the Commission on Capital  
67 Budgeting and Planning to represent him at meetings of the au-  
68 thority. Each designee may lawfully vote and otherwise act on  
69 behalf of the director for whom he constitutes the designee. The  
70 designation shall be in writing delivered to the authority and shall  
71 continue in effect until revoked or amended in writing delivered  
72 to the authority.

73 h. The authority may be dissolved by act of the Legislature on  
74 condition that the authority has no debts or obligations outstanding  
75 or that provision has been made for the payment or retirement of  
76 these debts or obligations. Upon any dissolution of the authority  
77 all property, funds and assets thereof shall be vested in the State.

78 i. A true copy of the minutes of every meeting of the authority  
79 shall be forthwith delivered by and under the certification of the  
80 secretary thereof to the Governor. No action taken at any meeting  
81 by the authority shall have effect until 15 days after a copy of the  
82 minutes has been so delivered unless during the 15-day period the  
83 Governor shall approve the same in which case the action shall  
84 become effective upon the approval. If, in the 15-day period, the  
85 Governor returns the copy of the minutes with veto of any action

86 taken by the authority or any member thereof at that meeting, the  
87 action shall be of no effect. The powers conferred in this sub-  
88 section upon the Governor shall be exercised with due regard for  
89 the rights of the holders of bonds and notes of the authority at any  
90 time outstanding; and nothing in, or done pursuant to, this subsec-  
91 tion shall in any way limit, restrict or alter the obligation or powers  
92 of the authority or any representative or officer of the authority to  
93 carry out and perform in every detail each and every covenant,  
94 agreement or contract at any time made or entered into by or on  
95 behalf of the authority with respect to its bonds or notes or for the  
96 benefit, protection or security of the holders thereof.

1 5. Except as otherwise limited by this act, the authority shall  
2 have power:

3 a. To make and alter bylaws for its organization and internal  
4 management and, subject to agreements with noteholders and  
5 bondholders, to make rules and regulations with respect to its  
6 projects, operations, properties and facilities.

7 b. To adopt an official seal and alter the same at pleasure.

8 c. To sue and be sued.

9 d. To make and enter into all contracts and agreements necessary  
10 or incidental to the performance of its duties and the exercise of  
11 its powers under this act.

12 e. To enter into agreements or other transactions with and accept  
13 grants and the cooperation of the United States or any agency  
14 thereof or any State agency in furtherance of the purposes of this  
15 act, including but not limited to the development, maintenance,  
16 operation and financing of any project and to do any and all things  
17 necessary in order to avail itself of this aid and cooperation.

18 f. To receive and accept aid or contributions from any source of  
19 money, property, labor or other things of value, to be held, used  
20 and applied to carry out the purposes of this act subject to such  
21 conditions upon which this aid and these contributions may be  
22 made, including but not limited to, gifts or grants from any depart-  
23 ment or agency of the United States or any State agency for any  
24 purpose consistent with this act.

25 g. To acquire, own, hold, sell, assign, exchange, lease, mortgage  
26 or otherwise dispose of real and personal property or any interest  
27 therein in the exercise of its powers and the performance of its  
28 duties under this act.

29 h. To appoint an executive director and such other officers,  
30 employees and agents as it may require for the performance of its  
31 duties, and to fix their compensation, promote and discharge them,  
32 all without regard to the provisions of Title 11 of the Revised  
33 Statutes.

34 i. To acquire, construct, reconstruct, rehabilitate, improve, alter  
35 or repair or provide for the construction, reconstruction, improve-  
36 ment, alteration or repair of any project and let, award and enter  
37 into construction contracts, purchase orders and other contracts  
38 with respect thereto in such manner as the authority shall  
39 determine.

40 j. To arrange or contract with a county or municipality for the  
41 planning, replanning, opening, grading or closing of streets, roads,  
42 roadways, alleys or other places, or for the furnishing of facilities  
43 or for the acquisition by a county or municipality of property or  
44 property rights or for the furnishing of property or services, in  
45 connection with a project.

46 k. To sell, lease, assign, transfer, convey, exchange, mortgage or  
47 otherwise dispose of or encumber any project or other property  
48 no longer needed to carry out the public purposes of the authority  
49 and, in the case of the sale of any project or property, to accept  
50 a purchase money mortgage in connection therewith; and to lease,  
51 repurchase or otherwise acquire and hold any project or property  
52 which the authority has theretofore sold, leased or otherwise con-  
53 veyed, transferred or disposed of.

54 l. To grant options to purchase any project or to renew any  
55 leases entered into by it in connection with any of its projects,  
56 on such terms and conditions as it deems advisable.

57 m. To acquire by purchase, lease or otherwise, on such terms  
58 and conditions and in such manner as it may deem proper, or by  
59 the exercise of the power of eminent domain, except with respect  
60 to lands owned by the State or any public lands reserved for  
61 recreation and conservation purposes, any land and other property,  
62 including railroad lands and land under water, which it may  
63 determine is reasonably necessary for any of its projects or for  
64 the relocation or reconstruction of any highway by the authority  
65 and any and all rights, title and interest in that land and other  
66 property, including public lands, highways or parkways, owned  
67 by or in which a State agency or local governmental agency has  
68 any right, title or interest, or parts thereof or rights therein and  
69 any fee simple absolute or any lesser interest in private property,  
70 and any fee simple absolute in, easements upon or the benefit of  
71 restrictions upon, abutting property to preserve and protect any  
72 project.

73 n. To prepare or cause to be prepared plans, specifications,  
74 designs and estimates of costs for the construction, reconstruction,  
75 rehabilitation, improvement, alteration or repair of any project,

76 and from time to time to modify these plans, specifications, designs  
77 or estimates.

78 o. To sell, lease, rent, sublease or otherwise dispose of any  
79 project or any space embraced in any project to any State agency  
80 and to establish and revise the purchase price, rents or other  
81 charges therefor; provided, however, that the incurrence of any  
82 liabilities by a State agency under any agreement entered into with  
83 the authority pursuant to the aforesaid authorization, including,  
84 without limitation, the payment of any and all rentals or other  
85 amounts required to be paid by the agency thereunder, shall be  
86 subject to and dependent upon appropriations being made from  
87 time to time by the Legislature for that purpose.

88 p. To sell, lease, rent, sublease or otherwise dispose of to any  
89 person, firm or corporation any surplus space in any project over  
90 and above that sold, leased, rented, subleased or otherwise disposed  
91 of to State agencies and to establish and revise the purchase price,  
92 rents or charges therefor.

93 q. To manage or operate any project or real or personal property  
94 related thereto whether owned or leased by the authority or any  
95 State agency, and to enter into agreements with any State agency,  
96 or any local governmental agency, or with any person, firm, associa-  
97 tion, partnership or corporation, either public or private, for the  
98 purpose of causing any project or related property to be managed.

99 r. To provide advisory, consultative, training and educational  
100 services, technical assistance and advice to any person, firm,  
101 association, partnership or corporation, either public or private, in  
102 order to carry out the purposes of this act.

103 s. Subject to the provisions of any contract with noteholders or  
104 bondholders, to consent to any modification, amendment or revision  
105 of any kind of any contract, lease or agreement of any kind to  
106 which the authority is a party.

107 t. To determine the location, type and character of the project  
108 or any part thereof and all other matters in connection with all or  
109 any part of the project, notwithstanding any land use plan, zoning  
110 regulation, building code or similar regulation heretofore or here-  
111 after adopted by any municipality, county, public body corporate  
112 and politic, or any other political subdivision of the State.

113 u. To borrow money and to issue its bonds and notes and to  
114 secure the same and provide for the rights of the holders thereof  
115 as provided in this act.

116 v. Subject to any agreement with bondholders or noteholders, to  
117 invest moneys of the authority not required for immediate use,

118 including proceeds from the sale of any bonds or notes, in these  
119 obligations, securities and other investments as the authority shall  
120 deem prudent.

121 w. To procure insurance against any loss in connection with its  
122 property and other assets and operations in such amounts and  
123 from such insurers as it deems desirable.

124 x. To engage the services of architects, engineers, attorneys,  
125 accountants, building contractors and financial experts and such  
126 other advisors, consultants and agents as may be necessary in its  
127 judgment and to fix their compensation.

128 y. To do any act necessary or convenient to the exercise of the  
129 foregoing powers or reasonably implied therefrom.

1 6. Notwithstanding any other provision of this act, the authority  
2 may not undertake the acquisition, construction, reconstruction,  
3 rehabilitation or improvement of a project unless the board of  
4 directors of the authority finds that:

5 a. The project will be leased to or owned by a State agency.

6 b. The project will be in furtherance of the public purposes of  
7 the State agency to which it is to be leased or by which it is to be  
8 owned.

9 c. Adequate provision has been, or will be, made for the payment  
10 of the cost of acquisition, construction, operation, maintenance and  
11 upkeep of the project.

12 d. Plans and specifications assure or will assure adequate light,  
13 air, sanitation and fire protection.

14 e. There is a feasible method for the relocation of families and  
15 individuals displaced from the project area into decent, safe and  
16 sanitary dwellings, which are or will be provided in the project  
17 area or in other areas not generally less desirable in regard to  
18 public utilities and public and commercial facilities, at rents or  
19 prices within the financial means of these families or individuals,  
20 and reasonably accessible to their places of employment.

21 f. The plans and specifications for the project assure that the  
22 project will comply with all applicable standards and requirements  
23 prescribed by State or Federal law which promote the public health  
24 or protect the environment.

25 g. The energy requirements of the project have been, or will be,  
26 provided in the most efficient manner and consistent with all rele-  
27 vant environmental laws, rules and regulations; and that the possi-  
28 bility of generating or cogenerating electrical power on the project  
29 site, or in connection with other projects, has been, or will be, fully  
30 reviewed and determined prior to undertaking the project.

1 7. In addition to the findings required pursuant to section 6 of  
2 this act, the authority, prior to undertaking the acquisition, con-  
3 struction, reconstruction, rehabilitation or improvement of a project  
4 shall notify, by certified mail, the governing body of each county  
5 and municipality and the head of each county and municipal agency  
6 charged by law with the duty of protecting the environment or of  
7 planning land use in the area in which any portion of the project  
8 is to be located. Such notification shall summarize the proposed  
9 project, advise the recipient of the availability of additional de-  
10 tailed information at the authority's offices, and shall specify a  
11 date not less than 15 days nor more than 30 days thereafter on  
12 which the authority will conduct a public hearing on such proposed  
13 project at a specified suitable location in the vicinity of the pro-  
14 posed project. A copy of such notification shall be published forth-  
15 with in as many newspapers as the authority deems will serve  
16 substantially to inform persons within the county in which the  
17 proposed project is being considered.

18 Within 30 days after the receipt of such notice, or within 15  
19 days following the public hearing, whichever comes later, the gov-  
20 erning body of any county or municipality which considers itself  
21 in any way likely to be adversely affected by the undertaking of  
22 the acquisition, construction, reconstruction, rehabilitation or im-  
23 provement of a project, or the head of any county or municipal  
24 agency charged with the duty of protecting the environment or of  
25 planning land use in the area in which any portion of the project  
26 is to be located, may, by ordinance or resolution, as appropriate,  
27 file a written objection with the authority with respect to the  
28 project. Pending the filing of the written objection, the governing  
29 body or agency may transmit to the authority its preliminary  
30 objections with respect to the project. The authority shall con-  
31 sider and evaluate these written objections.

32 The filing of an objection as herein provided with respect to a  
33 project shall in no way alter or interfere with the powers and  
34 duties of the authority pursuant to this act; provided, however,  
35 that a project to which a county, municipality or agency has ob-  
36 jected pursuant to this section may be finally approved and under-  
37 taken by the authority only upon its determination, certified in  
38 writing to the objecting county, municipality or agency, that the  
39 proposed project is in the best interests of the citizens of New  
40 Jersey and is necessary and appropriate to effectuate the purposes  
41 of this act. Each such determination shall contain the findings of  
42 the authority with regard to the written objections of the county,  
43 municipality or agency.

1 8. a. No municipality shall modify or change the drawings, plans  
2 or specifications for the construction, reconstruction, rehabilitation,  
3 alteration or improvement of any project of the authority, or the  
4 construction, plumbing, heating, lighting or other mechanical branch  
5 of work necessary to complete the work in question, nor to require  
6 that any person, firm or corporation employed on any such work  
7 shall perform the work in any other or different manner than that  
8 provided by the drawings, plans and specifications, nor to require  
9 that any person, firm or corporation obtain any other or additional  
10 authority, approval permit or certificate from the municipality in  
11 relation to the work being done, and the doing of the work by any  
12 person, firm or corporation in accordance with the terms of the  
13 drawings, plans, specifications or contracts shall not subject the  
14 person, firm or corporation to any liability or penalty, civil or  
15 criminal, other than as may be stated in the contracts or incidental  
16 to the proper enforcement thereof; nor shall any municipality  
17 require the authority or any State agency which leases or purchases  
18 the project to obtain any other or additional authority, approval,  
19 permit, certificate or certificate of occupancy from the municipality  
20 as a condition of owning, using, maintaining, operating or occupying  
21 any project acquired, constructed, reconstructed, rehabilitated,  
22 altered or improved by the authority or by any subsidiary thereof.  
23 The foregoing provisions shall not preclude any municipality from  
24 exercising the right of inspection for the purpose of requiring  
25 compliance by any project with local requirements for operation  
26 and maintenance, affecting the health, safety and welfare of the  
27 occupants thereof, provided that the compliance does not require  
28 changes, modifications or additions to the original construction of  
29 the project.

30 b. Each municipality in which any project of the authority is  
31 located shall provide for the project, whether then owned by the  
32 authority, any subsidiary, or any State agency, police, fire, sani-  
33 tation, health protection and other municipal services of the same  
34 character and to the same extent as those provided for other resi-  
35 dents of the municipality.

36 c. In carrying out any project, the authority may enter into  
37 contractual agreements with local governmental agencies with re-  
38 spect to the furnishing of any community, municipal or public facili-  
39 ties or services necessary or desirable for the project, and any local  
40 governmental agency may enter into these contractual agreements  
41 with the authority and do all things necessary to carry out its  
42 obligations under the same.

1 9. The authority, in the exercise of its authority to make and  
2 enter into contracts and agreements necessary or incidental to  
3 the performance of its duties and the execution of its powers, shall  
4 adopt standing rules and procedures providing that no contract on  
5 behalf of the authority shall be entered into for the doing of any  
6 work, or for the hiring of equipment or vehicles, where the sum to  
7 be expended exceeds the sum of \$7,500.00 unless the authority shall  
8 first publicly advertise for bids therefor, and shall award the  
9 contract to the lowest responsible bidder. Advertising shall not  
10 be required where the contract to be entered into is one for the  
11 furnishing or performing of services of a professional nature or  
12 for the supplying of any product or the rendering of any service  
13 by a public utility subject to the jurisdiction of the Board of Public  
14 Utilities and tariffs and schedules of the charges made, charged,  
15 or exacted by the public utility for any products to be supplied  
16 or services to be rendered are filed with the board. This section  
17 shall not prevent the authority from having any work done by its  
18 own employees, nor shall it apply to repairs, or to the furnishing  
19 of materials, supplies or labor, or the hiring of equipment or  
20 vehicles, when the safety or protection of its or other public  
21 property or the public convenience require, or the exigency of the  
22 accomplishment of the projects will not allow advertisement. In  
23 that case, the board of directors of the authority shall, by resolu-  
24 tion, declare the exigency or emergency to exist, and set forth in  
25 the resolution the nature thereof and the approximate amount to  
26 be so expended.

1 10. The authority shall adopt rules and regulations to insure  
2 that all contracts and subcontracts to be awarded for the construc-  
3 tion, reconstruction, rehabilitation or improvement of a project  
4 shall contain appropriate provisions by which contractors and  
5 subcontractors or their assignees agree to afford and equal em-  
6 ployment opportunity to all prospective employees, and to all actual  
7 employees to be employed by the contractor or subcontractor in  
8 accordance with an affirmative action program approved by the  
9 authority and consonant with the provisions of the "Law Against  
10 Discrimination," P. L. 1945, c. 169 (C. 10:5-1 et seq.).

1 11. The authority, in addition to and without limitation of other  
2 powers which it may have by law, shall have the following powers:  
3 a. To investigate and determine the percentage of population  
4 of minority groups in the State or in areas thereof from which the  
5 workforce for the construction, reconstruction, rehabilitation or  
6 improvement of a project is or may be drawn;

7 b. To establish and promulgate such percentages as guidelines  
8 in determining the adequacy of affirmative action programs sub-  
9 mitted for approval pursuant to the provisions of section 10 of  
10 this act;

11 c. To impose such sanctions as may be necessary to accomplish  
12 the objectives of section 10 of this act;

13 d. To refer to the Attorney General or his designee circumstances  
14 which may constitute violation of the "Law Against Discrimina-  
15 tion," P. L. 1945, c. 169 (C. 10:5-1 et seq.);

16 e. To enforce in a court of law the provisions of section 10, or  
17 to join in or assist any enforcement proceeding initiated by any  
18 aggrieved person; and,

19 f. To require the designation by a contractor or subcontractor  
20 of an equal employment officer to enforce the provisions of section  
21 10 and this section, and the regulations promulgated hereunder.

1 12. If the authority shall find it necessary in connection with  
2 the undertaking of any of its projects to change the location of  
3 any portion of any public highway, or road, it may contract with  
4 any government agency, or public or private corporation which may  
5 have jurisdiction over the public highway or road to cause the  
6 public highway or road to be constructed at such location as the  
7 authority shall deem most favorable. The cost of the reconstruction  
8 and any damage incurred in changing the location of the highway  
9 shall be ascertained and paid by the authority as a part of the cost  
10 of the project. Any public highway affected by the construction  
11 of any project may be vacated or relocated by the authority in the  
12 manner now provided by law for the vacation or relocation of public  
13 roads, and any damages awarded on account thereof shall be paid  
14 by the authority as a part of the cost of the project. In all under-  
15 takings authorized by this subsection, the authority shall consult  
16 and obtain the approval of the Department of Transportation.

17 b. In addition to the foregoing powers, the authority and its  
18 authorized agents and employees may enter upon any lands, waters  
19 and premises for the purpose of making surveys, soundings, drill-  
20 ings and examinations as it may deem necessary or convenient for  
21 the purposes of this act, all in accordance with due process of law,  
22 and this entry shall not be deemed a trespass nor shall an entry  
23 for this purpose be deemed an entry under any condemnation pro-  
24 ceedings which may be then pending. The authority shall make re-  
25 imbursement for any actual damages resulting to the lands, waters  
26 and premises as a result of these activities.

27 c. The authority shall also have power to make reasonable regula-  
28 tions for the installation, construction, maintenance, repair, re-

29 newal, relocation and removal of tracks, pipes, mains, conduits,  
30 cables, wires, towers, poles and other equipment and appliances,  
31 herein called "public utility facilities." of any public utility as  
32 defined in R. S. 48:2-13, in, on, along, over or under any project.  
33 Whenever the authority shall determine that it is necessary that any  
34 public utility facilities which now are, or hereafter may be, located  
35 in, on, along, over or under any project shall be relocated in the  
36 project, or should be removed from the project, the public utility  
37 owning or operating the facilities shall relocate or remove the same  
38 in accordance with the order of the authority. The cost and  
39 expenses of the relocation or removal, including the cost of in-  
40 stallng the facilities in a new location, or new locations, and the  
41 cost of any lands, or any rights or interests in lands, and any  
42 other rights, acquired to accomplish the relocation or removal,  
43 shall be ascertained and paid by the authority as a part of the cost  
44 of the project. In case of any relocation or removal of facilities,  
45 as aforesaid, the public utility owning or operating the same, its  
46 successors or assigns, may maintain and operate the facilities, with  
47 the necessary appurtenance, in the new location or new locations,  
48 for as long a period, and upon the same terms and conditions,  
49 as it had the right to maintain and operate the facilities in their  
50 former location or locations. In all undertakings authorized by this  
51 subsection the authority shall consult and obtain the approval of  
52 the Board of Public Utilities.

1 13. a. The authority may exercise the power of eminent domain  
2 in the manner provided in the "Eminent Domain Act of 1971,"  
3 P. L. 1971, c. 361 (C. 20:3-1 et seq.).

4 b. The authority may take possession of any property with re-  
5 spect to which it institutes an eminent domain action upon filing  
6 of a declaration of taking and otherwise as provided by Article V  
7 of the "Eminent Domain Act" (C. 20:3-15 et seq.).

1 14. a. The authority may from time to time issue its bonds or  
2 notes in such principal amounts as in the opinion of the authority  
3 shall be necessary to provide sufficient funds for any of its corpo-  
4 rate purposes, including the payment, funding or refunding of the  
5 principal of, or interest or redemption premiums on, any bonds or  
6 notes issued by it whether the bonds or notes or interest to be  
7 funded or refunded have or have not become due, the establishment  
8 or increase of such reserves to secure or to pay the bonds or notes  
9 or interest thereon and all other costs or expenses of the authority  
10 incident to and necessary to carry out its corporate purposes and  
11 powers; provided, however, that the aggregate principal amount

12 of bonds and notes of the authority outstanding at any time may  
13 not exceed \$250,000,000.00. In computing the principal amount of  
14 bonds and notes outstanding for purposes of the foregoing limita-  
15 tion there shall not be included any bonds or notes, the principal  
16 of and interest on which have been paid or the payment of which  
17 has been provided for by the issuance of refunding bonds or other-  
18 wise. In addition, if the authority has issued bonds or notes to  
19 finance the total cost of a project based on estimates prepared by  
20 an independent consultant and it shall later be determined by the  
21 consultant that the costs of the project have increased, the au-  
22 thority shall be authorized to issue the additional bonds or notes  
23 required to finance the increased costs, even if the aforementioned  
24 \$250,000,000.00 limitation is exceeded by the issuance.

25 b. Whether or not the bonds and notes are of such form and  
26 character as to be negotiable instruments under the terms of Title  
27 12A, Commercial Transactions, of the New Jersey Statutes, the  
28 bonds and notes are hereby made negotiable instruments within  
29 the meaning of and for all the purposes of Title 12A, subject only  
30 to the provisions of the bonds and notes for registration.

31 c. Bonds or notes of the authority shall be authorized by a reso-  
32 lution or resolutions of the authority and may be issued in one or  
33 more series and shall bear such date or dates, mature at such time  
34 or times, bear interest at such rate or rates of interest per annum,  
35 be in such denomination or denominations, be in such form, either  
36 coupon or registered, carry such conversion or registration priv-  
37 ileges, have such rank or priority, be executed in such manner, be  
38 payable from such sources in such medium of payment at such  
39 place or places within or without the State, and be subject to such  
40 terms of redemption, with or without premium, as such resolution  
41 or resolutions may provide.

42 d. Bonds or notes of the authority may be sold at public or pri-  
43 vate sale at such price or prices and in such manner as the authority  
44 shall determine. Every bond shall mature and be paid not later  
45 than 50 years from the date thereof.

46 e. Bonds or notes may be issued under the provisions of this  
47 act without obtaining the consent of any department, division,  
48 commission, board, bureau or agency of the State, and without any  
49 other proceeding or the happening of any other conditions or other  
50 things than those proceedings, conditions or things which are spe-  
51 cifically required by this act.

52 f. Bonds or notes of the authority issued under the provisions  
53 of the act shall not be in any way a debt or liability of the State or  
54 of any political subdivision thereof other than the authority and

55 shall not create or constitute any indebtedness, liability or obliga-  
56 tion of the State or of any political subdivision or be or constitute  
57 a pledge of the faith and credit of the State or of any political sub-  
58 division but all such bonds and notes, unless funded or refunded  
59 by bonds or notes of the authority, shall be payable solely from  
60 revenues or funds pledged or available for their payment as au-  
61 thorized in this act. Each bond and note shall contain on its face  
62 a statement to the effect that the authority is obligated to pay the  
63 principal thereof or the interest thereon only from its revenues,  
64 receipts or funds pledged or available for their payment as au-  
65 thorized in this act and that neither the State nor any political  
66 subdivision thereof is obligated to pay the principal or interest  
67 and that neither the faith and credit nor the taxing power of the  
68 State or any political subdivision thereof is pledged to the payment  
69 of the principal of or the interest on the bonds or notes.

70 g. Each issue of bonds or notes of the authority may, if it is  
71 determined by the authority, be general obligations thereof pay-  
72 able out of any revenues, receipts or funds of the authority subject  
73 only to any agreements with the holders of particular bonds or  
74 notes pledging any particular revenues or funds, and shall be  
75 secured by one or more of the following:

76 (1) Pledge of rentals, receipts and other revenues to be derived  
77 from leases, sales agreements, service contracts or similar con-  
78 tractual arrangements with one or more State agencies, whether  
79 or not the same relate to the project or part thereof financed with  
80 the bonds or notes, or a pledge or assignment of the leases, sales  
81 agreements, service contracts or instruments evidencing similar  
82 arrangements and the rights and interests of the authority pro-  
83 vided that such leases, sales agreements, service contracts or sim-  
84 ilar contractual arrangements shall be in effect at the time of the  
85 issuance of the bonds or notes;

86 (2) Pledge of grants, subsidies, contributions or other payments  
87 to be received from the United States of America or any instru-  
88 mentality thereof or from the State or any State agency;

89 (3) A first mortgage on all or any part of the property, real or  
90 personal, of the authority then owned or thereafter to be acquired;  
91 provided that the property so mortgaged as improved and de-  
92 veloped by application of the proceeds of the bonds or notes shall  
93 be appraised as at least equal to the amount of the bonds or notes;

94 (4) Pledge of the revenues and receipts estimated to be there-  
95 after derived from the ownership or operation of the project or  
96 part thereof or from the lease or sale thereof, including any in-

97 come from investment of the funds and moneys held in connection  
98 therewith and pledged to the payment of the bonds or notes and  
99 the interest thereon or a pledge of any lease, sales agreement,  
100 service contract or instrument evidencing similar arrangements  
101 to be entered into subsequent to the issuance of the bonds or notes;  
102 (5) Pledge of all moneys, funds, accounts, securities and other  
103 funds, including the proceeds of the bonds or notes.

1 15. In any resolution of the authority authorizing or relating  
2 to the issuance of any bonds or notes, the authority, in order to  
3 secure the payment of the bonds or notes and in addition to its other  
4 powers, shall have power by provisions therein which shall consti-  
5 tute covenants by the authority and contracts with the holders of  
6 the bonds or notes, to:

7 a. Secure the bonds or notes as provided in section 14;

8 b. Covenant against pledging all or any part of its revenues or  
9 receipts or its leases, sales agreements, service contracts or  
10 other security instruments, or its mortgages or other agreements,  
11 or the revenues or receipts under any of the foregoing or the  
12 proceeds thereof, or against mortgaging or leasing all or any part  
13 of its real or personal property then owned or thereafter acquired,  
14 or against permitting or suffering any lien on any of the foregoing;

15 c. Covenant with respect to limitations on any right to sell,  
16 mortgage, lease or otherwise dispose of any project or any part  
17 thereof or any property of any kind;

18 d. Covenant as to any bonds and notes to be issued and the limi-  
19 tations thereon and the terms and conditions thereof and as to the  
20 custody, application, investment, and disposition of the proceeds  
21 thereof;

22 e. Covenant as to the issuance of additional bonds or notes or  
23 as to limitations on the issuance of additional bonds or notes and  
24 on the incurring of other debts by it;

25 f. Covenant as to the payment of the principal of or interest  
26 on the bonds or notes, or any other obligations, as to the sources  
27 and methods of the payment, as to the rank or priority of the  
28 bonds, notes or obligations with respect to any lien or security or  
29 as to the acceleration of the maturity of the bonds, notes or  
30 obligations;

31 g. Provide for the replacement of lost, stolen, destroyed or  
32 mutilated bonds or notes;

33 h. Covenant against extending the time for the payment of  
34 bonds or notes or interest thereon;

35 i. Covenant as to the redemption of bonds or notes and privileges  
36 of exchange thereof for other bonds or notes of the authority;

37 j. Covenant as to the fixing and collection of rents, fees, rates  
38 and other charges, the amount to be raised each year or other  
39 period of time by rents, fees, rates and other charges and as to the  
40 use and disposition to be made thereof;

41 k. Covenant to create or authorize the creation of special funds or  
42 moneys to be held in pledge or otherwise for construction, operating  
43 expenses, payment or redemption of bonds or notes; reserves or  
44 other purposes and as to the use, investment, and disposition of the  
45 moneys held in these funds;

46 l. Establish the procedure, if any, by which the terms of any  
47 contract or covenant with or for the benefit of the holders of bonds  
48 or notes may be amended or abrogated, the amount of bonds or  
49 notes the holders of which must consent thereto, and the manner  
50 in which the consent may be given;

51 m. Covenant as to the construction, improvement, operation or  
52 maintenance of any project and its other real and personal prop-  
53 erty, the replacement thereof, the insurance to be carried thereon,  
54 and the use and disposition of insurance moneys;

55 n. Provide for the release of property, leases or other agree-  
56 ments, or revenues and receipts from any pledge or mortgage and  
57 to reserve rights and powers in, or the right to dispose of, property  
58 which is subject to a pledge or mortgage;

59 o. Provide for the rights and liabilities, powers and duties arising  
60 upon the breach of any covenant, condition or obligation and pre-  
61 scribe the events of default and the terms and conditions upon  
62 which any or all of the bonds, notes or other obligations of the  
63 authority shall become or may be declared due and payable before  
64 maturity and the terms and conditions upon which the declaration  
65 and its consequences may be waived;

66 p. Vest in a trustee or trustees within or without the State such  
67 property, rights, powers and duties in trust as the authority may  
68 determine, including the right to foreclose any mortgage, which  
69 may include any or all of the rights, powers and duties of any  
70 trustee appointed by the holders of any bonds or notes pursuant  
71 to section 24 of this act and to limit or abrogate the right of the  
72 holders of any bonds or notes of the authority to appoint a trustee  
73 under this act, and to limit the rights, duties and powers of the  
74 trustee;

75 q. Execute all mortgages, leases, sales agreements, service con-  
76 tracts, bills of sale, conveyances, deeds of trust and other instru-  
77 ments necessary or convenient in the exercise of its powers or in  
78 the performance of its covenants or duties;

79 r. Pay the costs or expenses incident to the enforcement of the  
80 bonds or notes or of the provisions of the resolution or of any  
81 covenant or agreement of the authority with the holders of its  
82 bonds or notes;

83 s. Limit the rights of the holders of any bonds or notes to enforce  
84 any pledge or covenant securing bonds or notes: and

85 t. Make covenants other than or in addition to the covenants  
86 authorized by this act of like or different character, and to make  
87 such covenants to do or refrain from doing such acts and things  
88 as may be necessary, or convenient and desirable, in order to better  
89 secure bonds or notes or which, in the absolute discretion of the  
90 authority will tend to make bonds or notes more marketable, not-  
91 withstanding that the covenants, acts or things may not be  
92 enumerated herein.

1 16. Any pledge of revenues, receipts, moneys, funds, levies, sales  
2 agreements, service contracts or other property or instruments  
3 made by the authority shall be valid and binding from the time  
4 when the pledge is made. The revenues, receipts, moneys, funds or  
5 other property so pledged and thereafter received by the authority  
6 or a subsidiary shall immediately be subject to the lien of the  
7 pledge without any physical delivery thereof or further act, and  
8 the lien of any pledge shall be valid and binding as against all  
9 parties having claims of any kind in tort, contract or otherwise  
10 against the authority irrespective of whether the parties have  
11 notice thereof. Neither the resolution nor any other instrument by  
12 which a pledge under this section is created need be filed or  
13 recorded except in the records of the authority.

1 17. Neither the directors of the authority nor any person execut-  
2 ing bonds or notes issued pursuant to this act shall be liable  
3 personally on the bonds or notes by reason of the issuance thereof.

1 18. The authority may establish such reserves, funds or accounts  
2 as may be, in its discretion, necessary or desirable to further the  
3 accomplishment of the purposes of the authority or to comply  
4 with the provisions of any agreement made by or any resolution  
5 of the authority.

1 19. The State of New Jersey does hereby pledge to and covenant  
2 and agree with the holders of any bonds or notes issued pursuant  
3 to authorization of the act that the State will not limit or alter the  
4 rights or powers hereby vested in the authority to acquire, con-  
5 struct, maintain, improve, repair and operate any project in any  
6 way that would jeopardize the interest of the holders, or to perform  
7 and fulfill the terms of any agreement made with the holders of

8 the bonds or notes, or to fix, establish, charge and collect such rents,  
9 fees, rates, payments, or other charges as may be convenient or  
10 necessary to produce sufficient revenues to meet all expenses of the  
11 authority and to fulfill the terms of any agreement made with the  
12 holders of the bonds and notes, together with interest thereon, with  
13 interest on any unpaid installments of interest, and all costs and  
14 expenses in connection with any action or proceedings by or on  
15 behalf of the holders, until the bond and notes, together with  
16 interest thereon, are fully met and discharged or provided for.  
17 The State does hereby further pledge to and covenant and agree  
18 with the holders of any bonds or notes issued pursuant to autho-  
19 rization of this act that the State will not increase the maximum  
20 principal amount of bonds and notes permitted to be outstanding  
21 at any time pursuant to section 14 of this act, until the bonds and  
22 notes, together with interest thereon, are fully met and discharged  
23 or provided for.

1 20. The State and all public officers, governmental units and  
2 agencies thereof, all banks, trust companies, savings banks and  
3 institutions, building and loan associations, savings and loan asso-  
4 ciations, investment companies, and other persons carrying on a  
5 banking business, all insurance companies, insurance associations  
6 and other persons carrying on an insurance business, and all execu-  
7 tors, administrators, guardians, trustee and other fiduciaries, may  
8 legally invest any sinking funds, moneys or other funds belonging  
9 to them or within their control in any bonds or notes issued pur-  
10 suant to this act, and such bonds or notes shall be authorized  
11 security for any and all public deposits.

1 21. All State agencies and all local governmental agencies, not-  
2 withstanding any contrary provision of law, may lease, lend,  
3 grant or convey to the authority at its request upon such terms  
4 and conditions as the governing body or other proper authorities  
5 of the State agencies or local governmental agencies may deem  
6 reasonable and fair and without the necessity for any advertise-  
7 ment, order of court or other action or formality, other than the  
8 authorizing ordinance of the governing body of the municipality,  
9 the authorizing resolution or ordinance of the governing body  
10 of the county, or the regular and formal action of any public body  
11 concerned, any real property or interest therein which may be  
12 necessary or convenient to the effectuation of the purposes of the  
13 authority, including public highways and other real property  
14 already devoted to public use.

1 22. All State agencies may purchase, lease, rent, sublease or  
2 otherwise acquire any project or any space embraced in any project  
3 from the authority and pay to the authority such amount as may  
4 be agreed upon between the State agency and the authority as the  
5 purchase price, rent or other charge therefor. Any agreement  
6 entered into by any State agency with the authority pursuant to  
7 the aforesaid authorization, shall expressly provide that the incur-  
8 rence of any liabilities by the agency under the agreement, includ-  
9 ing, without limitation, the payment of any and all rentals or other  
10 amounts required to be paid by the agency thereunder, shall be  
11 subject to and dependent upon appropriations being made from  
12 time to time by the Legislature for that purpose.

1 23. a. All projects and other property of the authority are  
2 declared to be public property devoted to an essential public and  
3 governmental function and purpose and shall be exempt from all  
4 taxes of the State or any political subdivision thereof; provided  
5 that when all or any part of a project is leased, subleased or  
6 licensed to, or otherwise used under an arrangement providing for  
7 the acquisition thereof by any person, firm, association, partner-  
8 ship or corporation, other than a State agency, a local govern-  
9 mental agency or other public body the interest created by the  
10 lease or other arrangement and the appurtenances thereto shall be  
11 listed as the property of the lessee or the user under the other  
12 arrangement, or their respective assignees, and be assessed and  
13 taxed as real estate, but this provision shall not be deemed to  
14 modify or repeal in any respect any tax exemption or tax abate-  
15 ment that the person, firm or corporation shall otherwise be en-  
16 titled to with respect to the property of the project or part thereof.  
17 All bonds or notes issued pursuant to this act are declared to be  
18 issued by a body corporate and politic of the State and for an  
19 essential public and governmental purpose and these bonds and  
20 notes, and the interest thereon and the income therefrom and from  
21 the sale, exchange or other transfer thereof, and all funds,  
22 revenues, income and other moneys received or to be received by  
23 the authority shall at all times be exempt from taxation, except  
24 for transfer, inheritance and estate taxes.

25 b. Except as provided in subsection c. below, projects and prop-  
26 erty of the authority shall be deemed to be "State property" under  
27 P. L. 1977, c. 272 (C. 54:4-2.2a et seq.) and shall be assessed and  
28 subject to an in lieu tax payment provided in that act unless the  
29 interest created by a lease, sublease or license or other arrange-  
30 ment is subject to tax as real estate under this section.

31 c. Whenever the authority shall lease or sublease any project  
32 or property owned or leased by the authority to any State agency,  
33 local governmental agency or other public body, such project or  
34 property shall be subject to annual in lieu of tax payments pro-  
35 vided in this subsection and shall not be deemed to be "State  
36 property" under P. L. 1977, c. 272 (C. 54:4-2.2a). For each year  
37 of the term of such a lease or sublease the authority shall pay to  
38 the municipality in which the project or property so leased or sub-  
39 leased is located, a payment in lieu of taxes in an amount deter-  
40 mined by applying the effective tax rate of the municipality for the  
41 year to the taxable assessed valuation of such project or property  
42 as determined by the assessor of the municipality. Payments under  
43 this subsection shall be made by the authority in two equal install-  
44 ments on May 1 and November 1 of each year. Any municipality  
45 which is to receive an annual payment in lieu of taxes under this  
46 subsection may anticipate such payment in its annual budget.

1 24. a. If the authority shall default in the payment of principal  
2 of, or interest on, any issue of notes or bonds after the same shall  
3 become due, whether at maturity or upon call for redemption, and  
4 the default shall continue for a period of 30 days, or if the au-  
5 thority shall fail or refuse to comply with the provisions of this  
6 act, or shall default in any agreement made with the holders of  
7 any issue of notes or bonds, the holders of 25% in aggregate  
8 principal amount of the notes or bonds of the issue then outstand-  
9 ing, by instrument or instruments filed in the office of the clerk of  
10 any county in which the authority operates and has an office and  
11 proved or acknowledged in the same manner as a deed to be  
12 recorded, may appoint a trustee to represent the holders of the  
13 notes or bonds for the purposes herein provided.

14 b. The trustee may, and upon written request of the holders of  
15 25% in principal amount of the notes or bonds then outstanding  
16 shall, in his or its own name:

17 (1) By suit, action or proceeding enforce all rights of the note-  
18 holders or bondholders, to require the authority to carry out any  
19 other agreements with the holders of the notes or bonds and to  
20 perform its duties under this act;

21 (2) Bring suit upon the notes or bonds;

22 (3) By action or suit, require the authority to account as if it  
23 were the trustee of an express trust for the holders of the notes  
24 or bonds;

25 (4) By action or suit, enjoin any acts or things which may be  
26 unlawful or in violation of the rights of the holders of the notes or  
27 bonds;

28 (5) Declare all notes or bonds due and payable, and if all defaults  
29 shall be made good, then, with the consent of the holders of 25%  
30 of the principal amount of the notes or bonds then outstanding, to  
31 annul the declaration and its consequences.

32 c. The trustee shall in addition to the foregoing have and possess  
33 all of the powers necessary or appropriate for the exercise of any  
34 functions specifically set forth herein or incident to the general  
35 representation of bondholders or noteholders in the enforcement  
36 and protection of their rights.

37 d. The Superior Court shall have jurisdiction of any suit, action  
38 or proceeding by the trustee on behalf of the noteholders or bond-  
39 holders. The venue of any suit, action or proceeding shall be laid  
40 in the county in which the principal office of the authority is located.

41 e. Before declaring the principal of notes or bonds due and pay-  
42 able, the trustee shall first give 30 days' notice in writing to the  
43 authority.

1 25. All sums of money received pursuant to the authority of this  
2 act, whether as proceeds from the sale of bonds or notes or as  
3 revenues or receipts, shall be deemed to be trust funds to be held  
4 and applied solely as provided in the proceedings under which the  
5 bonds or notes are authorized. Any officer with whom or any bank  
6 or trust company with which such sums of money shall be deposited  
7 as trustee thereof shall hold and apply the same for the purposes  
8 thereof, subject to such provisions as this act and the proceedings  
9 authorizing the bonds or notes of any issue or the trust agreement  
10 securing the bonds or notes may provide.

1 26. On or before March 31 in each year the authority shall make  
2 an annual report of its activities for the preceding calendar year to  
3 the Governor and to the Legislature. The report shall set forth a  
4 complete operating and financial statement covering its operations  
5 during the year. The authority shall cause an audit of its books  
6 and accounts to be made at least once in each year by certified public  
7 accountants and the cost thereof shall be considered an expense of  
8 the authority and a copy thereof shall be filed with the State  
9 Treasurer and the Comptroller of the Treasury.

1 27. All officers, departments, boards, agencies, divisions and  
2 commissions of the State are authorized to render any and all of  
3 such services to the authority as may be within the area of their  
4 respective governmental functions as fixed or established by law,  
5 and as may be requested by the authority. The cost and expense  
6 of any such services shall be met and provided for by the authority.

1 28. It is the intent of the Legislature that in the event of any  
2 conflict or inconsistency in the provisions of the act and any other  
3 acts pertaining to matters herein established or provided for or in  
4 any rules and regulations adopted under the act or other acts, to  
5 the extent of the conflict or inconsistency, the provisions of the act  
6 and the rules and regulations adopted thereunder shall be enforced  
7 and the provisions of the other acts and rules and regulations  
8 adopted thereunder shall be of no effect.

1 29. If any clause, sentence, paragraph, section or part of the  
2 act shall be adjudged by any court of competent jurisdiction to be  
3 invalid, the judgment shall not affect, impair or invalidate the  
4 remainder thereof, but shall be confined in its operation to the  
5 clause, sentence, paragraph, section or part thereof directly in-  
6 volved in the controversy in which the judgment shall have been  
7 rendered.

1 30. This act shall be construed liberally to effectuate the legisla-  
2 tive intent and the purposes of this act as complete and independent  
3 authority for the performance of each and every act and thing  
4 herein authorized and all powers herein granted shall be broadly  
5 interpreted to effectuate such intent and purposes and not as a  
6 limitation of powers.

1 31. There is appropriated to the authority from the General  
2 State Fund the sum of \$100,000.00 or so much thereof as may be  
3 necessary, for the purposes of carrying out its function and duties  
4 pursuant to this act. The appropriation shall be repaid to the  
5 General State Fund as soon as practicable out of excess revenues  
6 or other funds of the authority not required to pay the principal  
7 of or interest on any bonds or notes of the authority or retire such  
8 bonds or notes or to meet reserve requirements with respect thereto  
9 and not required for any other purposes of the authority.

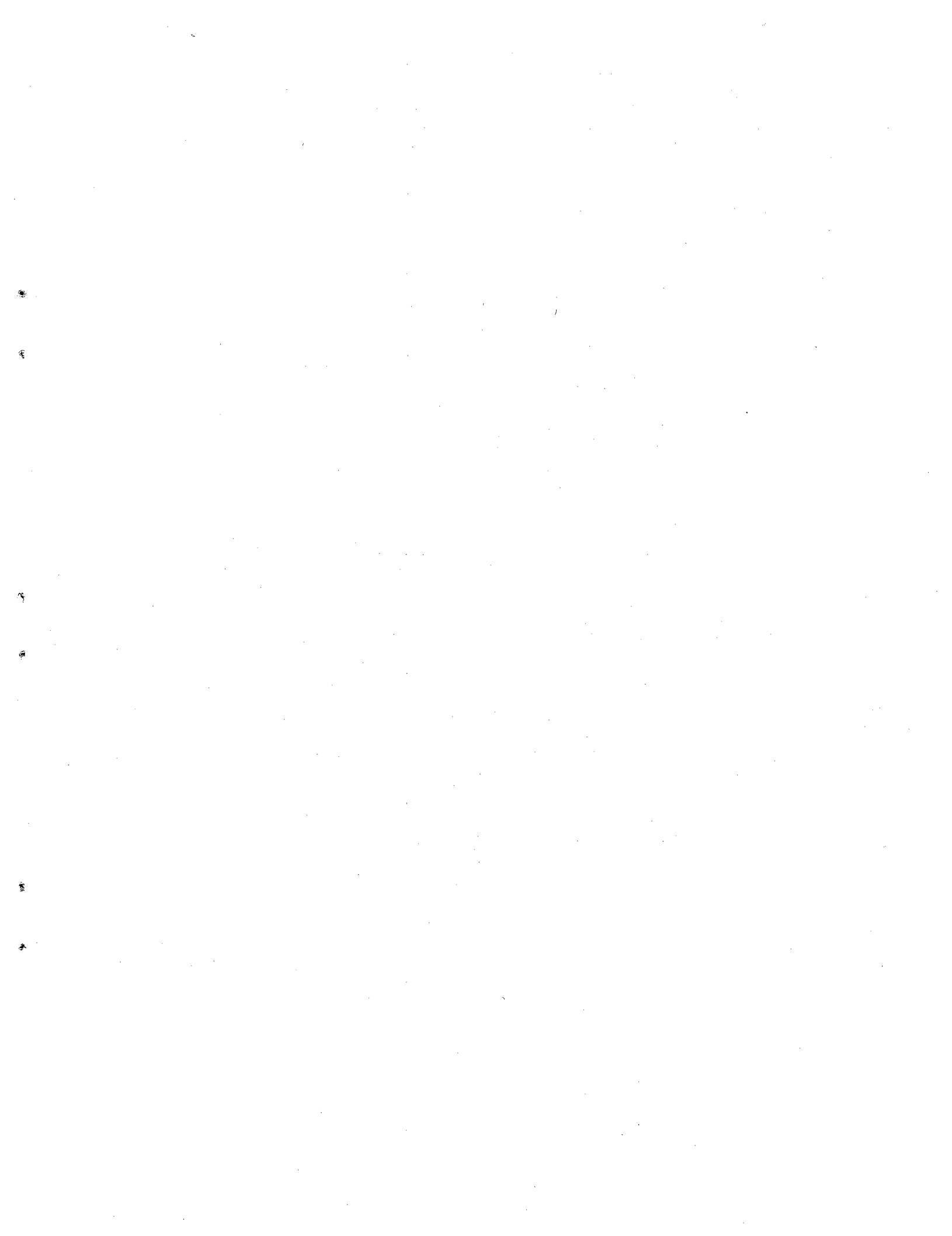
1 32. This act shall take effect immediately.

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#### STATEMENT

This bill would establish the New Jersey Building Authority, a corporate governmental agency, which through the issuance of bonds and notes would obtain the capital resources necessary for it to acquire, construct, reconstruct, rehabilitate or improve State office buildings:

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ASSEMBLYMAN RICHARD VAN WAGNER (Chairman): I would like to thank all of you for coming today. I am sorry for the delay in beginning the public hearing, but the Senate is in session today and Senator Merlino is scheduled to speak first on the bill. I understand Mr. Laurenti is going to address the Committee.

Before we start, and while everybody is getting prepared, this public hearing is being held by the Assembly Revenue, Finance, and Appropriations Committee for the purpose of taking testimony on Senate Bill No. 1247, and Assembly Bill No. 1777, by Senator Merlino and Assemblyman Stockman. Both bills propose to establish a New Jersey Building Authority.

The hearing is not required by law or rules, but rather is a part of the Committee consideration of the bill, and is in response to several requests for a formal public hearing. The proceedings are being recorded and will be transcribed. This will afford any legislator, or other interested individuals, the opportunity to be heard for the record, and also it will make available a permanent, printed record of this portion of the Committee consideration of this proposal.

As is the practice of this Committee, any person desiring to comment on the proposal is invited to do so with or without a written statement. To facilitate an orderly hearing, I am going to call speakers from the list that has been maintained by our staff. Simply indicate to our staff your desire to speak, and you will be called from that listing. In keeping with custom and tradition, our first speakers will be members of the Legislature. As I mentioned, we were going to start with Senator Merlino, or a representative for Senator Merlino, followed by Assemblyman Stockman, or a representative for Assemblyman. I saw Assemblyman Stockman, and I saw Senator Merlino, and now I don't see either one of them. I think that rather than delay this, the third speaker on our agenda today is the Treasurer, Mr. Clifford Goldman, but I do not see him here. I have been informed that he is on his way, so if you don't mind, I will start with the fourth speaker on our list, Mayor Holland. I would like to call Mayor Arthur Holland.

While he is approaching the desk, I would like to introduce the members of the Committee who are present today. On my extreme right is Assemblyman Karl Weidel. To his left is Assemblywoman Jane Burgio. To my immediate left is Assemblyman Dan Dalton. And, to his immediate left is Assemblywoman Barbara Kalik.

Proceed, Mayor Holland.

A R T H U R H O L L A N D: Mr. Chairman, members of the Committee, thank you for the opportunity to testify on this legislation.

The City of Trenton supports S-1247, as amended, and urges its prompt passage. We commend the sponsors of S-1247, Senators Merlino and Lipman, along with the sponsors of A-1777, Assemblymen Stockman, McManimon, and Brown, for their commitment to revitalize New Jersey's old central cities.

In this instance, the State's urban commitment will work to the advantage of central cities and the State as well. The construction of State office buildings, pursuant to this legislation, will stimulate Trenton's economy by stimulating the building industry and increasing the number of State employees who will shop in the downtown business district.

The State of New Jersey will benefit by the centralization of office

buildings, reducing time required for travel and facilitating communication. By eliminating the need to lease office space in scattered suburban facilities, the State will gain a more efficient working arrangement for more of its employees.

We are satisfied with the financing aspects enumerated in S-1247, and are especially pleased to learn that the authority will not use tax dollars to finance this construction.

We note that the amendments regarding energy conservation, affirmative action, and local input, will serve the public interest. We encourage the State to investigate the prospects of including the three buildings slated for construction in Trenton in the integrated community energy system - the grid-connected steam and electric cogeneration plant, which will heat and cool State office buildings, from the Education Building to the Justice Complex.

Concerning payments in lieu of taxes, we recognize that it is impractical at this time to expect the State to pay full taxes on only three of its many buildings. We appreciate the efforts of our Assemblyman, Gerald Stockman, in this regard, but would prefer to see this topic raised in a broader context, perhaps during deliberations of a special committee, such as the one proposed by Assemblyman Aduvato.

In conclusion, may I remind the Committee that this bill received bipartisan support from the Senate because it was agreed that S-1247 represents the least expensive way to finance construction. I urge you to release S-1247 today. Thank you again. I will be pleased to try and answer any questions you may have.

ASSEMBLYMAN VAN WAGNER: Thank you, Mayor Holland. Does any member of the Committee have any questions for Mayor Holland?

ASSEMBLYMAN WEIDEL: Do you foresee this as a State Building Authority? I haven't gone into the building, only in Trenton.

MAYOR HOLLAND: Well, the Governor's Executive Orders call for State buildings to be located in Trenton, Newark, and Camden. And, to the extent that the authority could assist with the revitalization of any old central city by placing the buildings where they make sense, in terms of efficiency and economy, I can see they are utilizing that authority for that purpose.

ASSEMBLYMAN WEIDEL: But, the Executive Order goes out with the Governor, right?

MAYOR HOLLAND: Right.

ASSEMBLYMAN WEIDEL: So, at some future time somebody with this building authority, which is controlled by sort of a board of directors, can decide to build anywhere, couldn't he?

MAYOR HOLLAND: Well, I would think that given the trend in recent years under the present as well as the Republican administrations, and under the the Legislature's representatives of both parties, there has been an increasing awareness of the need, really, to centralize office buildings. I think the basic decision was made after World War II, when, because of the fear of atomic attack, there was a question of putting one State building-- The Education Building was slated for Ewing Township. The State College campus and the Motor Vehicle Building was to go where the inspection station is on U.S. 1. The Legislature and the Administration made the basic decision to centralize its operations in this capitol city. I think, with rare exceptions, the buildings erected by the authority, should it come into

existence, would be located in the State Capitol.

ASSEMBLYMAN WEIDEL: One other question. You know that you have in this city a lot of office space which is occupied by the State under private ownership, where the lessors are paying taxes to the City of Trenton. One such building, for instance, is the Dunham's Building. Now, do you have any testimony as to how many of these buildings might not be in the City of Trenton if they didn't have this State lease?

In other words, I am not objecting but I want to know. I don't want us to just go out of here dancing and thinking that everything is fine, when you probably realize there are going to be some closings when the leases do expire -- three year leases, two year leases, four year leases. We are going two ways. This is going to take all the space. If the building authority is going to take all of the space, then you have two extremes. You have the State Building Authority being occupied by all the State offices, and we have more and more empty buildings in the City of Trenton, owned privately and going bankrupt.

MAYOR HOLLAND: In what I consider to be the most significant public, private sector intergovernmental effort, at least in the modern history of this City, under the sponsorship of the new Trenton Corporation, there is to be a study undertaken, an action implementation study, designed to consider that very eventuality, to see how we can maximize the potential for private enterprise investment in the areas surrounding the sites for the State office buildings.

ASSEMBLYMAN WEIDEL: Are you saying that this is a subsidiary? Suppose they said that it should be privately owned? Suppose the county puts up \$50 thousand and the city puts up \$50 thousand and the State puts up \$50 thousand for the new Trenton Corporation -- \$150 thousand? Suppose it says they should be privately owned?

MAYOR HOLLAND: The State office buildings? I think that is a decision for the State government to make. I think it makes sense that the State own its own buildings, although I am certainly appreciative of Governor Cahill's intention of assisting the cities through leasing at the time. But, I think in the long run the policy had to come to where this bill would be put in.

ASSEMBLYMAN WEIDEL: Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Dalton.

ASSEMBLYMAN DALTON: Good morning.

MAYOR HOLLAND: Good morning.

ASSEMBLYMAN DALTON: One of the things that has happened down in Camden County is there has been a proposal by the State to build a new prison. There was a lack of communication between the State and the city and county officials as to the details relevant to this prison, which caused a lot of controversy down in Camden County. Now, keeping that in mind, this authority has the power to override any local ordinance, including a zoning ordinance, if it wishes to build in a certain spot, in any municipality. As a Mayor of a local municipality, I would like to hear some of your thoughts relative to that.

MAYOR HOLLAND: That is why I noted the amendment which provides for local input when a site is considered. It has been my experience in working with the State over the years, and with the county government, and now with

the Federal government, given their urban policy, that where a local official, speaking for his or her community, objects for good reason to the proposed location of a facility, either county, State or Federal, that concern is respected and is usually resolved in a mutually satisfactory manner. So, I am not really concerned about that.

For example, with the State Prison expansion in Trenton, Robert Mulcahy, who was at that time the representative of corrections, met with us on an on-going basis, and we met with the community surrounding that site, and that has been worked out. We have, as a matter of fact, a little problem right now with regard to off-street parking, but we are working it out.

ASSEMBLYMAN DALTON: So, what you are saying, in effect, is that the bill provides you, the local government, with enough input into the whole decision-making process relative to this authority, although the authority is the bottom line.

MAYOR HOLLAND: Right. When I picked up the paper and learned that the Post Office was being moved out of Trenton, it happened at the time of the Congress of Cities and I went on the floor of the Congress and got support, unanimously, for calling upon the Federal government to notify local officials whenever they contemplated putting in or taking out a Federal facility. That is now a part of the urban policy, and it is working. The Social Security office is coming back to Trenton as a result of that policy.

So, I have found governments to be reasonable when the case is presented properly. I have had a good experience in that regard and perhaps I am prejudiced. But, if, in my opinion, the State or the Federal governments were to exercise their right of condemnation, I would think it would have to be well justified and in the public interest.

ASSEMBLYMAN DALTON: You have an independent authority which is making this decision. There is really no public input into the process, relative to the selling of bonds or the construction of a building in one place or another. Why do you see the need for an independent authority as opposed to going directly to the public, vis-a-vis some type of bond issue?

MAYOR HOLLAND: Well, as stated, it is the most expeditious and efficient, and at this point it is presumably the least expensive way of going about meeting the State's building needs, and if that authority - and we have a limitation on its bonding capacity at any given time - is abused, then this very legislature, as represented by you, could correct that abuse of authority. What you create, you can uncreate.

ASSEMBLYMAN DALTON: Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Weidel.

ASSEMBLYMAN WEIDEL: You are testifying here, Arthur, as the Mayor of Trenton, obviously, and I commend you. But, isn't it true that what we are doing with this bill can be done right now? The backing of the lease to the new Trenton Corporation will allow private capital, wouldn't it? If you were Arthur Holland and you wanted to build a building and you had a lease and you went to the bank, the bank is going to lend you the money, isn't it? If you had a 25 year lease with the State of New Jersey, you, Arthur Holland?

MAYOR HOLLAND: The lease is the magic entry to financing, obviously, given a sound lease.

ASSEMBLYMAN WEIDEL: What Assemblyman Dalton was asking, I think -

I don't mean to assume-- It is just going to be so easy to do this. In other words, right now you either have to go to the voters, which the Treasurer admits was defeated in 1978, or you don't go to the voters; you go to a building authority. Right now, in the City of Trenton don't we have the means of doing it, namely the new Trenton Corporation and the Mercer County Improvement Authority? Let's be blunt about it. This will help Newark and Camden.

MAYOR HOLLAND: Do you mean the New Trenton Corporation?

ASSEMBLYMAN WEIDEL: I am asking you. You are a member of the Board of Directors, I think -- or, you are something there. If they gave you a lease - the New Trenton Corporation - of \$3 million a year for so many square feet of office space, couldn't you go to the Broad Street National Bank, or the New Jersey National Bank and say, "I have a lease for \$3 million a year; will you lend me \$50 million to do it"?

MAYOR HOLLAND: Yes. And, if the State were to do that, I am sure the New Trenton Corporation would be responsive and undertake the project. But, I do believe, as much as we have benefited as a City through full taxes, where buildings were leased to the State, that it makes sense that the State own its own buildings, just as you own this building in which we are meeting.

ASSEMBLYMAN WEIDEL: At the end of the lease period you don't.

MAYOR HOLLAND: As I indicated in my testimony, so long as recognition is made by the State of the need to make payments so that we can provide the services the State requires --

ASSEMBLYMAN VAN WAGNER: Perhaps there is another perspective that might be brought to this, in terms of the act itself being a State Building Authority Act. I think perhaps the subtle difference here is that the State does not have to go to the Mercer County Improvement Authority or to the New Trenton Corporation and say: "Would you do this for us"--? I think what we are saying here in this measure is that this provides the State with the mechanism and the authority to provide for its own housing needs, and it may do so on its own, or in conjunction with either of those two county-based, or city-based, agencies. So, perhaps we are not really talking about competing interests here.

MAYOR HOLLAND: The goal is the same in either case.

ASSEMBLYMAN VAN WAGNER: And, I sense that given my own view of some of the State offices that are in existence now, whether they be in state-owned buildings, or whether they be in buildings that are leased, I see people who have responsible jobs separated from each other by filing cabinets. So, I sense that even with construction under the initiative of the State Building Authority there would still remain a certain amount of necessity for the State to lease, probably. In some cases the authority itself may determine that it is not in the best interest of the State at that point to go out and bond on another entire new building. It may say instead: "If we need 'x' number of spots, let us not enter into a contract with the Trenton Corporation, or with the Mercer County Improvement Authority; let's lease it." I don't think we are necessarily precluding what is now by superimposing this, as I see it. Now, I may have the wrong perspective of what the legislation is trying to do.

MAYOR HOLLAND: I agree that given normal growth on the part of State government, there would be an on-going process of supplementing existing

state owned buildings through leased or rented office space. I think there would always be some need for that.

ASSEMBLYMAN VAN WAGNER: Also, I have heard Trenton, Camden, and Newark mentioned as locations. I would imagine that as the dual process of growth and perhaps decentralization takes place, we will be talking about places like New Brunswick, possibly Asbury Park, and any number of places.

ASSEMBLYMAN WEIDEL: That is what I would like to get straight, Mr. Chairman. The bill doesn't say that.

ASSEMBLYMAN VAN WAGNER: That's why I say the bill says nothing. It is silent to that.

ASSEMBLYMAN WEIDEL: That I what I would like to have clarified. We have 120 legislators here.

MAYOR HOLLAND: It is my understanding, from Treasurer Goldman - and I know he will be testifying - that-- As a matter of fact, I recall reading, when the Building Authority measure was proposed, that there would be provision for regional arrangements throughout the State.

ASSEMBLYMAN VAN WAGNER: Yes, I recall that myself.

MAYOR HOLLAND: There would be clusters of State offices to meet the needs of a particular section of the State, just as the Federal government has now expanded its 10 Federal Regional Councils to 18. It has sub-area offices, along with regional offices. I would expect that as a natural development. That is specifically provided for. That is my understanding.

ASSEMBLYMAN VAN WAGNER: Thank you, Mayor.

I would like to begin now where we were going to begin the agenda originally -- with Senator Merlino, followed by Assemblyman Stockman, and then followed by the Treasurer. We have now, for Senator Merlino, Jeffrey Laurenti.

J E F F R E Y L A U R E N T I: Thank you, Mr. Chairman, members of the Committee. I am Jeffrey Laurenti, Executive Director of the Senate. I am here representing Senator Merlino, who is acting as Governor this morning, and who is attending those gubernatorial duties, such as they may be, in the absence of Governor Byrne.

Senate Bill No. 1247 would establish a corporate governmental entity, "The New Jersey Building Authority," to facilitate the construction of urgently needed State office buildings. The authority would issue tax-free bonds and notes at a favorable rate to obtain the capital resources necessary to acquire, construct, reconstruct, rehabilitate, or improve office buildings and related facilities necessary to the operation of State agencies.

The primary objective of the New Jersey Building Authority will be to improve the current situation of inadequate facilities and the unnecessary dispersal of State employees among scattered leased offices around the State, and especially around the capital district. The authority would be authorized to borrow a maximum of \$250 million for the construction of five major office buildings in Trenton and Newark. These buildings would eliminate the need for dozens of leases in scattered suburban locations.

In addition, by relocating many of these dispersed offices into the newly constructed office buildings, the State will reinforce its urban policy commitment. As an example, with passage of this bill we expect a modern new facility to house all the principal offices of the Department of Environmental

Protection in the center of Trenton, accessible to public transportation. Right now, many division and bureau offices are located miles apart in suburban malls and elsewhere. Generally, this type of consolidation will increase the efficiency of State operations by reducing the time and costs of transporting people and information between dispersed offices of the same agency, while eliminating the expense of such leased space.

Let me reemphasize the importance of this legislation to urban revitalization. The centralizing of scattered offices can be a powerful redevelopment tool and the keystone of a neighborhood revival program. The Senate specifically inserted language requiring that the location of authority projects be "consistent with the State's urban policy of concentrating public investments in distressed urban centers and assisting in the revitalization of the older cities," except for regional facilities in areas with no urban center. We expect that authority projects will be planned in consultation with local officials so that their design and location can be of help to local revitalization efforts.

In order to provide a further assurance of such cooperation, I urge this Committee to insert the following language at the end of Section 6: "...and that where practicable the design and location of the project will contribute to the greatest possible extent to local revitalization efforts."

The authority does have leeway to lease some of its building space to private concerns. This way of renting out a building can help provide a mix of additional uses that will give both the facility and nearby area greater and more varied activity.

In addition to the five major office buildings initially proposed, the authority will be expected to construct a series of regional offices to consolidate the operations in the field of several State agencies. Currently, there are proposals for nine such regional buildings.

Under S-1247 the Building Authority would consist of nine members: four State officials, including the Legislative Budget Officer, guaranteeing legislative oversight, and five public members appointed by the Governor. An important distinction to note is that the authority would be an instrumentality of the State but not an agent of the State, thus preventing it from pledging the full faith and credit of the State to its bond issues. Although the bill creates no legal obligation on the State, the substantial State interest in the successful operation of the authority and the State's interest in maintaining its own well established and excellent bond rating work to create an incentive for the State to support the projects of the authority. But, S-1247 specifically states that the incurrence of any liabilities by a State agency under any agreement entered into with the authority for the payment of any and all rents "shall be subject to and dependent upon appropriations made by the Legislature." It further stipulates that the presiding officers of both houses of the Legislature must approve any such leases. These provisions emphasize the extensive legislative oversight of this authority, while reinforcing the separation between the authority's bonding capacity and any legal obligation placed upon the State. It should be noted that the \$250 million debt ceiling could not be raised by future legislation; there is a restriction imposed by covenant with the original bondholders which is spelled out in the legislation.

There are additional amendments that Senator Merlino has already proposed to Chairman VanWagner which I ask you to incorporate into the bill

before reporting it from this Committee. They further strengthen legislative supervision by providing Senate advice and consent over the choice of authority chairman, and by requiring its affirmative action rules to be presented to the Legislature's Committees on State Government for their review. They mandate energy efficiency, including participation in practicable and local cogeneration facilities, and they specify the procedures guaranteeing local input.

This is important legislation. It meets all constitutional tests, as I can explain if necessary. I urge your prompt release. That is Senator Merlino's testimony.

ASSEMBLYMAN VAN WAGNER: Let me start with Ms. Kalik.

ASSEMBLYWOMAN KALIK: Jeffrey, I just want to ask you why do you think that a State office building is different than a prison, and why it should be taken care of in this manner, rather than going through the normal bonding procedure?

MR. LAURENTI: State office buildings are providing, in a sense, a different set of services than are provided by State prisons. One presumably could build a State prison through contracting with another developer. The customary procedure is to put an issue, such as a prison, on the ballot because it is perceived that those direct social services should have consultation with the voters, perhaps, and also because you get a more favorable interest rate. A building authority gives us a more favorable interest rate as well because they are tax-free obligations, rather than dealing with a private developer. This bill does not, however, incorporate prisons or other institutions as part of the buildings which could be financed by the authority.

ASSEMBLYWOMAN KALIK: Did I hear you say that the State, in fact, would get a better bond rating than the authority?

MR. LAURENTI: No. I said that the interest rate that general obligation bonds could obtain, first by virtue of being tax-free - as the authority's would be - are lower than the financing cost to a private developer, if you were to contract with a private developer to build a facility.

ASSEMBLYWOMAN KALIK: What is the expected acquisition construction cost of these projects -- the five buildings and the nine other little facilities?

MR. LAURENTI: The Treasurer is in the best position to comment on what Treasury's estimates are.

ASSEMBLYWOMAN KALIK: Than I will ask him. Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Dalton.

ASSEMBLYMAN DALTON: Jeff, you obviously are here promoting the establishment of this independent authority, and it is an independent authority. There is really no need, other than what I see noted in your testimony and in the bill, to receive any local input. There is one specification, that you have to have a hearing in the municipality where a proposed construction is undertaken. So, we are really saying that, other than that hearing, the independent authority has no further obligation, as I understand it. You might want to comment to that.

The problem I see is, it seems to preclude significant public participation. The public doesn't have to vote on the issuance of the bonds, and it really doesn't, to my mind, seem very sensitive to the Legislature. In other words, the Legislature really doesn't have to be contacted relative to the selling

of any proposed bonds. As someone with a legislative prospective, I would just like to get your comments on that.

MR. LAURENTI: Okay. Let me take the legislative issue first, Assemblyman, if I may. The bill has been substantially tightened up, in our view, to guarantee much greater legislative control. First, we had the Legislative Budget Officer right on the authority, so that we will be insured of complete knowledge of any authority projects, from their fetal stage - from the moment of conception, as it were. Second, we have the requirement for the presiding officers of the Legislature to have to approve the leases, and no bonds will be able to be sold unless you have a lease agreement approved. That is the essence of the marketability of bonds to sustain a project. Third, you have the Legislature having to approve the actual payments by annual appropriations.

I think that those three items guarantee the appropriate degree of legislative control. The Legislature, in effect can kill a project right from the beginning. If the Legislative Budget Officer were to indicate that the Legislature will have grave problems with a project, I would be very surprised if the authority would proceed further, because they would then have to go back to the Legislature and get approval on the lease. In effect, the Budget Officer would act as the nonpartisan representative, in the same capacity as the legislative members of the Capital Budget and Planning Commission do in reviewing proposals for bond funding. On that Commission, the experience has been that when legislators object to proposals, they get dropped or they get modified very quickly. The Legislative Budget Officer would serve, in a sense, as our watchdog on the authority from the opening gun, and provide that kind of input.

ASSEMBLYMAN DALTON: Okay.

ASSEMBLYMAN VAN WAGNER: Mrs. Burgio.

ASSEMBLYWOMAN BURGIO: Jeff, are there any other states that have a building authority of this type?

MR. LAURENTI: That I do not know. I believe the Treasurer may be able to answer that.

ASSEMBLYWOMAN BURGIO: On the same question that Assemblyman Dalton was talking about, on page 8 where it says that the presiding officers of both Houses of the Legislature have approved the lease agreement, is there any reason why this was not made to include the voting members of both Houses? If you compare it with the Capital Budgeting Committee, that is quite a different thing; it is a larger committee, and it is bipartisan. This would only be two individuals out of 120 who would be deciding this.

MR. LAURENTI: Right. That is because, in terms of analogy with existing law, the analogy for approval of a lease to be entered into with the authority is with other leases, which are all done through the approval of the presiding officer. However, all members of the Legislature, both majority and minority leadership, have access to the Legislative Budget Officer, and he, we would expect, would inform his bosses -- that is, the leaders of both sides of the Legislature -- of pet projects as they are pending, so you will not have a lease coming out of the dark.

The analogy to the Capital Budget and Planning Commission is somewhat different, I think, because there you are talking about placing a proposal before the Legislature which could then be approved through the Legislative process, and then submitted to the voters. So, I think that the analogy

fits tighter with the regular lease procedures, since we are talking about lease approvals.

If I may, by the way, return to the second element of Assemblyman Dalton's question, I would like to comment on local input. The amendments that Senator Merlino submitted to Assemblyman VanWagner for consideration by the Committee do specify a fixed procedure for insuring local input, for notification to officials, and for holding the public hearing within a given time frame. This is intended to maximize public participation in location and design decisions.

ASSEMBLYWOMAN BURGIO: On that subject also, in addition to the public hearing - we have had public hearings on various subjects, where everybody gets up and expresses different opinions, but the opinions are not necessarily acted upon - in the amendment is there any provision for not only holding a public hearing, but for actually taking cognizance of what people say in the decision-making process?

MR. LAURENTI: There is certainly no provision, Assemblywoman, that expressions of protest at the hearing would in and of themselves be able to stymie a project, or to kill a project. There is ultimately a State interest which has to be determined, and we are confident that the five public members, plus the Legislative Budget Officer - that is six votes out of the nine - would be sensitive to those kinds of concerns, even if a determined phalanx of the three administration representatives were not, and it is on that that we must rely because ultimately we have to have the State interest accounted for.

ASSEMBLYWOMAN BURGIO: Well, we have had unfortunate experiences with public hearings. I don't like to mention the Departments, but they have come out, and the hearing is obviously just a proforma thing. We have sat and listened to representatives from State government saying, "It doesn't matter what you say; this is what we are going to do."

MR. LAURENTI: Particularly for the large projects in the cities, I would not anticipate that the problem would be with residents complaining. The cities are, of course, anxious to have any kind of construction which will help in their revitalization.

ASSEMBLYWOMAN BURGIO: I would think so. But, I would just want to make sure that we don't end up in the the situation we have now with Camden, where we thought we had a prison and we didn't. Thank you.

MR. LAURENTI: Okay.

ASSEMBLYMAN VAN WAGNER: Mr. Weidel.

ASSEMBLYMAN WEIDEL: Mr. Laurenti, why are you limiting this to \$250 million?

MR. LAURENTI: The reason for the limitation is partly a protection for the Legislature. You are not going to have a building authority which will, by accretion, build up a large number of bills that we will be paying on an annual appropriations basis. But, also this will be a further assurance to the investment community, and in this again the Treasurer is in the best position to comment on that this will be held within reasonable limits. That is, we will not be undertaking new obligations, if we have \$250 million in bonds outstanding, until those bonds are substantially retired.

ASSEMBLYMAN WEIDEL: How many millions of dollars does the State

have outstanding now in bonds -- all kinds of bonds?

MR. LAURENTI: In terms of general obligation bonds? That, again, I can't tell you off the top of my head.

ASSEMBLYMAN VAN WAGNER: I think the Treasurer can answer that question. You probably have to ask that question in two tiers: the number of bonds that are out, and the prospective number to be issued.

ASSEMBLYMAN WEIDEL: I just see \$250 million in two decades, and then where do you go? What do you do then? Do you start authority number two?

MR. LAURENTI: We do not anticipate great growth in state bureaucracy over the next couple of decades. We are rather centralizing and more efficiently organizing the array of State offices we have now, and placing them in more logical building patterns.

Yes, if you are talking about two decades, the lifetime of the bond may be three or four decades, and as you have retired them, you then gain some additional bonding leeway. If the outstanding debt at any given moment is \$200 million, you have \$50 million in leeway.

ASSEMBLYMAN WEIDEL: Thank you.

ASSEMBLYMAN VAN WAGNER: Thank you.

MR. LAURENTI: Thank you, Mr. Chairman.

ASSEMBLYMAN VAN WAGNER: I would now like to call Assemblyman Gerald Stockman, please.

A S S E M B L Y M A N G E R A L D S T O C K M A N: Good morning, Mr. Chairman and members of the Assembly. Thank you for this opportunity to share some ideas with you this morning.

I am rising today to support the crucial Legislative policy decision which Senate Bill 1247 represents - the decision to provide for the planning and construction of State buildings on a more business-like basis - and to move that my bill, Assembly No. 1777, be merged with Senate Bill 1247. I support this decision because I believe that a woeful lack of intelligent planning and coordination of State building projects over the last several decades, has resulted in wasteful expenditures of the taxpayers' money in inefficient use of energy resources, and in a decrease in the degree of pride with which New Jersey citizens view their State government. I applaud Senator Merlino and Governor Byrne for their foresight in proposing this legislation.

My bill, Assembly No. 1777, differed in several respects from the Senate version. The two versions are now identical and ready to be joined. In several instances, I have deleted from my bill innovative provisions which I felt strengthened the basic proposition. I still believe they do, but have decided to pursue these in separate legislation, in order to avoid diverting attention from the essential merits of this legislation.

The most important difference in my bill as introduced concerned the payments in lieu of taxes which the State now makes to local governments on State property. Currently, these payments are computed on the basis of the local purposes tax rate only, and go only to the municipality in which the property is located. I strongly believe that the payments should include the county tax rate, and should go also to the county in which the property is located. You may recall that this approach was also recommended by the Governor's Mayors Committee on State Aid in its May 27, 1980 report. This Committee included the mayors of 22 municipalities, and among them, the mayors

of the ten largest cities in the State. The concept is also supported by the New Jersey Association of Counties and the county executives of several of the State's largest counties. Adoption of this proposal will increase the State's commitment to its urban counties, which provide services to State properties and to its urban taxpayers who pay for the cost of these county services in their tax bills.

The merger today of my bill with Senate No. 1247 does not symbolize my retreat from the major issue which I sought to champion. It represents instead, my concern about the major deficiency in the planning of State governmental operations which this legislation seeks to correct, and my acknowledgement that the appropriate way to attack this other important issue is through reform of the general State law providing for in lieu tax payments.

I am introducing legislation proposing such a reform today. I hope that the House will exercise foresight and intelligence and support the State Building Authority Act. I also hope it understands that the payment in lieu of taxes problem will not go away.

I would be happy to answer any further questions that any of the members of the Committee may have.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Stockman. Ms. Kalik.

ASSEMBLYWOMAN KALIK: Jerry, let me ask you a question. I agree that the planning over the past few decades here in Trenton, as far as State buildings are concerned, has been very poor. All you have to do is have a desire to go to the Department of Transportation or the Department of Corrections, or if you don't happen to be an Assemblyperson, any other State building and try and find a parking spot. However, as you are seeking reform of the in lieu taxes, why aren't seeking reform of the planning portion of State buildings, rather than going vis-a-vis an autonomous authority? It seems to me that there is a movement in this Legislature itself to prohibit, deter, and limit autonomous authorities which are cropping up to circumvent all of our cap laws and every other kind of public input into expenses.

ASSEMBLYMAN STOCKMAN: Let me say this: I believe that by the design of this authority, there are really two issues that your question raises, Barbara -- one deals with this question of surrender of legislative authority, or responsibility, and accountability to the public. I would like to express myself on that, and Assemblyman Dalton and Assemblywoman Burgio have questioned prior speakers on it. Of course, as an Assemblyman I like to think I have, hopefully, a sensitive prospective on the question of the responsibility of elected officials, as opposed to appointed officials, to deal with the concerns of the people.

The second part of your question also brings up this question of concept of planning, planning for the ordinary business of government -- operation of government. I think that this authority, in its design, built-in protections, and participation by important people in government, will more adequately deal with the subject of planning and implementation of those plans for adequate housing for State government than has occurred. What has happened, it seems to me to some extent, is that you have various departments trying to struggle with that issue. You have the Treasurers' office with a different perspective often, and with a concern about balancing the budget. And, of course, you have the Legislature and its concern about how to balance both, in a certain

sense. It seems to me that the planning - and I gather you are in agreement, and I am in agreement - has not been happening, and I think it is more likely to happen under this bill.

Now, the more serious question that you raised, and the more difficult one, it seems to me, for people in the Legislature--

ASSEMBLYWOMAN KALIK: Could I just interrupt you for a moment?

ASSEMBLYMAN STOCKMAN: Yes, surely.

ASSEMBLYWOMAN KALIK: That could happen under the State Planning Agency.

ASSEMBLYMAN STOCKMAN: You could argue that we could set up a State Planning Agency to deal with that. We haven't. I submit that the design of this legislation, in effect, will establish what amounts to that kind of a planning authority or agency for the ordinary needs of State government from a building or facilities perspective. That you argumentatively could do it and set up another agency, or a department, and not provide the other mechanisms that this authority will have, I think runs into some other practical problems about planning and implementation of those plans. This authority will not only be able to work towards planning, but will work towards the implementation of those plans.

Now, that brings us again to the question of whether or not it nevertheless is abandoning the responsibility of public officials to deal, on a day-to-day basis, with those decisions. I too want to be careful about how I express myself on that issue because I suppose it is extremely important that somebody in public office have a right perspective as to that balance between turning over to others an authority responsibility, in this case, for the public interest, and handling it themselves. I will put it this way: I have been in the Legislature a little bit less than two years. I have tried to watch, learn, and observe just what our powers and responsibilities are as legislators. I have been frustrated on more than a few occasions, as I believe you have been also, in coming to an awareness of how limited our authority is at times. I think there are a lot of reasons for that that go to the institution itself, argumentatively to the leadership in it, and argumentatively to the Executive Branch of government. We could get into a lot of discussion about the design of the balance of power in State government.

As as aside, one of the reasons that I supported Assemblyman Burstein's proposed constitutional amendment was towards recognizing the need for a better balance between the Executive and the Legislative Branches of government. But, I also recognize the limitations that we as legislators inevitably bring to the responsibility of representing the people of our district in the Legislature. It is a limitation that comes about in the first instance, very strongly, by the fact that we are part time legislators; by the fact that we meet on a limited basis. There is tremendous authority and responsibility in the Speaker and in the President of the Senate, in terms of those meetings and those agendas. There is tremendous influence by the Executive Branch on our behavior and functioning. I just don't think that on a critical issue, such as we are talking about here, there is a place to draw that absolute line between a shared responsibility. And, I think it is a shared responsibility because, as Jeff Laurenti said earlier, I don't think there is an abandonment of responsibility by the Legislature. There are written-in protections and limitations in a

variety of ways, so that if this authority runs afoul of the public interest, I think we as Legislators have a fair degree of strength to meet it and to challenge it.

I know that is a long, long answer to a very difficult question, and one that I think we all struggle with every day, but that is my perspective on it. I don't think that this is that kind of irresponsible abandonment.

ASSEMBLYMAN VAN WAGNER: Thank you, Mr. Stockman. If there are no other questions from the Committee, I would like to call the Treasurer of the State, Mr. Clifford Goldman.

ASSEMBLYMAN STOCKMAN: Thank you, Mr. Chairman.

ASSEMBLYMAN VAN WAGNER: Thank you. Mr. Goldman.

C L I F F O R D A. G O L D M A N: Good morning.

ASSEMBLYMAN VAN WAGNER: Good morning, Cliff.

MR. GOLDMAN: We have a statement, which we are distributing, but I won't bother to read it. It is very general and I know you have a lot of questions. I heard a few of them. Perhaps if we just answer your questions, it would be better. We are in favor of the bill, I will start by saying that.

ASSEMBLYMAN VAN WAGNER: Yes.

ASSEMBLYWOMAN BURGIO: I have a question.

ASSEMBLYMAN VAN WAGNER: Okay. Why don't you start. I had several myself, but Mrs. Burgio will start.

ASSEMBLYWOMAN BURGIO: I asked this question before and I was referred to you. Are there other states that have building authorities of this type?

MR. GOLDMAN: There are 15 others.

ASSEMBLYWOMAN BURGIO: And, how has it worked out? Are any other states similar to New Jersey?

MR. GOLDMAN: It has worked out with mixed results, and that is why it has taken so long for us to get a bill like this together. In most of the states it works out very well and routinely. In a couple of states there have been problems associated with these kinds of authorities, particularly in New York, and because of that the bond rating agencies look askance at this kind of legislation, unless it has the proper safeguards. We negotiated this bill, or these concepts with them, and are assured that we have protected the State's credit. So, we would learn from mistakes that were made elsewhere.

ASSEMBLYWOMAN BURGIO: What were the problems?

MR. GOLDMAN: The main problem in New York was that the Albany Mall was projected originally at -- I think it was \$200 million, and it wound up being over a billion dollars. That is why we have in this bill a perpetual limit on how many bonds could ever be issued or outstanding at \$250 million. That is a figure which was discussed specifically with the rating agencies, and one which is considered to be well within our capacity, and no problem.

ASSEMBLYWOMAN BURGIO: Okay. Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Weidel.

ASSEMBLYMAN WEIDEL: This is obviously your bill. What do you envision it doing to the private people that now are leasing to the State? In other words, you can't say all of a sudden that everything we have done here, and that I have approved in my eleven years as a Legislator through the Appropriation Act, is wrong. You probably have some bad apples and you have some good apples in your private leases. Would you just tell me, so I know, and so that I

can hear it from you and so that the public can hear, what you plan to do with these present leases that are expiring three years from now, four years from now, or five years from now?

MR. GOLDMAN: Well, in the case of the Department of Environmental Protection, they occupy, I think, fourteen or fifteen different places. Some of them are good and some of them are bad. The idea, patantly, is wrong for one department to be spread out and uncoordinated that way. We would plan to take them out of the Labor and Industry Building, where they take a floor, and we would also cancel those other leases.

ASSEMBLYMAN WEIDEL: Yes, but you see, Cliff, just because somebody isn't right next to one another doesn't convince me that they are not operating efficiently. And, if you have a good lease -- you can't build a building in 1982 that would even come near that. I don't care what you sell the bonds for, what we have overcome-- In other words, I would like somebody to say to me that there is going to be some business judgment, just like there is business judgment in proposing this type of legislation: "I have a good lease with Mr. Jones."

MR. GOLDMAN: Well, if we have a good lease--

ASSEMBLYMAN WEIDEL: If you are saying we are going to save some money--

MR. GOLDMAN: First of all, there are leases in there that are not good leases, and we have problems. Second of all, if we have a good lease now, when we go to renew it in four years, that lease would be renewed at the market in four years. We are paying pretty high dollars for some leases, which have been renewed under the impact of inflation, and some of the buildings are just not suited for offices.

ASSEMBLYMAN WEIDEL: You have the choice right now, with or without the authority, to renew those leases.

MR. GOLDMAN: Well, we have very little choice in our leasing program. We have to take buildings that we do not wish to take because, let's face it, in the last 20 years since the State build a new office building, the State has grown considerably - everyone knows that - but there has been no new office space. So, the result has been a proliferation throughout the area and throughout the State of office buildings on a catch-as-catch-can basis. Now, following the policy that we have of sticking to inner-city locations, we more or less absorb all the space and still we can't find enough space for our operations. As a result, we have space in buildings that are not designed to be office buildings. We have problems with our employees. We have health problems. We have problems that have been identified by a recent report done by Commissioner Finley concerning health problems in these buildings. I am sure you see in the papers from time to time, complaints from employees about safety and comfort, and so forth.

ASSEMBLYMAN VAN WAGNER: Wasn't there recently a proposed class action suit by a handicapped group also because of the non-accessibility of some of the buildings the State used for offices?

MR. GOLDMAN: Well, there is a major problem in adapting leased space, where you have a short-term lease but you have to make very costly and substantial capital improvements to make them accessible.

I think the answer to this is-- I will try and give an answer, which may be overly simplistic. If it was wise as a business judgment for

the State to operate the way we do as far as space is concerned, then you would see Bell Telephone and General Motors and these major corporations do it too; and you never do. They operate out of safe and decent quarters.

ASSEMBLYMAN WEIDEL: But, you are assuming that every leased building is unsafe. You don't have to walk very far to see state-owned buildings that are not very nice -- not leased buildings, they are state-owned buildings, where the maintenance hasn't been kept up to date.

MR. GOLDMAN: We are talking about something more than maintenance. That may be true in some cases, but we are talking about, for example, the terrible problem we have had with the Civil Service Department over many years, where we were in the basement of a department store, which was never built for office use and which didn't have proper ventilation. It has carbon monoxide in the basement. It had real problems, and it has taken two or three years to solve it, and the people have had to work there.

We have problems with flooding in some buildings. We have problems of all sorts.

ASSEMBLYMAN WEIDEL: Clifford, can you tell me why you can't do right now what you want to do with this through the Mercer County Improvement Authority, just to use one example?

MR. GOLDMAN: By the way, the Mercer County Improvement Authority worked out very well as the builder of the Justice Complex, and the reason we are moving to this concept has nothing to do with displeasure with the Mercer County Improvement Authority. The reason for that goes back to my answer to Assemblywoman's Burgio's question: The Mercer County Improvement Authority gives us an unlimited access to repeat the Albany Mall concept, which was also done through a county improvement authority. We have to get away from that concept and provide this perpetual limit on borrowing through this device.

Also, there is need for buildings in other counties, some of which don't have Improvement Authorities. That is a secondary reason.

ASSEMBLYMAN WEIDEL: That's a secondary reason?

MR. GOLDMAN: The primary reason is the debt limit.

ASSEMBLYMAN WEIDEL: They could set them up. There is an Essex County Improvement Authority.

MR. GOLDMAN: There is an Essex County Improvement Authority, but I don't see what the State of New Jersey-- I mean, there is an over-riding reason for doing what we are proposing. I mean, there is the fundamental credit of the State problem, but even if there wasn't that problem, I don't see what benefit we would gain from dealing with a dozen different authorities.

ASSEMBLYMAN WEIDEL: Except you wouldn't have to go through this.

MR. GOLDMAN: Go through what?

ASSEMBLYMAN WEIDEL: You wouldn't have to set up this Authority that some people may be afraid of.

MR. GOLDMAN: Well, if they are afraid of this one, we will tell them they should be mightly afraid of the other thing.

ASSEMBLYMAN WEIDEL: One of the reasons that was given - I am glad you answered that way - as control was that the Legislature would have to appropriate, each year, the payments through the Appropriations.

MR. GOLDMAN: That's one thing, yes.

ASSEMBLYMAN WEIDEL: That is one of the controls. Mr. Stockman mentioned that. Do you ever foresee the Legislature not appropriating money?

MR. GOLDMAN: No.

ASSEMBLYMAN WEIDEL: So, what you are saying is when the authority does something you would have to come in, just like this, and we would start out right away -- we have obligations of \$15 million, or something, that we have to pay, so we would always do that.

MR. GOLDMAN: That's what I would expect. That's correct.

ASSEMBLYMAN WEIDEL: Would you tell me -- the \$250 million, how does that relate to the other obligations that the state has in bonds? How are we going to say that, Mr. Chairman?

ASSEMBLYMAN VAN WAGNER: He wants to know, Cliff - this is from a different perspective because I serve on the Capital Commission too - about the amount of bonded indebtedness that we have at this point, and that which is perhaps under issue.

MR. GOLDMAN: We have one point seven million dollars worth of general obligation bonds outstanding.

ASSEMBLYMAN VAN WAGNER: Probably, translating that into debt service, that would be about--?

MR. GOLDMAN: About \$170 million a year.

ASSEMBLYMAN WEIDEL: These bonds have all been approved by the voters?

MR. GOLDMAN: Yes. The \$250 million is not on an amount that would be issued under any plans that we have; it is an amount that was set for the legislation that covers 50 years, or forever.

ASSEMBLYMAN WEIDEL: That's what I was asking. Do you think that is enough?

MR. GOLDMAN: I think it is all we can get away with in effect. I think, putting it a different way, it is all we would care to risk exposing the State to safely.

ASSEMBLYMAN VAN WAGNER: The question of debt limit and exposure becomes crucial to the standing the State has with the financial community, in terms of how that community would use its bonds. Right now, we have one of the three most excellent standings in the United States, I think.

MR. GOLDMAN: Tops. We are the top rated State.

ASSEMBLYMAN VAN WAGNER: We are the top rated state at this point, and this bill, I think, is structured with that thought in mind.

MR. GOLDMAN: To give you an example, we began with a \$300 million figure, recognizing that 25 years from now, particularly with inflation, that might not be a great amount of money. We were told that that would be dangerous for us to attempt, so we went back to \$250 and that one didn't seem to raise any red flag. So, we went with \$250.

ASSEMBLYMAN WEIDEL: In your letter to the members of the Committee, dated June 20th -- Ms. Kalik asked something in this vein -- you said, "The New Jersey Building Authority could not finance prisons, hospitals, or other projects which require voter approval." That is a little confusing. Right now, everything requires voter approval.

MR. GOLDMAN: That's not correct.

ASSEMBLYMAN WEIDEL: You have eliminated these specific projects, but they will still require voter approval -- office buildings, and warehouses

require voter approval. Is that correct, the way you write this letter?

MR. GOLDMAN: Well, this again would be a second point in response to the original question about what other states have done and where they have run into trouble. I think, generally speaking, it is recognized that for office buildings this is an acceptable financial mechanism, even though it involves state appropriations to pay for the bonds through the rent. But, when that concept is extended to finance parks, or prisons, or colleges, or other facilities, what it does is, it opens up, without limit, the ability of a state to issue bonds without the restraint that is imposed on a state by having to go to the voters. By limiting the uses of this device to office buildings and a few minor related buildings, and by putting a \$250 million permanent ceiling on the amount of bonds that can be issued, we avoid both major problems that have caused concern to the rating agencies from the experience of other states in this field. I think it would be wrong to build a prison, for example, by revenue bonds.

ASSEMBLYMAN WEIDEL: Well, you would also have a practical problem in that there is no zoning in this regard. You could get your prison right now with this authority if you included prisons. You could put it any place you wanted to.

MR. GOLDMAN: Well, there is no zoning for state buildings in general.

ASSEMBLYMAN WEIDEL: No. But, you could put your prison any place Fauver and you wanted it, if you included prisons on here.

MR. GOLDMAN: I hadn't thought of that.

ASSEMBLYMAN WEIDEL: You could really bite the bullet here with this thing if you wanted to. It is your baby though. Why did you include public television stations in here? We had the head of this television station come down in front of the Appropriations Committee saying, "I am going to show you guys in the next year that I can do it, or get rid of me." Why don't we go out and build a public television station, and then we have it?

MR. GOLDMAN: Why should we, or why shouldn't we?

ASSEMBLYMAN WEIDEL: Why did you include public television?

MR. GOLDMAN: Well, the public t.v. station operations out of a bowling alley in Ewing township.

ASSEMBLYMAN WEIDEL: I'm not--

MR. GOLDMAN: Let me answer your question. And, in looking over the space needs that we have on the drawing boards, the replacement of that building is one which, if the public television station continues, needs to be made, and therefore we authorized the use of this device for that need.

ASSEMBLYMAN WEIDEL: I am not questioning that. I am questioning the very fact of public television, which was a real rumble during the last Appropriations Committee session. Now, if this building authority, the way it is set up, decides to build a public television, we are stuck with public television.

MR. GOLDMAN: Let me just say something. We would not preempt the right of the Legislature to decide to abolish the public television station or not by writing it out of this bill, which is a building bill. If the Legislature decides to abolish public television, then the officers of the Legislature, both of whom have to approve every single lease under this bill, presumably would not approve it, and there would be no public television station building

built. Also, the Capital Planning Commission--

ASSEMBLYMAN WEIDEL: One of the complaints with the television is that the facility is not designed for public television and it is very difficult to produce there. Let's say it is located in the wrong place. The television aerial is over on Backer's Basin, and so forth. But, if I understand this bill correctly, if some day you build a public television facility and you build it for public television, it will be designed for that and it would be in the proper location. Then the Legislature decides it doesn't want public television, but in the meantime you have come in front of the Appropriations Committee and you have said, "Here is the interest that we have to pay on the public building that you have already approved."

MR. GOLDMAN: Let me make this point.

ASSEMBLYMAN WEIDEL: Would it be separate?

MR. GOLDMAN: Let me make this point: this authority does not have the right to do whatever it wants without the Legislature's approval. At some point, with or without this authority, the issue of relocating the public television studio will come up, because it is unsatisfactory and unsafe in its present quarters. That could come up by reason of a 10 year lease with a private landlord right now, and at that point the Legislative leaders who have to sign these leases, based on analysis by OFA - which reviews the leases - would say, "We are not ready to make a 10 year commitment to public television." Or, they would say, "We are ready." If they are ready, and they allow such a lease to be made, and then if a future Legislature decides, three years later, they don't want a public television station, the same situation would arise, with or without this bill.

ASSEMBLYMAN WEIDEL: I don't want to keep you any longer, but right now the President Pro Tem of the Senate signs the leases and the Speaker signs them, is that correct?

MR. GOLDMAN: That's correct.

ASSEMBLYMAN WEIDEL: And, you approve them?

MR. GOLDMAN: Yes.

ASSEMBLYMAN WEIDEL: That is the control right now. At one time the Legislature complained, and then in the Appropriations Act we decided to make the Speaker and the President--

MR. GOLDMAN: Well, all the years I have been here, both legislative leaders have had to sign.

ASSEMBLYMAN WEIDEL: That is law right now.

MR. GOLDMAN: That's right.

ASSEMBLYMAN WEIDEL: The Legislature has to approve the payment, through your budget, of the leases. The Legislature, right now, has to approve the leases.

MR. GOLDMAN: That's right.

ASSEMBLYMAN WEIDEL: In Trenton we can do it right now with the Mercer County Improvement Authority.

MR. GOLDMAN: No, you can't.

ASSEMBLYMAN WEIDEL: Tell me why we can't.

MR. GOLDMAN: Because I will not go forward with another commitment through that kind of financing, given the warning signals that have been received by me about the impact of doing that on the State's credit.

ASSEMBLYMAN WEIDEL: Oh, then with the building authority limited to \$250 million, you would be able to make any other-- This bill prohibits you from doing it with the Essex County Building Authority?

MR. GOLDMAN: It does not prohibit that from happening, literally, in the legislation, but in effect it would dampen anyone's interest in doing that because when that time came, the spirit of this statute would be that that would be a violation of the spirit of the statute, and the ratings would suffer.

ASSEMBLYMAN WEIDEL: Well, it doesn't say that.

MR. GOLDMAN: That's correct. That is the impact of it.

ASSEMBLYMAN WEIDEL: So, in my words then, not your words, you have another vehicle with this? You wouldn't sign with the Mercer County Improvement Authority?

MR. GOLDMAN: Right.

ASSEMBLYMAN WEIDEL: You are the Treasurer?

MR. GOLDMAN: Correct.

ASSEMBLYMAN WEIDEL: A new Treasurer might.

MR. GOLDMAN: It would be up to him.

ASSEMBLYMAN WEIDEL: It would be up to him?

MR. GOLDMAN: Yes.

ASSEMBLYMAN WEIDEL: With this bill you could still sign with the Mercer County Authority, or you could sign with the Camden County Improvement Authority, or you could sign with the Essex County Improvement Authority.

ASSEMBLYMAN VAN WAGNER: We get the point.

ASSEMBLYMAN WEIDEL: If they have the location, they have the building, and they have the right to financing, the State - whether it is you or somebody else - could still sign. With this bill, you are just giving yourself another vehicle. You don't have to go to the voters on all of them, but you will still have to go to the voters with some of them. So, in effect, you are giving yourself another vehicle for financing.

MR. GOLDMAN: I wouldn't put it that way. The way I would look at it, and I think the way any responsible Treasurer or other public official would look at it, is that this device would be used as a way to build office buildings in replacement of all other devices. Now, I am not talking about making small leases for short term space; that would still continue. But, what we are doing now under this proposal is no different than what we have been doing in all of the procedures. The only difference is who we are leasing from and how we are financing buildings. Over all the years the State of New Jersey has never had a routine method of financing and building buildings. Therefore, it has never had a planned, orderly approach to building buildings. You get an ad hoc, fit-and-start type approach, borrowing money from pension funds one time, borrowing money from some labor fund another time, dealing with all kinds of private entrepreneurs with leases of long term, which allows them to build buildings that we should be building for ourselves, dealing with County Improvement Authorities which is, I would say, an improvement over what we had been doing - it keeps us out of some of the trouble we had been getting into - and, finally, I think this is the most straightforward and direct way to do it. It is better than dealing with all of these kinds of ad hoc arrangements, and it would give the State the ability to plan what

we need over a 10 or 20 year period, and to take them on on an orderly basis.

ASSEMBLYMAN WEIDEL: The Capital Needs Commission would have to approve the authority's proposal?

MR. GOLDMAN: Yes.

ASSEMBLYMAN WEIDEL: And, if they did not, then that would be the end of it?

MR. GOLDMAN: Yes.

ASSEMBLYMAN WEIDEL: Under the present bonding that we have now, does the Capital Needs Commission have to approve the question before we can put it to the voters?

MR. GOLDMAN: Yes. It doesn't have to approve it; it has to be consulted on it.

ASSEMBLYMAN WEIDEL: It doesn't have to approve it?

MR. GOLDMAN: I don't believe it has to approve it.

ASSEMBLYMAN VAN WAGNER: I believe in the process when a bond proposal is made, that bond proposal must be presented to the Capital Needs Commission. The Capital Needs Commission may take any number of actions at that point. It may delay action on it. It may vote on the proposal. Or, it can say, and it has said, that without any other legislative initiative it thinks it is a good idea and it will make recommendations, but it will not necessarily take a formal action. In most cases on bond issues, however, the Capital Commission takes a formal action by vote, and that becomes part of the record of that bill when it moves to the Legislature.

MR. GOLDMAN: May I add to that, Mr. Chairman?

ASSEMBLYMAN VAN WAGNER: Yes.

MR. GOLDMAN: In the statute for the Capital Planning Commission there is an uncertainty, or a grey area. I don't think the Capital Planning Commission, under the present statute, must review leases. But, as a matter of practice, we have brought to them every major lease, and I introduced a motion, which was adopted by the Capital Planning Commission, stating that we wanted them to review major leases over 10 years, I think, and over a certain amount of money, which they do.

ASSEMBLYMAN VAN WAGNER: Over ten years, and in excess of-- I don't recall the amount per year.

MR. GOLDMAN: Plus, now we have written it directly into this bill that they must approve any project that would be undertaken.

ASSEMBLYMAN WEIDEL: And the Speaker by himself could stop it?

MR. GOLDMAN: Correct.

ASSEMBLYMAN WEIDEL: Now, it was mentioned that there is a covenant in here to the original bond holders that it will not exceed the \$250 million limit.

MR. GOLDMAN: Right.

ASSEMBLYMAN WEIDEL: Wasn't there a covenant in the Port Authority bonds when they were originally sold?

MR. GOLDMAN: That's correct.

ASSEMBLYMAN WEIDEL: And, we overrode that covenant?

MR. GOLDMAN: For a while. The United States Supreme Court overturned our overturning, and so strengthened the law regarding bond covenants that it makes this foolproof. That is right. This is partially based on the law

created in that very case.

ASSEMBLYMAN WEIDEL: This sort of scramble that we are in with the prison bonds this time, was that bond issue approved by the Capital Improvements Commission?

MR. GOLDMAN: I don't think so.

ASSEMBLYMAN VAN WAGNER: No, it was not.

ASSEMBLYMAN WEIDEL: We have a question on the ballot that hasn't been approved, right?

ASSEMBLYMAN VAN WAGNER: As far as I know, there is no question on the ballot for prison bonds, is there?

MR. GOLDMAN: I--

ASSEMBLYMAN VAN WAGNER: There is a new bill that was just released from the Senate Committee.

MR. GOLDMAN: I haven't followed the-- I used to bone up on that question.

ASSEMBLYMAN VAN WAGNER: In clarification of the prison issue, because it is a vital issue in this state, there are presently two appropriations measures by Senator Hamilton and myself. Senator Hamilton's bill has already been released. Prior to that, there was placed before the Capital Needs Commission a request by the Department of Corrections for bonding up to a certain amount to fulfill the requirement of building a medium security prison and for making additional improvements in some of the other facilities - some of the other correctional facilities. The Commission in fact did not act on that, instead it requested, I believe, Commissioner Fauver to provide to the Commission a needs assessment in terms of the amount of available spaces, etc., and how that was being used. I believe he provided that to the Commission. At that point there was an objection raised by the Middlesex County delegation, in terms of the proposed location of a medium security prison in Middlesex County, which already has a number of correctional facilities; as does Mercer County. At that point, the agreement was reached, which was referred to by Mr. Dalton, and which provides for a different mechanism of bonding - namely, that a certain amount of money would be bonded for the construction of a new medium facility with, I think, \$10 or \$15 million being set aside for counties to apply for the improvement of their own correctional facilities as sort of a carrot on a stick. That bill was taken up in the Institutions Committee and released. Before that bill could be acted on-- Or, was it acted on? I am not sure. It was acted on by this House, but now there has been an additional delay in that legislation. No? The Governor has signed it? Okay. It is on the ballot.

All right. That question is on the ballot. That question was reviewed by the Capital Commission, but it was not acted on by it. The statute that established the Planning Commission is unclear, as Mr. Goldman has said, as to whether or not the Commission must approve any action that the Legislature may take, vis-a-vis placing questions of this type on the ballot. The Legislature still has the ultimate prerogative to do that, without any other Commission or Committee involved, I think.

MR. GOLDMAN: In my mind at least, the statute does not require the Capital Planning Commission to approve a proposal. It only requires that they be consulted, and that they make whatever findings they want.

Can I also add a second thought to an answer I gave to an earlier question about a business judgment regarding office buildings and private leases and public leases and new buildings, and so forth? I think the Justice Complex is a very good case in point. When the Justice Complex was built, the rent that was proposed for the Justice Complex was higher than the then prevailing rents in the Trenton area for these rehabilitated department stores and so forth. But, today we are already getting leases and lease proposals that are substantially higher than what that rent will be, and the market under inflation has pushed the private rental market up to the point where the Justice Complex in five years will be one of our cheapest buildings to rent and we will get to own it in the end, and it is a better building. So, I am convinced in my mind, having looked at these figures, that the business judgment, even apart from the quality, the space, the organization of the space, and so forth, dictates getting these buildings with long-term, established debt service is good judgment.

ASSEMBLYMAN VAN WAGNER: Could I stay with that question of business judgment? I would like to question you on the equity position of the State, vis-a-vis the authority. As I listened to Mayor Holland, I sensed a misconception. The authority would be a separate and autonomous body from which the State of New Jersey will rent space, is that correct?

MR. GOLDMAN: That's correct.

ASSEMBLYMAN VAN WAGNER: Assuming the construction of a building - whether it be in the City of Trenton or wherever it may be - with the advice and consent of the Legislature, and the approval of bonds - revenue bonds - and the sale of the bonds, takes place. Leasing begins. The State will, in effect, pay the amount of the lease to the authority. At any particular time, in terms of amortization, or in terms of depreciation, who will, in effect, benefit from the ownership of that building, since, in effect, the building will be owned by the authority and not by the State? Assume we will wish to liquidate. Assume we have an offer from a private area. They like the building. They think it is an excellent location. They now wish to purchase, or lease-purchase, what is the position of the State?

MR. GOLDMAN: Well, the position of the State, as I understand it, is this: First of all, at the end of the lease, when the bonds have been paid off, the State will own the building.

ASSEMBLYMAN VAN WAGNER: The State, or the authority?

MR. GOLDMAN: The State.

ASSEMBLYMAN VAN WAGNER: Is that very clear in this bill? Because, I can't find that.

MR. GOLDMAN: That is the way it was done with the Justice Complex, and that is the way it would be done.

ASSEMBLYMAN VAN WAGNER: You see, Cliff, I think the concern here is - and you and I have discussed these matters, and we serve on the Capital Commission, so these are some of the real concerns that are being expressed - assuming that other mechanisms have been in place, you have indicated why - and some of the other speakers have also indicated this - this is preferable, procedurally, to build the kind of buildings we are talking about: buildings to house state agencies, to consolidate state services where they are spread out, etc. There are obvious advantages to doing that.

However, the question remains regarding liability, liability versus acquisitional power, if you will. Mayor Holland indicated that it would be the same as this building, and I submit it is not under this law. It is not the same as this building because if the authority were to build this building, it would belong to the authority and not necessarily to the State of New Jersey. There is no language saying that. That is what concerns me, and I know it concerns others because the questions have been posed to me.

MR. GOLDMAN: Well, the way it was done on the Justice Complex, and the way it would be done under this bill, although it is not specifically directed that way in the bill, is that the State pays rent, which amounts essentially to the cost of amortizing bonds sold by the authority to build the building. At any time in the life of the lease, if the State decides to buy the building, its obligation is only for the remaining outstanding bonds. At the end of the lease, the State takes title to the building for a dollar. This is the way the Mercer County deal was structured, even without this kind of legislation, and that is the way it would be here, and there are sufficient approval powers up and down the line, in my judgment, that that is the way it would be done.

ASSEMBLYMAN VAN WAGNER: Under this bill, the bond-holder does not have a primary lien. They have a secondary position, is that correct? They do not have a direct-- The State is not directly obligated to the bond-holder?

MR. GOLDMAN: The State only has an obligation to pay rent under a lease to the authority. If the rent is not paid and the bonds are defaulted, I presume the bond-holders have the right to take the building.

ASSEMBLYMAN VAN WAGNER: But, the ability to make the bonds marketable is based, number one, on the limit; and, two, on the assurance that the State will be the client?

MR. GOLDMAN: The ability to make the bonds marketable is based strictly on the existence at the time of the sale of a binding lease between the State and the authority. That is regarded by the market as a secure financial risk. That is the State's lease. The limit is more in protection of the State's credit rating, although it does, in fact, have some bearing on the marketability of the bonds.

ASSEMBLYMAN VAN WAGNER: It is, in effect, a limit of liability.

MR. GOLDMAN: Yes.

ASSEMBLYMAN VAN WAGNER: I had asked you earlier about the number of leases and the length in terms of those leases that we have outstanding at this point. Can you give us an overview or some information on that?

MR. GOLDMAN: I would have to get you a list. It is quite long. We have hundreds of leases and their annual cost is somewhere in the area of \$20 million, and they range from day-to-day leases up to 25 year leases. There are all kinds.

ASSEMBLYMAN VAN WAGNER: This question may have been covered, but in the event of surplus space--- Let us assume that a building is built primarily to house the Departments of Environmental Protection which are now spread all over hell's half acre, and I agree, and some of them rightfully so. Some of them need to have regional locations, but assuming we get everybody out of the buildings that they are crowded into now, and we have a rather spacious building, however, there is a floor or certain space on various floors that could be made available on a surplus basis. How do you foresee that space being occupied? By additional State agencies which might in effect defeat the original purpose,

which was to centralize certain operations, or do you see that primarily being used to lease to private enterprise?

MR. GOLDMAN: No, we don't see it in lease to a private enterprise. We have done this careful space planning with the justice complex. When you design a building, you don't want to design it to be absolutely full in the first year of occupancy, because you have to foresee some growth, if there is going to be any, and you don't want to build the same problem that you started to avoid. So, in the justice complex we built for a 1985 or 1987 projection of the space needs, and we had a specific claim of which agencies of the State government would occupy that overflow space in the interim, and we have such a plan now. The growth of the various agencies in the justice complex has been faster than the original plan, so they will occupy almost all this space, or more of this space than we had thought they would originally occupy.

In the case of DEP, we would do the same thing. We would build a building for some years into the future with a specific plan of which agency would occupy for a three or five-year period any surplus space, and then when the DEP expanded, it would have room to expand.

ASSEMBLYMAN VAN WAGNER: What I am looking to develop is an insurability, I guess, to the extent that we can somehow or other insure that the authority will take every step necessary to keep low the amount of money that must be appropriated by the Legislature for rents.

MR. GOLDMAN: Well, that would be, of course, the main objective of this, and you have on the authority board the Director of the Legislative Services Division; you have the State Treasurer; you have the Comptroller; you have the Capital Planning Director; you have reviews by the Legislature, and you have built in the authority's own perception of our \$250 million limit which they would want to preserve and conserve.

ASSEMBLYMAN VAN WAGNER: The problem that I continue to have is in terms of marrying the two planning functions that are presently available from the State perspective, notwithstanding the County Improvements Authority. But, the Capital Planning Commission, for example, was established in 1975 or thereabouts.

MR. GOLDMAN: Right.

ASSEMBLYMAN VAN WAGNER: The purpose of the Commission, which includes four legislators, is to basically establish planning targets for the purpose of capital projects, which the State may or may not want to enter into and to provide a framework for planning those projects and placing those questions on the ballot in a coherent manner so that the people of the State can understand and hopefully approve those expenditures on the part of the State.

Now we have a bill which is asking us to authorize a second agency, if you will, which in effect will have a planning function. And this is where the Committee is having a problem. But, further, this authority will be able to implement those plans by virtue of issuing its own revenue bonds. Do you foresee the inter-relationship of this agency strictly on the basis that the Capital Commission still must approve its actions, or is there a more procedural benefit?

MR. GOLDMAN: First of all, this plan was approved by the Capital Planning Commission.

ASSEMBLYMAN VAN WAGNER: I understand that.

MR. GOLDMAN: And, I think the Chairman of that Commission thinks

this is the greatest thing since sliced bread. Secondly, I don't perceive this as a Planning Agency at all. I think it is merely a tool, a financing tool, for the implementation of plans that would be prepared by the government and by the Capital Planning Commission, then transmitted to this agency for implementation. I don't foresee this agency having a staff of more than two people. I don't foresee it being involved in the planning of office buildings.

Just as an example, the Mercer County Improvement Authority has nothing to do with the planning of the justice complex within the needs of the State or with the plans of the State for office space. It was a vehicle for financing and constructing plans that the State itself prepared. So, I don't see that as a problem.

ASSEMBLYMAN VAN WAGNER: But, the provisions in the bill that govern contracts by the authority do not parallel the laws that govern contracts entered into by other State agencies, specifically concerning bidding by subcontractors and general contractors. Doesn't that pose a problem procedurally in dealing with that which might come out of this State Building Authority as opposed to that which comes by way of initiative from State government?

MR. GOLDMAN: I am not sure specifically how that would be a problem.

ASSEMBLYMAN VAN WAGNER: Well, the provisions in the bill governing contracts --- Contracts that the authority enters into are not, let's say, the same as those that the State has required to enter into if another agency were to contract for it.

MR. GOLDMAN: Well, as I recall those provisions, the provision is made for the authority to contract for these buildings through the Division of Buildings and Construction in which case the present rules for that operation would prevail. The Division of Buildings and Construction is doing the contracting for the justice complex by way of example, even though it is a county improvement authority. They follow all the usual rules for construction.

ASSEMBLYMAN VAN WAGNER: So, in fact they would parallel the provisions that other State agencies would have to.

MR. GOLDMAN: I believe so. I may not be--- Can you excuse me one second?  
(Discussion off the record.)

I stand by the answer I gave you. That is correct.

ASSEMBLYMAN VAN WAGNER: Okay, so the same procedures would be in effect.

MR. GOLDMAN: Yes.

ASSEMBLYMAN VAN WAGNER: Why would you want to compose this particular authority, since the Capital Commission was composed of twelve members, including four members of the Legislature - and since I have been on that Commission, I have never seen that make-up be detrimental to that operation - is there any reason why this authority should not include four members of the Legislature, or however many members of the Legislature in this make-up?

I realize that in deference and respect to the presence of the legislative budget office here that that supposedly gives us the oversight, but somehow or other I think in terms of prerogative, and I know that sometimes I anger people when I talk about legislative prerogative, because people get upset about it---

MR. GOLDMAN: Not me.

ASSEMBLYMAN VAN WAGNER: But, there are certain prerogatives that

are surrendered here to whomever by the Legislature, you know.

MR. GOLDMAN: We went over this question at considerable length in the Senate Committee, and part of the result of that discussion was the inclusion of the Legislative Budget Officer on the board. We told that Committee that we had no principle objection, however we consulted with our bond attorneys in the course, while we were still in the session, because we were perfectly willing to do it, and we were counseled not to do it, and to maintain a separation of powers and a separation, particularly of a State control over the agency.

ASSEMBLYMAN VAN WAGNER: I find this interesting, because we have another bill which you are very interested in which provides for State oversight by the local Division of Government Plans over local authority bonds, and their bond counsel told the local authorities that this would be extremely detrimental because it would interrupt the flow of financing, et cetera. It seems to me--- I have to say this. It doesn't have anything to do with you---

MR. GOLDMAN: That's okay, I am going to answer you anyway.

ASSEMBLYMAN VAN WAGNER: You have been an excellent Treasurer. I think everybody in this room knows it. That is a fact. Every time the Legislative Branch of Government, whether it be at the local level or county level or the State level or the Federal level, says we want to insert ourselves into the process - and we are elected by the people, supposedly to do this - we are told by financial communities that we must not do this, because we are going to endanger something that would be to the beneficial interest of the public at large. I am not being critical of you. I understand that you have to make your judgements, and thank God so far through these troubled waters that you have made some excellent judgements, but it troubles me that that is always the reason used for not including members of the legislative body, whether it is locally or countywide--- Why is that? Why do they respond this way every time we raise that question?

MR. GOLDMAN: There is a different issue in the bill with local authorities, and I don't think the financial community would find that an impairment. I, in fact, think exactly the opposite that the financial community would find the passage of that bill to be a great help to the financing of those local authorities, and I think there you are talking about a different issue. Where the bond counsels to those authorities have different concerns about the impact of the State looking into the audits of those agencies, and so forth, that is a different thing.

ASSEMBLYMAN VAN WAGNER: It is somewhat irrelevant---

MR. GOLDMAN: But you are being given a reason which is not, in my judgement, correct. It is not correct in my judgement to say that financial oversight by the State would harm the financing of those agencies. Quite the opposite is true. And, I think that bill would greatly strengthen the municipalities and the authorities, greatly strengthen them, even though it might enter in to see another pair of eyes in the procedure.

Now, in this case we are talking about a different issue legally. And, the issue we are talking about here is that we are obliged to maintain a lease between two separate entities for the purposes of meeting the rules on the issuance of these bonds. And, to that extent, we must not have an identity between the State leasing the building and the State building the building, being lessor and lessee. That is the very narrow issue involved here, and it is for that reason that we do not have what logistically would be the simplest authority which would be an authority of just State officials, and a small authority.

We have a majority of publicly appointed people. We have a publicly appointed Chairman, and we have tried to balance having State representatives and representatives of the Legislature through the legislative budget office, but still maintain a separation between the authority which would be the landlord, and the State which will be the tenant.

ASSEMBLYMAN VAN WAGNER: So what you are saying to me is that in order for the authority within the parameters of its operation issuing revenue bonds, it must maintain a separate identity, in essence, from that instrument which is in effect going to provide the financial backing for those bonds.

MR. GOLDMAN: Yes. That is correct.

ASSEMBLYMAN VAN WAGNER: Now, I don't think we should mistake this. The fact of the matter is that this mandates the cost to the Legislature. As Mr. Weidel said, the Legislature is never going to say, "We are not going to pay the rent." We are not going to put ourselves in that position. I think that is---

MR. GOLDMAN: That is correct but---

ASSEMBLYMAN VAN WAGNER: If we are going to perspectivevely mandate a cost to the State of New Jersey of, let's say, whatever it may be, four to five million dollars a year in rents to a new agency, a new authority, which will be payable to them, which we will own for the consideration of \$1 at the end of ten years, I can see the benefit. I can see the benefit of doing it that way, rather than the way we are presently doing it. But, it seems to me that if we are saying that, then somehow or other there has to be some built-in mechanism that would signal to the legislature that it must maintain some type of continuing oversight on how the business of renting these buildings is carried out, not just at the end of a year when someone says, "Here is the cost of the new building by the State Building Authority; it is five million dollars in rents; you have it; that's it; you guys authorized this by law; you people made the law; you authorized us to go ahead and do this, and now you have to pay the bill."

MR. GOLDMAN: Well, that is exactly right. I would like to make two points about it. First of all, the Legislature is capable of making a decision at one point in time, which is a major decision, about whether or not it is a good idea to lease a building. And, when it makes that decision it makes it. Now, the point I am making is, we have leases now that the Legislature has approved and we would have leases without this bill only under different mechanisms. We are not introducing to you the idea of leasing buildings. We are only introducing the idea of leasing them from an authority set up to do that.

We have a lease across the street for twenty-five years with a private landlord.

ASSEMBLYMAN VAN WAGNER: Yes, you are saying in effect, we are going to take a certain amount of leases we have privately and instead of spending that money in that direction we are going to construct the mechanism which will issue its own revenue bonds, which will build the building, which will, I assume, manage it. They will take care of tenant selection, in terms of what State offices go there, and then instead of those rent payments that you are paying now going to the private landlord, they will go to a State Authority and at the end of a period of time, instead of having to renew a lease on that building, for \$1 you can own the building, if you want.

MR. GOLDMAN: That is right, and then during that time we won't be hagglng with a landlord and going to arbitration over whether we should measure the building to the wall or to the window, which we have had to do, when we didn't lease the whole building. We leased the building at seven-fifty and then when we want to expand, they say it is thirteen bucks for the other space. We wouldn't have these kinds of problems. We would be in control.

ASSEMBLYMAN VAN WAGNER: Suppose the Legislature objected to the rent charged by the authority.

MR. GOLDMAN: Well, if the Legislature is objecting to the rent charged by the authority, they would not approve the lease, and there would be no financing. There would be no building.

ASSEMBLYMAN VAN WAGNER: The rents would be determined at the outset of the project? The square-foot cost would be determined at the outset of the project? That report would be given to the Legislature and the Legislature would have a clear view of what it should be expected to pay in the way of rents, and also what the offsets would be in terms of buildings that are being vacated by those State agencies that are there.

MR. GOLDMAN: That's correct---

ASSEMBLYMAN VAN WAGNER: And if the Legislature objected to that at the outset, they could say no and the project would not go forward.

MR. GOLDMAN: That is right.

ASSEMBLYMAN VAN WAGNER: Let's assume they have all that information, and the project goes forward and the authority comes together and meets and finds out that the rents are not high enough to carry some cost overruns and other costs of construction. Does the Legislature have the right to hold the authority to its original agreement, or must it by this law then meet those increases in rents, regardless of whether or not it may agree with the authority's findings?

MR. GOLDMAN: I think in practical terms one of two things could happen. Either at the time that the lease is proposed to the Legislature an estimate would be made and the Legislature would authorize a rent which would pay for that estimate plus some leeway to cover overruns, or if there was a leeway, they would have to come back and if the bids came in higher and you couldn't finance the building at the higher bids, and the Legislature was not willing to amend the lease, then the project would die.

ASSEMBLYMAN VAN WAGNER: But see there is no provision in this bill now to provide for direct involvement of the Legislature at the outset of the project, and I don't see any at the outset of the project.

MR. GOLDMAN: The Senate President pro tem, I think, and the Speaker of the Assembly, to begin with, must sign the lease.

ASSEMBLYMAN VAN WAGNER: After the building is built.

MR. GOLDMAN: No, no, before.

ASSEMBLYMAN VAN WAGNER: Perspectively?

MR. GOLDMAN: Absolutely. The lease is a prerequisite for any financing.

ASSEMBLYMAN VAN WAGNER: So, the lease contract and the actual go-ahead for the construction and the acquisition, and whatever else, is an identical process, and if the members of the Legislature who are involved and named in this bill do not sign that, then that project is not going forward, and the authority cannot do anything to move forward on its own.

MR. GOLDMAN: Well, to be absolutely correct, it could order design if it had the money, but it could not raise money in the capital markets without a lease first, because no one would have any security until the lease is available.

ASSEMBLYMAN VAN WAGNER: You see, in the language of the amendments, there is an indication that should there be objections locally, that those objections would in no way impair the project. In other words, they would in no way hinder the movement of the authority forward. However, they would become part of the record of those proceedings, and the objections would be heard. It is kind of a language which says, you can come here and tell us what your objections are, but don't expect that you are going to stop the work. Because, it is going forward.

My concern is that with the establishment of an additional financing mechanism which can carry out projects to their conclusion, and which has very broad powers in this bill, that somewhere along the line there is not the kind of interdiction by the Legislature that has been represented, at least, in this bill.

MR. GOLDMAN: Well, I tell you absolutely without any ambivalence that there must be a signed lease signed by all the statutorily required parties before the authority could sell bonds.

ASSEMBLYMAN VAN WAGNER: Okay. Mrs. Kalik.

ASSEMBLYWOMAN KALIK: Cliff, I have a couple of questions. In 1978 I understand a bond issue was defeated for the construction of public buildings. How much was that bond issue?

MR. GOLDMAN: No---

ASSEMBLYWOMAN KALIK: Well, that was what was indicated to me.

MR. GOLDMAN: In 1978 we went to the Capital Planning Commission. We went there with a proposal to build a DEP building and some other office buildings. The Capital Planning Commission approved that proposal and recommended it to the Legislature, but the Legislature did not introduce or pass legislation to put that on the ballot.

ASSEMBLYWOMAN KALIK: Could you tell me how much that was for?

MR. GOLDMAN: I don't really remember. I think the DEP building at the time was in the area of \$25 million. There was a DOT extension in the area of ten, maybe. I am guessing.

ASSEMBLYWOMAN KALIK: Why in fact was our bond rating affected by the Mercer County Improvement building of the justice complex? Why would the state bond rating be affected by this autonomous body? Would the State not get a more favorable interest rating than an autonomous body?

MR. GOLDMAN: The reason that the Mercer County Improvement Authority project raised concerns--- It did not affect the State's rating, but it did raise concerns. And that was because the rating agency's and other financial analysts saw in this procedure the door opening to an unlimited---

ASSEMBLYWOMAN KALIK: You said that, but it does not affect the State's bond rating?

MR. GOLDMAN: It did not.

ASSEMBLYWOMAN KALIK: Could it?

MR. GOLDMAN: It could if another one was done.

ASSEMBLYWOMAN KALIK: Okay.

MR. GOLDMAN: We argued that this was a special case, and we have never done it before, so we explained what we were doing, and it did not affect

our bond rating, but in the process, we were given reason to believe that if we began to take actions which became analogous to what was done in New York State, it would affect our bond rating.

ASSEMBLYWOMAN KALIK: Even though we have no financial or moral commitment to the Mercer County Improvement Authority?

MR. GOLDMAN: We do have a commitment to them. We have a lease with them for a rather substantial amount of money.

ASSEMBLYWOMAN KALIK: But that lease is a firm lease.

MR. GOLDMAN: Yes, and it shows in our bond prospectus as a lease that we have which is a long-term commitment of the State through that lease. But, that amount is not significant, but what is significant is that it is a mechanism which can be used without limit by the State if it so desired, and warnings were given to us that if that was going to happen, we better be careful.

ASSEMBLYWOMAN KALIK: And, that would affect our cash flow and our ability to pay, et cetera, and that would be the way it would have its effect on the rating?

MR. GOLDMAN: Well, yes and no.

ASSEMBLYWOMAN KALIK: Explain it to me as a layperson, so I understand why this effect on something that we have no interest in.

MR. GOLDMAN: Okay. It has to do with our procedures and our financial policies. Someone is watching us and they see assets of the State and the potential income of the State and how much debt we have, and they say it is very low and the State traditionally has been very prudent about going to the voters for bond issues. Our voters have turned down bond issues. We have a Capital Planning Commission. We are very careful in what we propose and how much debt is incurred. But, then they see that now the State is embarking on something new. What does it mean?

ASSEMBLYWOMAN KALIK: It is a firm commitment for monies that are not available to pay off anything else, okay, and the same thing would be true now with this building authority. The rating would be affected because of the same kinds of commitments.

MR. GOLDMAN: It would not be affected, we are told, because we are not opening a door to unlimited--

ASSEMBLYWOMAN KALIK: No, but to the tune of \$250 million or whatever that input is in lease money.

MR. GOLDMAN: And it would not affect our rating.

ASSEMBLYWOMAN KALIK: Up to that point. Would the State not receive a more favorable interest if this were a state bond rather than an Authority?

MR. GOLDMAN: Yes.

ASSEMBLYWOMAN KALIK: The leases that are given out would, in fact, cover the amortization, insurance, taxes, insurance, etc., on a pro rated basis?

MR. GOLDMAN: Yes.

ASSEMBLYWOMAN KALIK: So that if, in fact, the interest rate were lowered by the State, the leases would be lower?

MR. GOLDMAN: Yes.

ASSEMBLYWOMAN KALIK: Is there any reason why the bill itself does not specifically say that this is a lease purchase, which it is, or that the building would revert to the State ownership?

MR. GOLDMAN: I don't think--

ASSEMBLYWOMAN KALIK: Because I have problems with the bill if it doesn't say that specifically.

MR. GOLDMAN: I don't really know why it doesn't say that specifically.

ASSEMBLYWOMAN KALIK: But, it could or you don't know whether it could or not, but you will find out for us?

MR. GOLDMAN: I will find out. It may be that the drafters did not want to be too specific.

ASSEMBLYWOMAN KALIK: Rather than go this route, why did you not come back in 1980 or 1981 through the planning commission, with another bond issue through the Legislature? What I see this doing is circumventing the legislative process and putting the bond issue out to the public for the public's voice. Since the public never had the option of voting on whether they wanted to build State buildings, the Legislature said, "No," and now you are saying, "I really don't care what the Legislature said in 1978. In 1980, we're going to do it, vis-a-vis this technique."

MR. GOLDMAN: Well, you're stating it a little strongly, but you are talking exactly about the real issue here and the real valid objection to this and a problem which really bothered us too, and that is, not to belittle some of the other questions that have been raised about it, which I don't think are very serious, but I do think that this is a very serious issue that you raise and we took it very seriously. The answer to it, I cannot tell you that it is a good idea to not propose these things to the voters. I, myself, propose to propose them to the voters. I think that is a good way to do business. On the other hand, we do need space and there is a practical consideration here, that we need the space and we are going to lease the space; we have been leasing space. We've been leasing it, in my opinion, in a less than satisfactory way and we've been doing it without the approval of the voters. We've always done it without the approval of the voters and we would be doing it without the approval of the voters, if this bill isn't passed or if it is passed.

ASSEMBLYWOMAN KALIK: But, if you're coming to us with this impassioned plea for a building authority to build space that is desperately needed, why are you not coming to us with the same impassioned plea for a bond issue?

MR. GOLDMAN: Well, we're not trying to skirt the Legislature. We're coming here, we are here with this idea. I like to get things done. That's the way I look at it. I mean, I would like to build the buildings and get them done before the building costs escalate to \$200 a foot. I put in a lot of time, we all did, in 1978 and we saw that this was not going to be a practical way of doing things. Now, I have to sign leases all these months since 1978 and afterward. I know that in theory there is a lot to be said for doing this by general obligation bond issue. But, in practice, we're not getting a general obligation bond issue. What we're getting is worse than this. I don't want to overlook this. There are some points in favor of doing it this way over a general obligation bond issue. I think there are minor points. I'll give you an example. Secretary Alampi came to the Capital Planning Commission two years in a row and he proposed a laboratory which cost about two or two and a half million dollars to breed biological pests that would destroy the gypsy moths and so forth. Everybody on the Capital Planning Commission voted for this. It was unanimous. They thought it was a wonderful idea. Then, they said, "Now, what? We don't have money in the State budget to build this building. We can't put a question on the ballot for a \$2 million bond issue. What do we do with this?" And, we haven't done anything with it. There's an example where, had we had this authority two years ago, that building would be up. Now, when we get it, it will cost us more and I see us losing time and looking at higher and higher costs in the building industry and I have thought about the issue you raised. I'm not sluffing it off. I think it is a valid issue. I think it is a concern to us, but I think, all things considered, the practicalities are that this is the best route, the best practical route.

ASSEMBLYWOMAN KALIK: Well, of course, it gets the Legislature off the hook as well because then they don't have to make those individual decisions and maybe that's what the Legislature wants. I really don't know. But, it seems to me that the other alternative is to come and ask for a bond issue that would cover all those things that you wish to cover.

MR. GOLDMAN: The Legislature could--we tried that--the Legislature could direct its leaders not to sign bills unless there's a full vote of the Legislature. It could do whatever the legislative prerogative allows.

ASSEMBLYWOMAN KALIK: I read in the bill that it would cover improvements, rehabilitation, etc., etc. Now, I know we spent money last year for the improvements to this building. Would that authority have been able to make those improvements if that was one of the approved projects?

MR. GOLDMAN: I don't think so. I think, if it could, it would only be by a very great stretch of the intent.

ASSEMBLYWOMAN KALIK: One more question. How do you justify an autonomous authority having the power of eminent domain?

MR. GOLDMAN: Well, we have autonomous authorities already, a number of them, that have the power of eminent domain. We even have private companies, gas transmission lines, that have it; the highway authority has it; the Turnpike Authority; the Sports Authority has it.

ASSEMBLYWOMAN KALIK: Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Baer?

ASSEMBLYMAN BAER: In your initial presentation, you cited the nightmare situation--I don't know if you termed it that--of the Albany Mall and we wouldn't be getting into that because of the limitation. I'm not terribly familiar with the details of the Albany Mall, but I noticed that in the language here, beginning on

page 12 and going over to 13, that it does allow exceeding the \$250 million limitation, where there is an increase in the costs of what was initially improved. I take it that that distinguishes between cost overruns and change orders, for instance.

MR. GOLDMAN: That applies to the very narrow case where--I'll make up an example. Suppose, at some point in the future, we had \$230 million in bonds out and we planned a \$20 million building or a \$50 million building. Then, there was a cost overrun that would bring the completion of that building to two fifty-five. You must have the right to finish that building. Otherwise, you have an incomplete building that could not produce revenue. It is for that particular occurrence that this language, which, by the way, is fairly standard language in the bond construction business, is in there. It is not a loophole and it was gone over carefully with that in mind by the rating agencies as well.

ASSEMBLYMAN BAER: Do you think it would make sense to have some statistical limit to the amount of this overrun here?

MR. GOLDMAN: No.

ASSEMBLYMAN BAER: So as to differentiate the type of situation you are describing from the Albany situation?

MR. GOLDMAN: It is differentiated. It is effective.

ASSEMBLYMAN BAER: I'm not sure I fully grasp your explanation as to why, without some--

MR. GOLDMAN: It applies only to a completion of an approved project and this kind of language exists in all bond issues for construction. If, in my example, the \$20 million building came into some foundation problems and cost \$22 million, there is plenty of precedent and experience to say that that would qualify. But, if someone said, "We want to finish this building by doubling its height or by adding a wing," the bond council would not approve that bond issue as falling within the meaning of that statute.

ASSEMBLYMAN BAER: I see. Then, of course, by inference, you are indicating that the Albany situation involved a lot of changes in the scope of the thing and the plans weren't really firm when they first made their smaller estimates. The plans kept changing.

MR. GOLDMAN: Yes.

ASSEMBLYMAN BAER: Okay. Now, you spoke a bit about the covenant being secure. I believe you may have been the author of the concept as to how the present Port Authority covenant could be avoided as an obstacle, or maybe it wasn't you--I'm not sure whether it was you or Dick--in terms of essentially condemning the value of that as a protection and providing compensation to the bond holders. Do you recall that and does such an opportunity in the law, therefore, exist here and, if so, let me go on a little bit? If you had a proposal that was to exceed this amount, but it was a separate proposal in the sense that it was to be covered with, obviously, other rents and things that were expected so that the impact, I guess, as described somewhat in your earlier discussion, merely to the degree to which it affects the State's overall picture, wouldn't that be a relatively modest exposure of the bond holders, where the covenant could be purchased, so to speak, for a relatively small amount and so that the covenant might not be that much of an obstacle.

MR. GOLDMAN: Well, there are ways of providing flexibility, despite the covenant. The simplest way would be, in this case, let's say thirty years down the road the \$250 million is binding and is considered to be intolerable and someone wanted to eliminate that covenant and go beyond it. There are ways that that could

be done. One way would be to refinance all the bonds that were outstanding and diffuse the covenant and there would be no covenant. This would require someone to come up with \$250 million. The Legislature would have to do that and that would be an issue at that time. It would not be something that could be snuck by at the time and it would have to be done on a considered basis and, at the time, would have to be explained to bond rating agencies as well.

ASSEMBLYMAN BAER: Well, what about the method I was describing? That wouldn't necessarily involve total refinancing, but just some adjustment.

MR. GOLDMAN: I don't think it could be done otherwise. The other way it could be done is if the State bought back the bonds and provided more leeway. That would have to be done by the Legislature appropriating, somehow, \$250 million or whatever leeway it wanted to appropriate.

ASSEMBLYMAN BAER: In other words, the theory that I heard came out of the Treasurer's office some years ago in relation to the Port Authority covenant, that could be eliminated by, essentially, a legislative act without getting into all that as long as there was some appraisal of the value of eliminating that in some mechanism to compensate the bond holders? You don't think that holds water?

MR. GOLDMAN: Well, I think, there, there were a variety of things discussed about the Port Authority and one was to bind the acquiescence of the bond holders to the change by paying them money and you can do that by circulating to all the bond holders a proposal that if you vote to approve the elimination of this covenant, we will pay you an extra quarter of a percent or a half a percent or whatever. That is a very monumental job to undertake and it was not done in the case of the Port Authority. It is available in an emergency, if you wanted to do it.

ASSEMBLYMAN BAER: Let me pursue a somewhat different area. You speak about 15 other states now having such authorities. What material is available, so far as evaluating what has been happening in those 15 states and how--that's been asked before? Well, if it has been asked, I can catch up with the answer later. I got here a little late.

ASSEMBLYMAN VAN WAGNER: I think he pointed to the Albany situation as being the epitome of what was bad in terms of not having a debt limit. But, if you want to address yourself to that again--

ASSEMBLYMAN BAER: Well, I was talking, particularly, in terms of those experiences that show that the thing actually does work out in dollars and cents.

MR. GOLDMAN: Well, there are, I don't think there is a compendium of all the authorities. You can find out about their programs by going directly to each one of them. But, we did talk about them in general with the rating agencies who keep tabs on all of them and the answer was generally what I gave before, that they are mixed in their effectiveness. Some of them work very well; most of them do, but there have been a couple of red flags for two different reasons. One is because they kept exceeding the limit that the legislature imposed by going back to the legislature and having the legislature raise the limit. That was the Albany Mall case. The other example was where they used this kind of a device to finance matters in all sorts of state construction and thereby eliminating the restraint that the voters' approval provides.

ASSEMBLYMAN BAER: Well, at any rate, if there is any detailed material you have available or, for that matter, which the Committee staff could get on this, I think it would be valuable so we can learn as much as we can from what was done wrong and what was done right and not have to be learning from scratch ourselves.

MR. GOLDMAN. Right.

ASSEMBLYMAN BAER: Now, the possibility was discussed that if, at times, all the space was not going to be used that some of the space might be just rented to private users on the private market. One of the things that I'm wondering about is the the role of the market studies that, in fact, such a private market would exist and that we wouldn't be stuck with the space, particularly if this was occurring at a time when the moves by the State itself had put on the private market a good bit of rental space.

MR. GOLDMAN: Well, it may not have been clear when I answered the question before. It is not our intention at all to rent surplus space to the private market. It would be our intention to plan the buildings in such a way to intentionally plan some surplus space in a building, but only when we have another State agency in an interim period to use the space. There is provision in the bill for sub-leases to private entities and I think the reason for that was that in some buildings, conceivably, you would want the ground floor space to be commercial, a restaurant, a bank office or something like that, for the convenience of the employees and also to fit within an urban city. But, those would have to be, obviously, carefully planned and you wouldn't proceed to build a lot of private market space if you didn't think you could rent it and that would involve market studies at the time. But, we're not building here for private sub-leases.

ASSEMBLYMAN BAER: Well, in relation, for a moment, while we're talking about this private rental, from a legal point of view, is it conceivable, from a legal point of view, would it be possible, for instance, for the State to move into some community, to build something, without, really, local approval and then turn, basically, lease it back to some commercial facility that might have had difficulty going in there by other means, either because of the local approval or because of the additional expense of taxes, which would not be foreign?

MR. GOLDMAN: I don't know if that is specifically barred in the bill, but I think it is so highly bizarre that it would never happen. Also, it is barred by the Internal Revenue Service.

ASSEMBLYMAN BAER: Well, nothing bizarre ever happens in state government, of course.

MR. GOLDMAN: I'm corrected. I have a better answer besides bizarreness. It would not be permitted by the IRS to sell tax exempt bonds to turn over to a profit-making business and I think the Legislature, at the time, would not go along with the proposal and I also, by the way, think--as you might have heard from Mayor Holland--that while we do have some rights to go into local communities, we do approach that relationship as a mutual relationship and they are very happy to have us and we don't run roughshod over them.

ASSEMBLYMAN BAER: I only have a couple other questions. In terms of--I'm trying to look at this in terms of anticipating or the ability to anticipate the overall cost. Now, you speak of, for instance, the savings that appeared to be emerging in relation to the Justice Complex. Is there any mechanism for analyzing these things here financially which takes into account not only the difference for what you are paying per square foot, but it also takes into account certain other types of expenses such as the transitional expenses? I assume in the process of consolidating, since there are various leases all over, that there may be periods of time when part of the building is not occupied, when you are stuck with various leases that terminate at different times, the expenses that come from the kind of Parkinson's

Law expansion into all available space, things of that sort, and tied in with that, let squeeze a kind of sub-question and that is, would there, in connection with this, and does the State, in general, have standards by which to evaluate departmental or other uses of space so that, given the tendency of lots of folks to want to expand, you would spot when a particular office is using up a lot more space per desk or per filing cabinet or per worker or whatever logical way you use for your standards so that you don't see the expenses creep up through this type of expansion?

MR. GOLDMAN: Well, we do have approval process through the Budget Bureau of all leases, small one year leases up to the big ones. That is done by using standards, square feet per employee of different categories and so forth, and it is fairly rigorous. Secondly, whenever we look at the State's office usage, we find that the State employees are more crowded than the standards which we have, which, in turn, are more restrictive than the normal office standards. So, in that respect, I do not think that we have a problem and in the design of the building, using, again, the Justice Complex and also the DEP buildings, we do get a scope of the building from an architect, based on the requests of the departments, but then the Budget Bureau reviews that and cuts it back to meet the standards if the scope exceeded the standards. We also make an attempt--I don't say it is foolproof, but I think it is pretty good--to tailor the existing leases to the due date of the construction so that when the Justice Complex is available, those leases are going to expire, those that are going to be replaced, and there will not be an excess of the problem that you talked about, of having leases that we don't need. This is also being done right now in anticipation of a DEP building and it was done in 1978, when we started planning for one. All DEP leases are being maintained and renewed on a short-term basis, geared to when the estimate is of when the new building might be available. So, again, we don't feel that we will have a problem in that respect. We are trying to use some foresight in this planning. There are costs of moving. There are costs associated with these buildings not because of the Empire Building--I think that is the way you termed it--but because, in fact, these offices are overcrowded and it takes more space to house them properly, the same number of people properly, if you go about it from the beginning then if you perpetuate what exists. But, I should point out that while there are those extra costs in the conduct of business, it is apparent from experience in our whole economy and our whole private sector that decent, non-crowded office space is conducive to productivity. Otherwise, you would not see, if you go to any private corporation, you would not see the kind of commodious space that they have.

ASSEMBLYMAN BAER: That's a good point. My last question has to do with the Affirmative Action section, page 21. It has to do with the specification of this as a completely internal function, without any specific standards. Some of the various departmental programs have been questioned from time to time as to whether there should be some standards or review from some other source so that it isn't just a sort of self-policing thing. I see this proposed amendment, but what I'm getting at is the question that has been raised from time to time about an agency such as the Civil Rights Division playing an acute role in terms of standards for Affirmative Action. Sometimes it has been suggested about the Department of Civil Service, but I don't think that is as appropriate where you are talking about a construction thing or an employment thing. As you know, it has been proposed at times, even that they have a consolidated function across departments. The department is in a very difficult position sometimes where they have to apply this on themselves. What do you think about the idea of the Civil Rights Division or some--

MR. GOLDMAN: Well, the Legislature, several years ago, imposed the responsibility in construction contracting and also in purchasing for Affirmative Action on the Treasury Department. I have raised some questions about that since-- I was not Treasurer at that time--along the lines that you mentioned where we are, in effect, self-policing because we do most of the contracting for all municipalities, school districts in the whole state and it is very difficult to administer. We have issued regulations.

We have an active office that monitors this for the State and for the other governments. And would monitor it for this authority and for DBC and so forth. It is not under DBC, so that it is not DBC monitoring itself. We have a separate office doing it. I would like to say that DBC, I think, has been an exemplary organization in this respect. I saw the National Report by a civil rights group that said in the implementation of the Federal Public Works Program which required a 10% minority contract, that our DBC was the only effective administrator of that provision in the country. And, Len Di Donato who owns DBC is very concerned about this, and does a good job at it.

ASSEMBLYMAN VAN WAGNER: Thank you very much. We have three other individuals who want to testify. I will ask Mr. Barry if he has some questions. I believe Mr. Weidel has some additional questions. So, we will proceed from Mr. Barry--- Mr. Weidel, is your questioning going to be rather brief?

ASSEMBLYMAN WEIDEL: Yes.

ASSEMBLYMAN VAN WAGNER: And then we will go back to Mr. Dalton, and Ms. Kalik, and we will close the questioning at that point and move on to our next witness.

ASSEMBLYMAN BARRY: Mr. Goldman, this subject may have been broached before, but I am interested in knowing whether or not you are concerned about the possibility that this authority may effectively accelerate the deterioration of our urban centers, particularly Trenton, by encouraging us to abandon existing buildings and opting to construct new facilities just outside of the urban center.

MR. GOLDMAN: Well, in the case of Trenton, I think that what we have proposed is the brightest light that has hit Trenton in all the years that I have lived down here. I think the Mayor agrees with it. I think some of the civic leaders also agree with it. We have talked about and we have worked closely with the Trenton Planning Department in picking these sites about adding new vitality, not only in the immediate area of the State House, and compressing everything into the complex, but putting a building up near the railroad station on the other side of State Street hopefully to provide an anchor on that side of town, and to provide some cross movement across the shopping area of Trenton. We have talked about building down here, which would be of considerable help to Trenton, which was forced to acquire a dilapidated building in a court suit, which I am not altogether too familiar with, but which is now a white elephant in the hands of the City of Trenton, both financially and from a city development point of view.

So, we are very careful about that kind of consideration. My background is in development planning. I have experience in that field, and I try to take a look at it from the point of view of not only building buildings, but of doing it in the best way for the City. When we begin planning buildings, let's say if we do it in Newark, we would do the same thing. We would be meeting with the Newark city people, their Planning Department, their Development Agency, and if they felt that redevelopment of an existing building was better, rather than a new building, we would honor that.

ASSEMBLYMAN BARRY: Then you don't feel it would be appropriate to develop language that might ensure development in the urban center whenever possible, rather than just leaving that to the discretion of the authority?

MR. GOLDMAN: I thought we had something---

ASSEMBLYMAN VAN WAGNER: Yes, it follows the EDA concept of targeting assistance to those areas most in need, which in these cases would be---

ASSEMBLYMAN BARRY: But, isn't that language dealing with cities, rather than specifically the urban center or center city, as opposed to the fringe?

ASSEMBLYMAN VAN WAGNER: Yes.

ASSEMBLYMAN BARRY: Thank you.

ASSEMBLYMAN VAN WAGNER: Mr. Dalton.

ASSEMBLYMAN DALTON: What is the State procedure for the leasing of surplus land?

MR. GOLDMAN: Land we own that we want to lease to someone else? The Real Estate Office in my Department circulates this specific parcel of land by memo to all the other departments and asks if they have any particular use for it. If they do not, a proposal is then made to the State House Commission, which is a joint Executive-Legislative organization proposing that they authorize, which they have a right to do, the lease or sale of land by public bid. That is for most of the State's property.

However, in the Department of Transportation that function is done within the Department of Transportation with none of this procedure I just described, and I am not sure that some other exceptions that might exist to the general procedure.

ASSEMBLYMAN DALTON: Specifically, what is the legislative input into the leasing of surplus land?

MR. GOLDMAN: The Legislature has two inputs. First of all, legislative members on the State House Commission have to--- Well, the State House Commission has to approve it, and generally speaking the legislative members if they object have the ability to persuade the rest of the members not to go along with the arrangement. That has been the case since I have been on that, and that is the way it works.

Secondly, if the property in question is worth \$100,000 or more, the full Legislature, then, must vote to approve the sale or lease.

ASSEMBLYMAN DALTON: How many members of the Legislature are on the State House Commission?

MR. GOLDMAN: I think there are four.

ASSEMBLYMAN DALTON: And presently we are dealing with legislation that has two, not even two--- You actually have to have two to sign off on a lease if you said the President pro tem of the Senate and the Speaker.

MR. GOLDMAN: That is correct.

ASSEMBLYMAN DALTON: I just want to make you aware of this, Mr. Goldman, there is recently 83 acres of land leased in my district in Wharton State Park which is in the preservation area of the pinelands for the construction of a T. V. tower by a private corporation, and even though this happened in my district, and I have been opposing this leasing, or lease agreement, by the structure of the decision-making process of to lease or not to lease, you would think there was significant legislative oversight into this. However, I was the last person to find out about the leasing of land in my own district. And, we are talking about a fairly significant piece of land.

MR. GOLDMAN: In this particular case, I don't recall that one coming to the State House Commission. As I said, there may have been other exceptions

to that procedure. DOT is definitely an exception, and I think DEP may be an exception in the case of certain kinds of land that they acquired under certain programs.

ASSEMBLYMAN DALTON: I guess the point I am trying to make is you come here in support of a proposal that sets up this authority, and in effect, you are giving us very little legislative input into the process. That is the way I feel it is.

We just went through a whole hand-wrenching problem down in Camden with regard to the proposed location of a jail, a State facility in the City of Camden. I like the intent of the bill, and I think that is reasonable. However, I think the Legislature should play a much bigger part as far as from the inception, as far as any proposed constructions of State buildings. I don't think this bill really addresses that. It is significant. All you are saying is when you enter into a lease agreement, the President pro tem of the Senate and the Speaker of the Assembly have to sign off on that lease agreement.

Well, you know, the way things work around here, and I have only been here for nine months, there could be some proposed construction in my home town and I still might never know it.

MR. GOLDMAN: Well, I don't know the inner workings of the Legislature, but at least, you know, we do have hundreds of leases that go through, and I think the Legislature would not want particularly to know about all of them. The leaders know and sign them, but I don't think---

Now, when you talk about a lease of a \$30 million building or some major facility, I would expect that the Legislature would have ample notice of it, because it would be proposed publicly and get a lot of newspaper attention as this proposal has. It would go to the Capital Planning Commission before it started to take shape. And, it would have to be signed by the Legislative leaders. I don't know how that works, but I would presume that if that building is proposed to be built in Camden, the legislative leaders would normally contact the representatives from Camden.

ASSEMBLYMAN DALTON: Well, in this case, I was never contacted by the Director from the Department of Corrections, and I am an Assemblyman from Camden County. Only one Assemblyman from Camden County was contacted, and I guess this is my whole problem. This is the second time where the State is making a proposal relative to a major piece of construction in Camden County, one of which was in my district, and I am talking about the T. V. tower, and the other one was the proposed prison in the City of Camden. In both cases we didn't know about it.

MR. GOLDMAN: Well, I am not approving that kind of procedure, but I would point out that procedure apparently has its failings. That is not a criticism of this particular bill, because the prison project is a general obligation bill and requires the Legislator's approval and so forth, and you still have a problem. I don't think this would cause that kind of a problem. As you see, the Legislators from Trenton who would be affected by these bills are fully aware of them. One is the sponsor and Assemblyman Stockman was here. He had some problems with it. He was given ample discussion to try to work it out. So, we didn't proceed in this particular case without consultation with the local legislators or the Mayor or the Planning Directors, or anyone.

ASSEMBLYMAN DALTON: Well, I am not criticizing you relative to this bill. I am just trying to bring out my fears, and, I think, some of the fears of several other people who spoke this morning relative to input and to the process.

Additionally, the bill has the potential impact upon the City of Camden. Just to respond to your last statement, we have State offices there, however, I was never consulted about this bill. This is the first time I have ever seen it.

MR. GOLDMAN: Well, if this authority were to propose an office building in Camden, it would follow the same procedure we follow in Trenton. That would involve consultation from the beginning with the people of the City and the planning people and the Mayor would be in touch with the legislators from the District.

ASSEMBLYMAN DALTON: That is all.

ASSEMBLYMAN VAN WAGNER: Mr. Weidel.

ASSEMBLYMAN WEIDEL: Mr. Dalton, don't ever get too frustrated about this job. I have been here eleven years, and nobody has ever asked me about a lease. The theory behind this, at one time we never had to have the Speaker or the President of the Senate sign the leases, and the Legislature insisted in the Appropriations Act that they sign leases so that maybe we would get a little closeness to it, but I have yet to have a Speaker ask about him signing a lease. You have to think about that, and we have to work it out some other way. But, you are correct. Things that do happen, you should be aware of, and you are not.

ASSEMBLYMAN DALTON: Well, that is why I was inferring that provision should be made in this bill where we all would be informed of it. I don't think the President pro tem and the Speaker of the House is enough assurance that we will be made aware of these things.

ASSEMBLYMAN WEIDEL: That is exactly right. Now, when you speak here of a Legislative Budget Officer, who do you mean? Because in your letter to me you say the Director of OFA, which we don't have anymore, and over here in Merlino's letter he says the Legislative Budget Officer.

MR. GOLDMAN: That was Senator Merlino's amendment.

ASSEMBLYMAN WEIDEL: Are you talking about Mr. Hofgesang, or who?

MR. GOLDMAN: OFA, whoever it is.

ASSEMBLYMAN WEIDEL: You see, Dan, theoretically, when we set up the Office of Fiscal Affairs - and it has been changed every year - that is an arm of the Legislature. So, we could instruct the Director of Legislative Services to inform this Committee of any leases, and maybe he would tell us about leases.

Now, Mrs. Kalik and Mr. Van Wagner asked a question on this, and you responded to the procedure that you used where ownership would come on the Mercer County lease, and if at any time during the term of the lease the State wanted to purchase the building, it could. And you said this is where you would act as the Treasurer under a lease with this. But it isn't spelled out in the bill, is it?

In other words, to make this bill more palatable to some of the Legislators, could we amend this bill to say that all leases could be paid ahead of time, or at the expiration of this ownership it would come to the State of New Jersey?

MR. GOLDMAN: If I could look at that and consult with my lawyers on it, I will get back to you.

ASSEMBLYMAN WEIDEL: I think we could sell it a little better if we knew you fellows were restricted somewhat. We don't know what the next Treasurer would do.

MR. GOLDMAN: You don't know what I would do.

ASSEMBLYMAN WEIDEL: You will respond to the Committee on that?

MR. GOLDMAN: I will look into that issue, as to whether we can fashion some language that will achieve your purpose.

ASSEMBLYMAN WEIDEL: Again, you are skimming off the cream of what you are doing. You are taking the good part and you are forgetting about the hard part, the hospitals and various institutions like that. Now I can understand the economics of it, because they are not income producing, but if it is going to be so good the way you are referring to the complex down here, would it not be practical to allow you to do for these other buildings what you are doing with other office buildings?

In other words, could you not charge yourself an extra dollar a square foot and build a hospital?

MR. GOLDMAN: You could. The State could sign a lease--- not under this bill, but you could write a bill under which an authority could build a college and the State would lease the college and the State's lease payments would support a bond issue. In fact, I think it would be a horrendous thing to do, and I think we would suffer for it immediately if we tried it, by losing our State bond rating and I don't think it would be a good--- It would not be something I would ever propose to do. I think it is just wrong. I think it goes to the question or discussion we have had with Barbara Kalik that even this raises a philosophical issue which is troubling about bypassing the voters. But in this particular narrow case taking everything into account I can see the merit of doing that because the alternative is that the voters would not vote on these leases anyway and we would just be leasing buildings from less desirable arrangements.

But, to extend that concept from this very narrow area to all State financing, I think, would be a terrible step backwards for us.

ASSEMBLYMAN VAN WAGNER: Thank you. As you can see, I think the Committee is going to look to make some clarifying amendments. Senator Merlino has himself submitted some additional amendments to the bill. One of the things that I mentioned, and I am going to end with this, I had asked you about the procedures involved with the letting of contracts and so on, and the section that I was looking at earlier and was not able to find at the time was on page six of the bill, lines 34 to 39, where it allows the authority to acquire, construct, reconstruct, rehabilitate, improve, alter or repair, or provide for the construction, reconstruction, improvement, alteration, repair of any project, and let, award, and enter into construction contracts, purchase orders, and other contracts with respect thereto in such manner as the authority shall determine.

My question would be, will it do any violence to the very subtle differences that we have talked about if we were to insert in that section language which indicated that we expected it to conform with the present manner of dealing with these types of contracts.

MR. GOLDMAN: With the manner of the State contracts as they exist at any point in time.

ASSEMBLYMAN VAN WAGNER: Do you see any problem with that.

MR. GOLDMAN: None, I would think.

ASSEMBLYMAN VAN WAGNER: It also adds an assurance to the Legislature that in fact they are not creating an autonomous body which shall make its own rules and regulations as to how it is going to enter into these or let these types of awards. My chief concern - and I am sure the next three people who testify, at least some of them are going to express their support for the bill based on the kinds of jobs it is going to produce in the cities, and I want to be sure that these are primarily private sector jobs. You know, right now there is some dialogue being carried on about the amount of work being carried out by the Department of Transportation, vis-a-vis, private contractors. I would like to be able to express in the statement or somewhere in the body of the bill that the obvious intent of the authority in awarding these contracts was to stimulate and produce private sector employment, primarily, in the construction end of it, at least. I realize that a certain amount of the work still is done by the State, but that the bulk of the work and the construction would be done in the private sector, so that we can provide some type of stimulus economically by the nature of this bill.

MR. GOLDMAN: I think it is our intention that this work be done by private contractors under bid, and we can work out some language that would assure that.

ASSEMBLYMAN VAN WAGNER: I just wanted to hear you say it. I would like to thank you for being thorough and providing us with information that we asked for and for taking the time out of your schedule for being here today.

MR. GOLDMAN: Thank you for the opportunity. It is an important bill to us.

ASSEMBLYMAN VAN WAGNER: Thank you. Mr. Albert Enourato who is a private citizen and an outstanding private citizen.

A L B E R T     E N O U R A T O: Good afternoon, Mr. Chairman, Assemblywoman, Assemblymen, I want to thank you for allowing me to come here. I believe you all have a copy of my letter that I mailed to your Committee, which I think brings out the majority of my views. I can't help but to oppose this legislative bill. Of course, it affects me personally. There is no question about that. But, I believe we are circumventing the process that we have created with this legislative body, and that is by eliminating the voters to vote on this issue to spend \$250 million plus.

The concept of this authority I agree with. I think that our cities need help. I think the buildings can be built in some cities. I believe in some centralization but not 100% centralization. You just can't operate a State with 100% of your buildings in one city or one area. You have to take some of these services to the people. We have 21 counties, not 1 or 2 or 3.

In rebuttal to some of the witnesses statements that I have sat back there and heard for the last three and a half hours, I don't see anything in this bill that says what it is going to cost the taxpayers except \$250 million. It doesn't say how it is going to be spent, where it is going to be spent, how much the debt service is going to be, and how much the rentals are going to be. No one can tell me that the State can enter into this venture and rent the spaces to themselves cheaper than private enterprise can, because I am doing it right now at two locations in particular, primarily in the City of Trenton. Almost two and a half years ago I came up with the idea of purchasing these properties. I went to the then Director of Bureau of Real Estate and Insurance and suggested these sites. Now, my timing might have been off, but they were not interested. The two sites in Trenton were the Moose Hall and another one located between Front and Lafayette Streets. These buildings could have been purchased very cheaply at the time. They could have been built at a much lesser rate at the time, and they could have been rented on a twenty-five to forty year basis much cheaper at the time.

I can also build these buildings, and not only I, but many, many colleagues of mine who are in this development business, and in the construction industry. I know they can build a \$30 million building and if the State gave me or them a lease for forty or fifty years, I could give them that building for \$1 at the end of that term. What I don't see happening here with this bill is the upgrading of the cities, like they say, will take place. Truly, you build a new building. You might develop an extra luncheonette, another restaurant, but these buildings are not improving our transportation, and they are not bringing in better train service to the city. They are not building better hospitals and they are not getting teachers better pay. They are not doing anything that is really needed to upgrade the cities. They are not making the streets safer. We can't even open our church doors today after seven o'clock at night, and we are worried about building these ultra-modern, expensive type office buildings for the convenience of our operation of this State of New Jersey. I don't think it is necessary.

If they put the same effort that they are trying to put into this bill into the present agencies that we now have operating in the State of New Jersey, you can get the same results at less money. I can go on, and on and on, but I know you have been here a long time, and you have other people to

hear today. If you care to ask me any questions, I will be more than happy to answer them.

ASSEMBLYMAN VAN WAGNER: Mr. Weidel.

ASSEMBLYMAN WEIDEL: I don't think that the Treasurer said that all the leases that are now in effect will not come to a screeching halt. So, they will have a chance to review each lease as it comes up. Those that are bad leases they won't renew, and they are sorry they got into them in the first place, but if the State wants to add another 2,000 square feet to try to give them an addition, or things like that, and instead of putting on some 6,000 now he wants \$12 a square feet per foot for the addition, and things like that which will make for a more efficient operation---

I think we can offer hindsight and say we should have done things. But, I think that the concern of a lot of others and of myself is that all State leases for all buildings, no matter where they are, will come to a halt and that everything is going to be replaced by the State building authority, and I think that fear is not found. Do you have that fear?

MR. ENOURATO: I think it could happen, yes, over a period of years. If we just allocate this abundance of money every time they ask for it, yes, it could happen. Every time they devise an authority that wants \$250 million and you legislators approve it, you are going to create that. You are going to put private enterprise right back on its heels.

ASSEMBLYMAN WEIDEL: Most of the people who are on this Board of Directors, let's say, of the Building Authority are the same people who have been signing the leases, like the Speaker and the President pro tem, and now we are going to have the Legislative Budget Officer involved and the State Treasurer. Now, if John Jones' lease comes up and it is for so many square feet, and in the same breath and in the same day we are going to meet over here with this building authority, and we are going to decide whether these square feet should be built into a new building and incorporated into the third, fourth and fifth floor of the new building, it certainly stands to reason that any reasonable person is going to say, "We won't renew this lease for \$12 a square foot, we will build a new building at \$80 a square foot.

So, I don't think that your theories are going to solve that problem. The same people are going to approve the renewal of a lease or a new building.

MR. ENOURATO: How do you account for the trend that has been taking place for the last three years or so, of moving all leased properties from the suburban areas into the urban areas? What is the reason for that?

ASSEMBLYMAN WEIDEL: Good point. I can't answer that. If Mr. "X" has a building in Essex County in Ewing Township or Hamilton Township, he is not going to get it renewed, because it is going into the City of Trenton. So, you have a valid point.

ASSEMBLYMAN VAN WAGNER: I understand what you are saying, but you are saying almost philosophically--- The point you are making seems to adjust itself to the philosophy that the Treasurer was trying to establish with the advent of this bill, which is basically to pull--- I don't think we should delude ourselves in any way. You know, what you are saying is just that. Those suburban locations, or regional locations which presently house State agencies, such as SLEPA and Housing Finance Agency, I think we can pretty much bank on the fact that if a large building is built in Trenton by a State Building Authority, that the leases in those areas by the State are going to cease to exist. Those

owners are going to have to plan on leasing those to other than State agencies. You know, I think that is a necessary part of what this whole program is designed to do. So, he is right when he says that.

ASSEMBLYMAN WEIDEL: But that is between us. If the owner of the SLEPA building - which was built ten years ago - comes in for a renewed lease at some many dollars a square foot, and the State Building Authority wants to replace all those square feet in a new building, don't you think--- What is going to be the overriding force? Is the overriding force going to be economics, or is it going to say we will renew the lease in Hamilton Township because we can get it for so many dollars, or will we build a new building in the City of Trenton at \$80 or \$90 a square foot? You see, I don't know.

MR. ENOURATO: I think what this bill is going to create is another monster exactly like it happened in Albany.

ASSEMBLYMAN VAN WAGNER: The provision for hopefully stopping that monster is the \$250 million debt ceiling that the Authority has in total. As far as I know, that is not per year, is it? I think it is aggregate.

MR. ENOURATO: The way I read it, it is not a debt ceiling. It doesn't have a lid on it the way I read the bill.

ASSEMBLYMAN VAN WAGNER: It does not have a lid on it at any one point in time, so is that a sufficient limit lid or do we need to have stronger language to indicate that that is what our aggregate liability is going to be under this bill.

MR. ZUZZIO: That depends on your interests, Mr. Chairman.

ASSEMBLYMAN VAN WAGNER: Mr. Zuzzio is our staff assistant, and it is appropriate for me to ask him these questions.

MR. ZUZZIO: The financial community is willing to take the risk of the \$250 million outstanding at any one point in time.

ASSEMBLYMAN VAN WAGNER: What you are saying to me is, it may not necessarily be a limit of \$250 million.

MR. ZUZZIO: It is a limit of the total outstanding bonds at any one point in time.

ASSEMBLYMAN VAN WAGNER: So, the Authority in effect, if the financial community will comply and provide the financing, the authority in year two, let's say, could in effect bill \$250 million or go to bid on \$250 million worth of construction. For a ten-year period the Authority would then be locked in, so to speak, in terms of its outstanding obligations, but in a ten-year period when that has become amortized, it has then a renewed ceiling of \$250 million less the part of it that is still not amortized.

So, in fact you are saying this represents the competing interest to me as a builder.

MR. ENOURATO: Absolutely.

ASSEMBLYMAN VAN WAGNER: To your knowledge, as a private contractor and builder in the City of Trenton, what major proposals, if any, do you know of that have been made for the construction of office buildings in Trenton by private developers?

MR. ENOURATO: I don't know about other than the Grant and Bonan Building proposition that was just completed a couple of years ago. But, I can speak for myself. Of course, being a small type businessman, although I did build a three and a half million dollar building for the State of New Jersey back

in 1972, okay, which I am now leasing to the State---

ASSEMBLYMAN WEIDEL: You see, he has concern. Mr. Enourato built a three and a half million dollar building in Ewing Township, so he admits in his letter to us, that this would financially ruin him, if he has a five year lease and the State goes through with this and replaces all the people in this three and a half million dollar building three miles away with a building in the City of Trenton. So, he has a legitimate interest and concern. He is no different than any other businessman in the State of New Jersey

ASSEMBLYMAN VAN WAGNER: I think that is not only a legitimate private concern, in terms of the tax base it represents in the Township of Ewing, but it may also be a legitimate public concern.

MR. ENOURATO: You are. You are taking \$50,000 or \$60,000 of taxes that I am now paying and taking it away from Ewing Township, and bringing it into the City and maybe giving them one-third that much.

ASSEMBLYMAN VAN WAGNER: Of the total office space that you lease in your building in Ewing Township, is all of that taken by the State?

MR. ENOURATO: 100%, and it so happens to be the DEP.

ASSEMBLYMAN WEIDEL: How many square feet?

MR. ENOURATO: Approximately 75,000 square feet.

ASSEMBLYWOMAN KALIK: How long was your original lease?

MR. ENOURATO: My leases have all been worked out to run out according to this bill, just like Mr. Goldman explained to you. I have two leases expiring in 1983, one the early part and one the middle part, and then I have another lease that I signed for ten years just last year but they have an escape clause in after three years. So that all the building can be vacated in 1983, which leaves me with 75,000 square feet of vacant space and a \$2,100,000 loan.

ASSEMBLYMAN VAN WAGNER: As a private entrepreneur, would you have gone ahead with the project in Ewing Township had not the State been a major lessee?

MR. ENOURATO: No, I would not have.

ASSEMBLYMAN VAN WAGNER: You would not have, by any stretch of market---

MR. ENOURATO: I couldn't have.

ASSEMBLYMAN VAN WAGNER: In other words, what you are saying to me is that you have a unique situation. You built a building specifically for the State of New Jersey, specifically to be leased by the State of New Jersey, and if the State of New Jersey will vacate that building, then your opportunities for leasing it privately would be practically be slim and none.

MR. ENOURATO: Well, I would be in deep trouble.

ASSEMBLYMAN VAN WAGNER: You would be subject to financial difficulties.

MR. ENOURATO: Yes, very much so. But as I said in my letter, that being as it may, those are sometimes the chances you take in business. What I am primarily against is the fact that you are allowing this authority to be created which will gobble up all these properties, not only mine, but they will take the Fruscione's, Haveson's, and Schragger's and DiAgostino's, who own the public T. V. building. They will be taking all those buildings out of Ewing, Hamilton and Lawrence.

ASSEMBLYMAN VAN WAGNER: They will not only be taking the buildings, but taking the people out of the buildings.

MR. ENOURATO: Yes, the people. They will be taking businesses

away. They will affect the restaurants, the transportation, and everything from these suburban areas, and they will not be replacing it by putting it in the cities. They won't gain that much. For what you gain you hurt too many. If it costs you \$10 to do something and you could get away with spending \$7 by not having the exact thing you need--- How many times do we go through our lives without the car that we want, or the new suit that we want. Do we have to have these magnificent buildings to represent our State? We can work out of the same kind of buildings that we have been used too for the last couple of hundred years.

ASSEMBLYMAN VAN WAGNER: I would have to respectfully say to you, sir, as a legislator who has served in this house not quite as long as Mr. Weidel, but for seven years, and if I were to point to an immediate travesty in the State of New Jersey, I would have to point to the conditions under which this Legislature now works. It is not only an insult to the people of this State - if we want to talk about State buildings, not only is this an insult to the people of this State that a legislator in Trenton representing close to 200,000 cannot find one iota of privacy ever to even sit down and talk to a person. I think somewhere along the line, whether within the scope of this bill, or within somebody's purview we should have done a massive reconstruction job here in the City of Trenton to house those people, including the legislature, that need to be housed.

I pointed out earlier that I have been in buildings such as the Real Estate Commission, which has a tremendous responsibility, DEP, Labor and Industry Building, Department of Education, and I have seen people working separated by file cabinets, with having the responsibility of approving some very, very important documentation, vis-a-vis grants, and what I am saying to you is, although I agree that we have to look very carefully at the financial impact, that there is in fact a need for us to provide better office space to certain agencies of government. I think the need is very evident and observable in this case.

MR. ENOURATO: I agree with that. My building is a perfect example of exactly what you just described. My building was built and designed to hold approximately 400 people. I have close to 800 people in my building.

ASSEMBLYMAN VAN WAGNER: I know. I have been in there.

MR. ENOURATO: Okay, it is in shambles. They have files all over the floors, on top of the filing cabinets, and they have row boats and pumps with Water Resources in my vestibules.

ASSEMBLYMAN VAN WAGNER: And limited parking outside.

MR. ENOURATO: Right. Three vestibules that I designed, it cost me over \$30,000 apiece, I have row boats in there instead of a receptionist, or a desk where somebody could work.

ASSEMBLYMAN BAER: But you don't have a flood, right?

MR. ENOURATO: No, I don't--- Well, I did have that, too. I had a flood in 1975. They all said, how can you create a flood. Well, I had one.

You know, we could go on with the pros and cons from now until next week sometime. I am concerned primarily for myself, but I am also concerned about the indebtedness that you create to get something that you don't have to create. You can get it through private enterprise. You can still build these buildings. I would be more than happy to put in a bid to build a 400,000 square foot building, and I probably could build it for \$28 million to \$30 million

and give it to the State at the end of forty years for \$1. I know I could. And, I would give them a reasonable rent. But nobody has come to me or any developers in private enterprise to do this. They put through this bill that thinks that is going to be the cure-all. That is not the cure-all.

ASSEMBLYMAN VAN WAGNER: Well, wouldn't the authority as it is constructed now, once it decided that it wanted to enter into the financing - and keep in mind the authority, at least in my own mind, is not going to be the builder. The authority is going to be the financing agent.

MR. ENOURATO: They are going to be the financing agent and owner.

ASSEMBLYMAN VAN WAGNER: Right. In effect, will the authority then be the agency or mechanism that will come to you and other developers and say build us a \$400,000 square-foot building?

MR. ENOURATO: No, they put it out and advertise it for bids.

ASSEMBLYMAN VAN WAGNER: But won't you and other developers then come---

MR. ENOURATO: There is a difference between developing and building and just building.

ASSEMBLYMAN VAN WAGNER: I understand that. You then say that what we are going to do is really interrupt the flow of private development, rather than the flow of private construction.

MR. ENOURATO: Absolutely.

ASSEMBLYMAN VAN WAGNER: Okay. Are there any further questions? I would like to thank you for coming here.

MR. ENOURATO: It has been my pleasure.

ASSEMBLYMAN VAN WAGNER: I can't honestly tell you how we are going to deal with this bill. In terms of the members of the Committee that I have been discussing the bill with, I don't think any of us have the same notion of the bill that we had when we came in here. So, we appreciate your coming here today.

MR. ENOURATO: I thank you all for having me.

ASSEMBLYMAN VAN WAGNER: I would like to call Ed Meara.

E D W A R D M E A R A: Thank you, Mr. Chairman, members of the Committee, you are very patient and long suffering. I will try to be brief.

The Mercer County Chamber of Commerce, which represents virtually every major business organization within the County, is very supportive of this bill. We are supportive of this bill because the City of Trenton is in very serious trouble, as you know. You legislators come here a couple of times a week. The essence of what you are talking about is that these three bills will place several thousand additional consumers or people on our streets in addition to those already there.

It is our hope and we know that this will trigger private enterprise to come back to the City. In fact, it is hard to philosophically argue with that which you just heard from Mr. Enourato. He has a difficult problem. But the fact of the matter is that there has not been any private construction within the City of Trenton for the last twenty years. He mentioned the Grant-Bonan building being totally filled with State offices.

The theory of our support for this bill is that we hope and we know that it is going to place, as I said before, thousands and thousands of more consumers within the City. We know the consumers have fled to the suburbs.

We know that there are now plans for some housing around the Clinton Street Railroad Station based on the hope that these buildings are coming, and we again feel that this will create a domino effect within the City to create more housing, more shopping, and more rateables. Again, it is a theory, but we do know the facts are that private enterprise has fled the City and we need this which we sort of call a subtle or not so subtle a form of urban aid.

So, we urge you - it might sound strange coming from a Chamber of Commerce - to put something in of this nature. But we feel, as I said before, that it will trigger private development.

ASSEMBLYWOMAN KALIK: I just have a few questions. Would it not be true that either vis-a-vis the authority or vis-a-vis the regular method of bonding the same purpose would be achieved? The fact is that this Legislature did not approve the bonding two years ago. It really doesn't matter which vehicle we go through. What matters is the building.

MR. MEARA: That's correct.

ASSEMBLYMAN VAN WAGNER: Mr. Weidel.

ASSEMBLYMAN WEIDEL: A thought just came to me, Mr. Meara. The buildings that we are speaking about that are going to be getting into the revitalization of Trenton are --- One building is going to be where Carmen Armenti's restaurant is. Another building is going to be down from Cummini's restaurant and down from the Washington Market, and another building is going to be out across from the Post Office---

ASSEMBLYMAN VAN WAGNER: This is proposed under this bill?

ASSEMBLYMAN WEIDEL: That is what they propose to do? Three buildings.

ASSEMBLYMAN WEIDEL: Yes. And we have \$250 million because the Treasurer said that they thought about \$300 million. And we have people like Mr. Enourato who owns a three and a half million dollar building, and people like Mr. Fruscione who owns the SLEPA building. Could we limit the financing to those three buildings, and in five or ten years the people in the Legislature can say it was the greatest idea that ever came down, or it is the lousiest idea that ever came down. What do you want? Do you want the financing for these three buildings for Trenton?

MR. MEARA: You heard the Treasurer. We certainly want the buildings. We have, if you want to call it, a selfish interest in that we do feel and we do know that these buildings will bring consumers into our City. These consumers have fled the City, as you know.

Now, the point is I frankly am not as sophisticated from a financial point of view as the Treasurer or his aides, but you heard him say they have given a great deal of study to this, and they feel that this is the most economic way to do it in the longrun from the State's point of view. We as business people are taxpayers as well. I don't think there is any question that there has been a lot of waste over the years in the leasing of these buildings, very frankly.

ASSEMBLYMAN WEIDEL: Mr. Enourato testified that he built a building for the State of New Jersey for 400 people and there are 800 people in there. We have a prison down here that was built for 300 people and maybe there are 3000 people in it. We have an Annex across the way, a State owned building, and you should go into that Annex and look around in there. It is bad.

ASSEMBLYMAN VAN WAGNER: I have been in there. The Division of Alcohol is in there among others.

ASSEMBLYMAN WEIDEL: I am concerned, too, as Mayor Holland because there are hundreds of buildings for the State of New Jersey downtown. I don't know whether Dunhams could stay open if the State moved out of that building.

MR. MEARA: Well, I can speak for Mr. Platt who is Vice-Chairman of that Corporation. I know that he is in favor of that particular legislation on the same theory that I evoked. This in turn is going to bring in thousands of more people who are going to shop in this store and hopefully fill the space that the State vacates. Again, it is only a theory but we do know that people generate people. We do know that there is on the drawing board of the City of Trenton some middle income housing around the Clinton Street Station and other sections, which hopefully will house the State employee whose children may have left the nest and would be logical people to come in and be able to walk to their place of employment. We know that we have lost this type of employee to the suburbs. These people are the very foundation of our community. You know that as a native of the city as well as I.

It is a very difficult thing. Our chamber represents all the major municipalities within the county. It is not very easy for us to say--- You know, as a legislator you represent a wide district, and you can be criticized. The people in Hamilton Township say, "Well, how can you speak for Trenton only." Well, quite frankly and happily Hamilton Township is doing very nicely. The City of Trenton is in very serious shape.

Mayor Holland told me about a month ago that if the City continues in its present decline it could very well go bankrupt. Many of you do come from urban areas that are in equally serious condition. Al Enourato is a very old and dear friend of mine. I certainly don't want to do anything to hurt him any more than you do. It is the case of the best good for the most people, I guess.

ASSEMBLYMAN WEIDEL: If we knew how much these buildings were going to cost, and if we could change this limit--- The \$450 million is just a limit that somebody has put into this bill. Maybe we could have --- I don't know. I am just asking the question to try and be helpful, that is all. I don't want to go out of this Committee meeting with any doubts in my mind. I want to hear responses from you---

MR. MEARA: We don't want to waste money, that is for sure.

ASSEMBLYMAN VAN WAGNER: If I can share with you what we do in Capital Planning, in order to make determinations as to whether or not we should entertain a particular issue, or to review it and recommend it for the Legislature which is all we are able to do, we really can't pass one. Normally, the actual dialogue that takes place is between the bond houses and us. We review that limit. We review it in juxtaposition to the credit rating that the State now retains. And, we take advice from them as to what our limitations will be in terms of if we go to this level, will we still maintain a proper ratio between current expense and bonded indebtedness based on growth factors and everything that is plugged into that, and then our figure is arrived at. I think that is probably what the Treasurer did. He was probably told that \$300 million is a little high. Somewhere along the line, based on DBC's input and review of the present leases and tenancies, and so on, it probably is determined that maybe \$100 million or \$150 million is too low, and so they arrived at a planning target of \$250 million and then placed the limit on that as aggregate outstanding

obligation in order to preserve the integrity of the triple "A" credit rating based on current State appropriations. I think that is the way he arrived at it. He is not here now, but that is what I have seen done before.

ASSEMBLYMAN WEIDEL: Then you don't think that amount has any relationship to the cost of this building.

ASSEMBLYMAN VAN WAGNER: I somehow don't, Carl, and I don't know whether I am right or not. But, I somehow don't think it necessarily relates to any cost projections. Now, maybe Mr. Meara has better information being involved with the City of Trenton and the planning of it and so on.

MR. MEARA: I honestly couldn't answer that, Mr. Chairman.

ASSEMBLYMAN WEIDEL: I am going to make a statement here. I am very much in favor of legislation if it is necessary. My personal opinion is to give an impetus to the City of Trenton. Everything has been tried and it has been very, very unsuccessful. To those people who support this bill, it is an effort other than what we had, and there is a hope that it will be the beginning, as I said, housing and other small stores and various things.

So, it has to be tried, and I am wondering whether it would be such that it goes to such an extent. There comes a balancing of the act. In other words, I am hoping these three buildings will be that catalyst to start other things, and then Mr. Enourato will be able to come in because there is a beginning.

I am hoping that it isn't a monster that destroys other people along with it. If it can be done, we don't know. If they keep building and they keep drying up the private lease, not only in the township, but also in the City.

ASSEMBLYMAN VAN WAGNER: Have you been in Albany?

ASSEMBLYMAN WEIDEL: No. What I am trying to say is, looking for something, this has to do, but I don't know whether we should put the brakes on if we really don't need to. What we have to see is these three buildings.

ASSEMBLYMAN VAN WAGNER: You know, Albany is a unique situation, Carl, because the only time really any activity is created in Albany is when the New York Legislature goes back into session. But, in fact, what has happened as a result of the Albany mall, that tremendous construction and expansion of State offices and adjacent offices, is that there has been a steady, somewhat slow redevelopment of the City of Albany to some extent, at least in the center area around where the State buildings are located, preservation of historic sites, conversion of some of the row houses into now private dwellings, many of which are either purchased or bought by State employees. There has been an upgrading of the downtown shopping area to some extent, but it is unique in the sense that where we commute back and forth they come up for a three or four month period for their session. It is then that the lobbyists pour in and all the people that are concerned with what is going on in the Legislature come up there to the extent that you can't even get a motel room ten miles outside of Albany. You can't get near the place. I can tell you that from some experience.

So, from that point of view, there have been some ripple effects. But, again, like you say, who can tell in Trenton? Everything has been tried. You point that out very well.

MR. MEARA: The urban crisis, let's face it, is one of the most fantastic things facing us today.

ASSEMBLYMAN VAN WAGNER: We went to urban zoning four years ago.

That was going to be the answer. We were going to set up special tax abated situations superimposed on UDAG that cities could apply for. To my knowledge, there are exactly, I think, three approved urban development action grants in the State of New Jersey, only one of which has gotten in the way and that one is in Jersey City with the Montgomery-Gateway project.

Mr. Baer.

ASSEMBLYMAN BAER: I understand your interest, Carl, and your interest, sir, but it seems to me that there is creeping into this conversation some kind of assumption about where this activity might take place that I don't see spelled out in the legislation, and I think would be presumptuous of us to make any advanced conclusion about assuming that some kind of action on the legislation itself is taken. I hear your support for this legislation because you anticipate the construction is going to be in Trenton. I have no way of knowing if this goes ahead if that is going to be the case. Maybe somebody will conceive that while in the process of centralizing a lot of small offices, there is desirability in enlarging the State Office Center at 1100 Raymond Boulevard with a building behind that over the big parking area, and something comparable in Camden, so that you have major office complexes which have some service to two of the major regions of the State. I am neither advocating that nor opposing it, but if your support for this is based on the presumption about Trenton, how would you feel about this legislation if it were to produce a result instead, for instance, in Newark or Camden?

MR. MEARA: Well, I would have to confess to having a very prejudiced view on that point. Obviously I would wish to see it within Trenton. I suppose you would debate that it would be foolish to put it in Camden or Newark because it is decentralized and it would be inefficient.

We have heard that one of the theories behind this is to centralize many of the buildings which are now in the suburban regions, and to decentralize them further would not make good sense.

Also, we have been told by the Administration, at least, that this in fact is where the buildings would be placed. Now, of course---

ASSEMBLYMAN BAER: You have been told by ---

MR. MEARA: By the Treasurer. Now, I assume obviously the Legislature in its wisdom could---

ASSEMBLYMAN BAER: You were here when you heard the discussion that pointed to the parts in the legislation where that decision is not the Treasurer's alone.

MR. MEARA: Right. I suppose if you pushed me to the wall I would rather take the chance that you would put them in the city than defeat the bill totally.

ASSEMBLYMAN BAER: Well, I have nothing against the concept one way or the other in terms of location. It is just that having been in the situation many times before where after we acted on some kind of legislation people told us that there was some kind of agreement or commitment or obligation we were bound to, that we never felt that we entered into. I think the record should be very clear here that unless there is some formalization to the contrary, that if there is some form of action that we take on some form of this legislation, whether modified or not, that it does not contain within it any type of commitment to any particular location, and that there is no prejudice for or against any

particular location or plan. Do you share that view?

ASSEMBLYMAN VAN WAGNER: Yes, I think that is in the legislation on page 9. It says on line 28, "Plans and specifications should insure that the project will comply with all applicable standards, requirements prescribed by State or Federal law which promote the public health and protect the environment. The plans and specifications for the project to ensure that it would comply with the State Uniform Construction Code Act, and the locations of the project is consistent with the State's urban policy of concentrating public investments in distressed urban centers and assisting in the revitalization of the older cities, " - Jim Baron wanted to add, "and urban centers just to strengthen the urban direction - "except for a project intended to serve the region which contains no such urban center."

So, you are right. Although the language is strong and precise in terms of spelling out the primary goals of location, it also allows for some leeway in the event there is not an urban center and there is detected a need to construct through the authority an office building to house State workers. So, you are correct.

What you find in some of the other communities, if you want to put it into perspective, you take a community that exists in my own district such as Red Bank, a smaller community but urbanized. It has mass transportation facilities; it has a railroad station readily available. It has a downtown shopping center which many of the communities in my district do not have, only the older ones. They are resisting with great force any kind of proposal by a public agency, be it Federal, State or otherwise, to try to take over buildings for office purposes. They don't want it taken over simply because they are small towns, and they have a very small tax base to begin with, with practically no rateable income other than the commercial shopping area, so they are more interested in going in the other direction, and would love to see us come down there and say, "Guess what, we are going to build the building in Trenton or Camden or Jersey City, and we are going to absorb all of these agencies which are going to go back to you, which you can now rent privately again."

They have a different philosophy. They would jump at that. They in fact do not want any public agency coming in to construct. You know, that is just a different philosophy, yet there is the real problem in a case such as Monmouth County where you do not have the kind of mass transportation facilities you have, say, in an urban area, where people will avail themselves of those services do not have cars, cannot get to a place where they might be going for a service. So, they are almost locked in because of the fact they are accessible to, perhaps, having certain kinds of public agencies located there, as much as they may resist it.

Here I think we have the classic kind of Washington, D. C. approach, if you build public buildings, and of course the purpose of this is to do so with low cost financing which is insured by the guarantee of rents by leases to the State. You will in effect have a kind of radio effect on everybody, and the shopping areas, and housing will necessarily follow, like Carl said, and Mr. Meara is counting on the fact that will happen, but we don't know.

ASSEMBLYMAN WEIDEL: Look at how long it has taken, since 1950.

ASSEMBLYMAN VAN WAGNER: I think we ought to stop pretending that we are waving magic wands, whether we pass this legislation or modify it, or

whatever we do with it, I think we should stop waving the magic wand - not us particularly, but in general - that this is going to be the total rebirth of the City of Trenton. It is not. It is an attempt, as Mr. Weidel has said to get us going in another direction because other attempts have failed. Since the plan has to be approved by the legislature to begin with, if I am correct, and if I understood the Treasurer, then we would in effect have the right to veto those plans. If the legislature said, "No, we need approved leases for that area, that is the end of the project, so said the Treasurer." Is that correct?

ASSEMBLYMAN WEIDEL: I don't know whether we have to approve it as a whole, or if it is just the Speaker, or what?

ASSEMBLYWOMAN KALIK: The only input we have is this bill.

ASSEMBLYMAN VAN WAGNER: I think that is one of the problems we are going to iron out.

MR. MEARA: Trenton still is the State Capital and this is sort of a second home of all you legislators, so I hope you all join with us in making sure the buildings are here, and maybe Mr. Baer would put in an amendment to that effect.

ASSEMBLYMAN VAN WAGNER: Assuming we went forward, and assuming we built in the provisions that I think the Committee is going to want for additional oversight, because I sense from the members that they don't feel that there is the kind of oversight they would like to have in a venture of this type. Assuming that, I would guess that in general our intent would be to follow what the bill is implying in that we do revitalize the urban centers.

MR. MEARA: Certainly the capital is here.

ASSEMBLYMAN VAN WAGNER: The bill says on page 9, "Concentrating public investments in distressed urban centers and assisting in the revitalization of the older cities, except for a project intended to serve a region." It is a pretty good statement of goals, but it doesn't specify Trenton.

MR. MEARA: I would prefer it to be the State Capital, but again, I admit my prejudice.

ASSEMBLYMAN VAN WAGNER: Right, I understand that. Are there any other questions? Thank you, Mr. Meara.

Our last speaker for today is Mr. Donald Kennedy of the Building Trades Council.

D O N A L D K E N N E D Y: Thank you, Mr. Chairman. Ladies and gentlemen, I will be very brief. I appreciate the opportunity and I can understand how either warm it is out here or cold it is back there.

First of all, I do represent the construction workers and I am here with the blessing and support of Charlie Marciante, who is, of course, the President of the AFL-CIO. He supports passage of this bill.

My primary concern is the benefit of the construction worker and I would like to bring some of our problems before you. Certainly, if these buildings are built in whatever city where there is a depressed economy, the construction worker will benefit, the small business in the immediate area that provides goods and services to contractors will benefit, and there is, as I see it, a personal benefit for the construction industry. For example, during the 1970's the construction industry enjoyed or suffered its highest unemployment rate since the 1930's and in trying to find ways to relieve it, I found that even though we had sympathetic political leaders, the method in funding public construction through the voters and the bond issue on the ballot had really tied everyone's hands. We couldn't be helped and the only way we could do it was encourage a bond issue to go on the ballot and during bad economic times the voter's attitude is not healthy when it comes to voting to spend additional State money or approving bond issues for construction.

So, if that bond issue had previously been approved, we also suffered with the problem that the bonds, the interest rate, was not right and the state would not move to sell the bonds. So, we have been, I think, neglected. No one was able to take quick action to help relieve the severe unemployment in the construction industry. The Federal government passed the Public Works Bill that developed into the addition to City Hall in this area and really didn't come about until three or four years ago, even though the law said that you had to put the shovel in the ground in thirty or sixty days.

As far as the business community, certainly, we don't want an unhealthy or bankrupt business community. I would like to remind you, during the Hughes Administration, there was an ambitious State building program in this same immediate area and it really didn't bankrupt anyone who was renting space. By the time the buildings were finished and occupied, there were other needs, either private or public and there were no severe economic blows to any local businessmen because of that. I hate to think of what would have happened if we had not done these buildings at that time.

So, gentlemen, I see it as the ability of the Legislature to act in times of poor construction environment, economic environment and to go into a geographical area, wherever it might be--maybe thirty years from now, Hamilton or Ewing Township or someplace outside of Jersey City will be economically depressed and the Legislature can lean towards building buildings there. So, long range, it can help all areas of the State, but, immediately, I see it as the ability of the State to react, somehow, to a bad climate in one industry, where we have no place to turn now. Thank you.

ASSEMBLYMAN VAN WAGNER: Would you just answer a quick question? In terms of the construction trades, are you beginning, now, to once again experience the same kind of pains that occurred in '75, '74?

MR. KENNEDY: Certain parts of the state are not real healthy. We are about back to the level of about 1973. We still have some unemployment locally, even though we have the Justice Complex and some work at the prison.

ASSEMBLYMAN VAN WAGNER: But, you are not into the high double digit ranges that you were in '74?

MR. KENNEDY: No, no. We are much healthier now. Locally, we were in the neighborhood of 40% unemployment for construction workers and the unemployment records for Mercer County showed that we only had 6 or 7% unemployment because of the concentration of state employees here. So, we were really left with no special help from the State and certain public programs because your unemployment rate had to be above a certain amount for the county to get federal funds into the area.

ASSEMBLYMAN VAN WAGNER: Thank you very much, Mr. Kennedy. We appreciate your coming. Mr. Frank Haines from the New Jersey Taxpayers Association?

F R A N K H A I N E S: Thank you Mr. Chairman and ladies and gentlemen of the Committee. I debated whether I should say anything here today, but in view of the fact that we've done some extensive research on this question, I though I would just make a few comments at random.

Let me first say that our Association has decided to take no position on this legislation, but do whatever we can do to shed any light on the subject in terms of alternatives for action and to help people understand a rather complex subject.

I will be submitting to your staff--and I apologize for not having it today--a staff memorandum, which we put together earlier this year. It was part of our consideration of this proposal and for anyone who has the time to read it, it will point out some history which not everyone realizes; the fact that New Jersey had State Building Authority at one time, which was declared unconstitutional, but following that judicial nullification of an effort, the legislative branch has embarked on a whole series of actions which were aided and abetted by the legislative branch to do things to provide buildings, primarily for offices and related space, which circumvented, if you wish to call it that, the State Constitution. In other words, these things were done without voter approval and that is one of the considerations that my Association has had and which many of the people share today. Do you go the voter route on something like that with a general obligation bond issue or do you create the authority with the relative advantages and some disadvantages that such an agency might experience.

But, just quickly to review, if I may, just to put this in some perspective, because it is significant, the Education Complex--and the Treasurer has alluded to some of these today and I won't go into any detail--the Education Complex was financed from the pension funds. This was done to avoid going to the voters to build office buildings in Trenton. The whole concept has been, over the years, apparently, that the Legislature and probably the Executive Branch did not want to take a chance with the voters on building bond issues, many of which would have been in Trenton and the bond issues which have been on the ballot, just for your review, for sewerage treatment and for highways and for institutional buildings are things that are scattered around the state and where you can usually point out that there is some benefit that someone can see in the area. But, this question of office facilities has been docked and with the general idea that it doesn't have any attractiveness to the voters and other ways ought to be utilized. So, we have this beautiful complex on State Street. There is the Health and Agriculture Building and then came the Educational Facilities Authority, not necessarily in this order, but the Educational Facilities Authority, which was to create income producing buildings at both the private and public institutions. These didn't go to the voter. They started out in the early 50's by going to the voters

for college facilities and, at this point, it was felt that some of them, with revenue support, could go the other route and that has happened. Each one of these actions, for the most part, most of them, have been tested in the courts and have been upheld. In the evolution of the judicial development of these tests and these projects, the courts have almost come full-swing from the McCutcheon case, which declared the original Building Authority unconstitutional.

In the Hughes Administration, interestingly enough, another building authority was proposed, but that one didn't fly legislatively. It passed the Senate, but then died in the Assembly. But, that authority would have had broad powers, similar to the one that is in the legislation that you are considering, to build a whole variety of facilities far in excess of those that are somewhat limited, probably, in this bill today. The Association, at that time, didn't take any position, but, again, put out a background paper pointing out the pros and cons of such a development.

Another thing to get around the Constitution was the State Aid for County College Bill, where the counties were authorized to finance county college facilities and then 50% of the debt service would be supported by appropriations in the budget. This was tested in the courts and, at first, reversed at the middle level and then upheld by the Supreme Court and, again, the basic authority case was mentioned in it. An interesting quote in one of these cases, "Although the majority opinion in McCutcheon, which outlawed the first authority, was not expressly overruled, it obviously retains little validity today." That's a quote from the Holster case, Holster vs Trustees of Passaic County College in 1971.

So, the State started, again, as you heard, to lease-purchase facilities and the Taxation Building is a good example. You appropriated money to take up the option to buy that and several buildings in Trenton are under lease, some with option, and in other parts of the State. The Treasurer mentioned those and there is a significant amount of money involved in lease arrangements. You know that from your budget. You've heard about the means of going to the Mercer County Improvement Authority, not only for the Justice Building, but for the old--I shouldn't say old because it doesn't look it--but the Van Sciver Furniture Building, where the Income Tax Administration is handled. That's part of the Improvement Authority contract. So, those things have been done without going to the voters. So, there is sufficient precedent and the Legislature has been a part, with the Executive Branch, in doing things to provide facilities that bypass the voters and I'm not necessarily critical of it because we see that the necessity to provide facilities and some of the opportunities that exist by bypassing the usual routes of competitive bidding and contracting and so on. So, this program that you have heard about--and I'm not sure that it has been adequately explained because it isn't set forth in detail. Not only would it be for Trenton, but there are provisions which lease the plan which the Treasurer's office has developed. It includes an office building in Newark in place of the present one; office buildings in about 11 cities to try to centralize a whole scattering of administrative units and a whole series of cities around the State so people could come to a central location where there are state offices. Also, there is an opportunity in Ewing Township for expansion of the Transportation headquarters, to bring their buildings that are scattered all over creation.

We have tried to get, and I would urge you to obtain this, the locations now and how much and what is being paid for buildings that would be centralized, at least, in Trenton in these three areas. We think it bears examination and we think it might

attest to some possibility of support of the concept of the Authority. I think, from what we understand, the opportunity of the Authority, the advantage of the Authority, is that if you get a situation where you are going out to bid and you can't construct what you have planned, at least within the figure you have allocated, with the Authority, you can, at least, make adjustments and get what you need and that is one of the difficulties of general obligation financing and that is the thing we're facing constantly. With inflation, you are not getting the original project that the voters have approved because of the time lag from authorization to bidding to construction and so then there is the constant comeback or the shifting of funds to try to get what you really need. So, that's one of the potential advantages, the flexibility of the Authority to provide facilities.

We have recently had an experience in looking for space in Trenton and, hopefully, somewhere, somebody will do some building downtown to make facilities available to people who want to locate in Trenton. There is some space along State Street, but we've just been looking in a small area ourselves and we see the difficulty and we share the concern of Mr. Enourato that centralizing everything at once will open up space. But, the State is not standing still and even though there is some degree of overplanning for these facilities, in talking to State officials, they see growth and they see the growth as taking up some of the vacant space that is there. Whether it happens or not remains to be seen. If there is a revitalization in downtown Trenton, there is going to be a greater demand for agencies like ourselves or other agencies to locate in Trenton that are outside of Trenton now. We talk about the public interest groups or whatever you want to call them locating here more and more. These, I think, are some of the considerations.

We have listed, also, some pros and cons of the overall question here because I think these are things that would help a legislator and there are some points in the bills that, maybe, need modification. Why should you finance through an Authority or authorize bonds for 50 years when the constitution for general obligation bonds are 35 years? Well, maybe they won't issue them for that long, but that's the authority given in there. But, the questions and the arguments that have raised by many of you are valid, but it seems that the practical situation, as we've gotten it from talking to the Treasurer and the people in Purchase and Property, if the facilities are really needed and if you can truly improve efficiency and economy by bringing your departments into a single location--and this needs to be carefully reviewed. I think there can be improvements pointed out and efficiencies of operations by having a department in a single location and not scattered in nine or ten places where somebody has to run out for the mail and you've got to jump into a car to come into a staff meeting, with the delays in time and so on. So, these are some of the considerations on the other side which would militate in favoring the Authority approach. But, they all have to be considered. I have talked too long, but we will submit this memo to your staff because, as I said, many people don't realize that there is a history. There is a history of judicial involvement which, if there is a new Authority, may again come into play because I think it is to be assumed, if the Authority is created, someone is going to test it and there is a series of litigation which is interesting to study, but probably should not have any direct influence on your decision in this matter.

ASSEMBLYMAN VAN WAGNER: I should advise you, at this point, that the deliberation on this bill was, in effect, suspended while our staff researched the previous litigation. Had we not been satisfied that that litigation was no longer

a bar to implementing legislation like this, we would not have had this public hearing. In other words, we did not even consider, or I should say that the Chairman asked the staff to provide the background in terms of judicial review so that we were satisfied that we weren't just spinning our wheels and going back at another question that was declared unconstitutional, as it had been in the McCutcheon case. Once we were satisfied that there had been enough precedent for the establishment of this kind of mechanism, it was then that we decided to consider the bill. We have also asked the Treasurer to provide us with an overview of the leases, the length of the leases, and the number of leases that would be taken up by the prospective or proposed office construction. So, we hope to have that information.

MR. HAINES: I think that will be very revealing. I don't think we realize the extent that the State has, again, become spread out. I remember when these facilities were built and it was the centralization, but even those agencies in those buildings have gone far beyond and they are in so many different locations, the directory changes periodically.

ASSEMBLYWOMAN KALIK: I just want to thank Mr. Haines because he did shed some new light on it for me. Thank you.

ASSEMBLYMAN VAN WAGNER: I'm sorry. I apologize. I thought the Committee was aware earlier that there had been some judicial action on this type of legislation.

ASSEMBLYMAN WEIDEL: You are going to submit this?

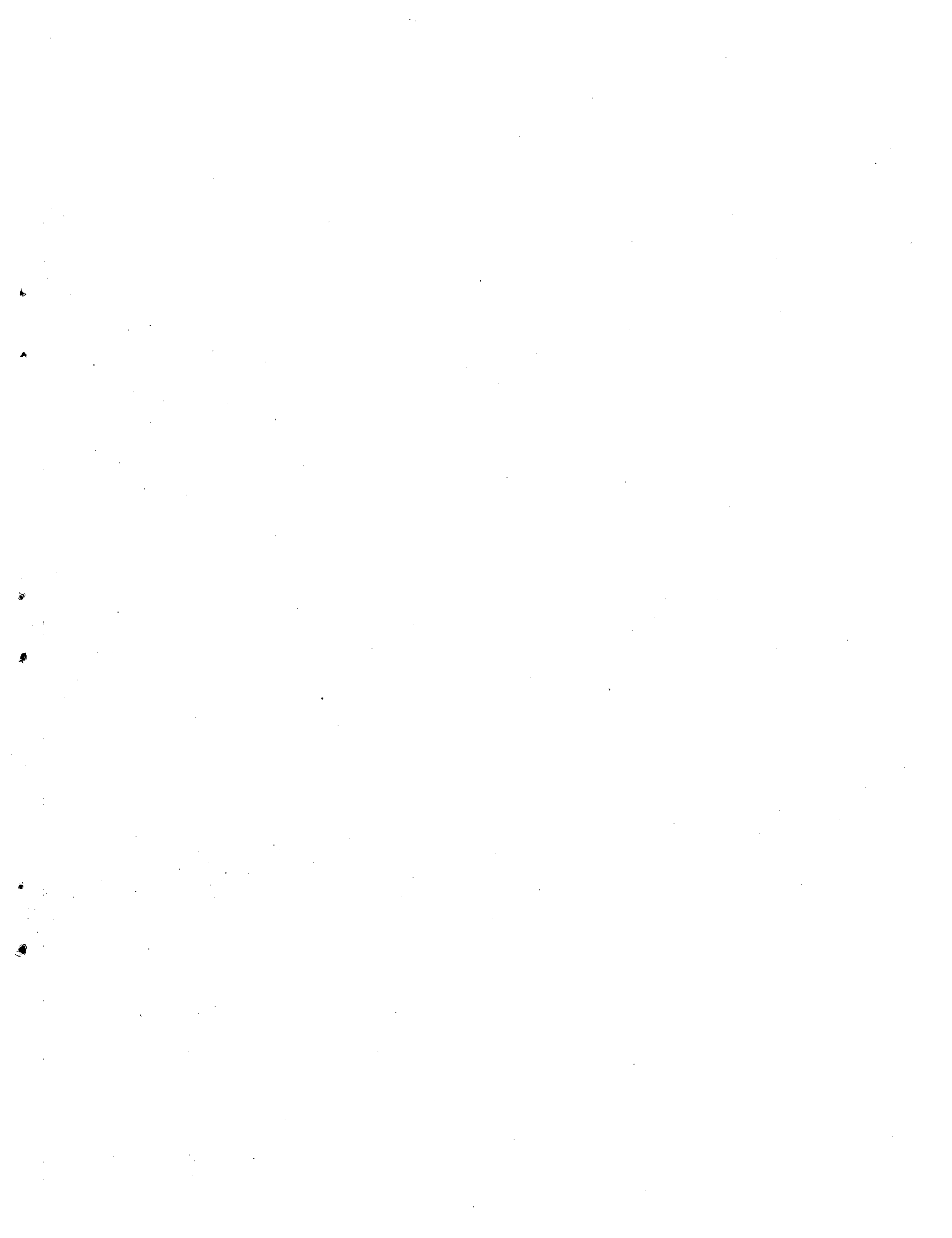
MR. HAINES: Yes, I will. I will try to have this in by the first of the week.

ASSEMBLYMAN WEIDEL: Before we get this up on the board.

ASSEMBLYMAN VAN WAGNER: Yes. I would just like to close out the meeting and I would like to thank Frank for coming in and providing us with that input. We will meet again on the 16th, when we will continue to take up the bill. Obviously, until the data and analysis that we need to have to satisfy the questions of the Committee, particularly those six or seven that were here today and I'm sure questions that will probably be raised by those who are not here. Until those questions are answered and the data and analysis that we have satisfies those questions, including the consideration of Mr. Enourato's problem, and anyone else who may be in that situation, that will determine when the bill will eventually come for final legislative approval. But, I should think that any of us acting on this bill will want to be able to answer to the Legislature those kinds of questions, the ones that have been raised today.

I would like to thank everybody for coming. I would like to thank the members of the Committee for providing their time and I would like to thank those who have come here to speak, either for or against the bill, for showing their interest in our State and the Committee will adjourn this public hearing and we will again convene on Thursday, October 16, for the purposes of taking up this agenda. Thank you.

(Hearing Concluded)



STATEMENT OF STATE TREASURER CLIFFORD A. GOLDMAN

ON S-1247

TO THE ASSEMBLY REVENUE, FINANCE & APPROPRIATIONS COMMITTEE

THURSDAY, OCTOBER 9, 1980

This bill creates a means for financing and constructing essential office space. This is a capacity we don't presently have and as a result, we are victimized by the inadequacies and high costs of the rental market.

This bill proposes the creation of a nine-member Authority to finance office construction through the sale of bonds secured by State leases.

Fifteen other states now have such authorities. In comparison to these, our proposal is extremely limited. Only offices, motor vehicle inspection stations and laboratories are permissible projects. No more than \$250 million in Authority bonds can be outstanding at any time.

All presently required legislative approvals for space rentals are retained. The Capital Planning Commission must approve each project plan -- the Speaker and Senate President must approve each individual lease, and the OFA Director is named a member of the new Authority. Each lease payment, of course, will be subject to annual appropriations.

The Authority's initial projects would include construction of a new Environmental Protection building in Trenton; smaller buildings to relieve overcrowding at DCA, Higher Education, Insurance, and Human Services; and a

laboratory facility for the Department of Agriculture.

This is a good bill. Its enactment will create jobs and stimulate urban economies. It will increase local revenues by adding new buildings to the in-lieu-of-tax payment base.

Without this legislation, we are headed for ever increasing rental costs and ever less satisfactory facilities. No large corporation would conduct its business in a hodge-podge of converted bowling alleys, department stores and supermarkets. Neither should we.

I recommend this bill for your prompt and favorable consideration.



