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PUBLIC MEETING

before

ASSEMBLY COMMUNITY DEVELOPMENT AND URBAN AFFAIRS COMMITTEE

ASSEMBLY BILL NO. 2653 and SENATE BILL NO. 2107

(Prevents eviction of pre-conversion tenants when residential premises are converted to condominium, cooperative or fee-simple ownership)

May 25, 1989
Room 403
State House Annex
Trenton, New Jersey

New Jersey State Library

MEMBERS OF COMMITTEE PRESENT:

Assemblyman John T. Hendrickson, Jr., Chairman
Assemblyman Jackie R. Mattison
Assemblyman Anthony Impreveduto

ALSO PRESENT:

Assemblywoman Maureen B. Ogden, District 22
Assemblywoman Stephanie R. Bush, District 27

Robert H. Levin
Office of Legislative Services
Aide, Assembly Community Development
and Urban Affairs Committee

* * * * *

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



New Jersey State Legislature

ASSEMBLY COMMUNITY DEVELOPMENT AND URBAN AFFAIRS COMMITTEE

STATE HOUSE ANNEX, CN 068

TRENTON, NEW JERSEY 08625

(609) 292-1596

JOHN T. HENDRICKSON, JR.
Chairman

ROBERT E. LITTELL
Vice-Chairman

THOMAS J. SHUSTED
JACKIE R. MATTISON
ANTHONY IMPREVEDUTO

MEMORANDUM

May 10, 1989

TO: MEMBERS OF THE ASSEMBLY COMMUNITY
DEVELOPMENT AND URBAN AFFAIRS COMMITTEE

FROM: ASSEMBLYMAN JOHN T. HENDRICKSON, JR.,
CHAIRMAN

SUBJECT: COMMITTEE MEETINGS - May 15, 1989 and May 25, 1989

(Address comments and questions to Robert H. Levin,
Committee Aide at (609) 292-1596)

I. The Assembly Community Development and Urban Affairs
Committee will meet on Monday, May 15, 1989 at 10:00 a.m. in Room 449
of the State House Annex, Trenton, to consider the following bills:

A-4008 Removes certified mail notice requirement for
Ogden solicitation of assessment data by assessor.

A-4047 Requires development plans to obviate hazards of
Albohn/ existing and abandoned mine workings.
Frelinghuysen

II. The Assembly Community Development and Urban Affairs
Committee will also meet on Thursday, May 25, 1989 at 10:30 a.m. in
Room 403 of the State House Annex, Trenton, to discuss the bills listed
below. This meeting may be continued to a later date if there is
insufficient time to accommodate all persons who wish to testify.

A-2653 Prevents eviction of pre-conversion tenants when
Singer/ residential premises are converted to condominium,
Kronick cooperative or fee-simple ownership. (Same as S-2107
w/changes)

S-2107 Prevents eviction of pre-conversion tenants when
Cowan residential premises are converted to condominium,
cooperative or fee-simple ownership. (Same as A-2653
w/changes)

Persons interested in testifying at this meeting should contact
Robert H. Levin, Committee Aide, at (609) 292-1596. Please bring a
synopsis or written copy of your testimony to the meeting.

ASSEMBLY, No. 2653

STATE OF NEW JERSEY

INTRODUCED MARCH 7, 1988

By Assemblymen SINGER, KRONICK, Impreveduto,
Kenny, Menendez, Charles, Doria, Assemblywoman Ogden,
and Assemblyman Baer

1 AN ACT for the protection of residential tenants during the
conversion of a multiple dwelling or mobile home park to a
3 planned residential development, amending and supplementing
P.L.1974, c.49 and P.L.1975, c.311, and repealing P.L.1981,
5 c.226.

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

9 1. (New section) The Legislature takes note of its previous
legislative findings adopted or given notice pursuant to section 10
11 of P.L.1986, c.138 (C.2A:18-61.1a) which have relevance to this
1988 amendatory and supplementary act.

13 2. (New section) As used in this 1988 amendatory and
supplementary act:

15 "Convert" means to convert one or more buildings or
structures or mobile home sites or pads from residential rental
17 use to condominium, cooperative, planned residential
development or separable fee simple ownership of the dwelling
19 units or of the mobile home sites or pads.

"Conversion recording" means the recording with the
21 appropriate county officer of a master deed for a condominium or
a deed to a cooperative corporation for a cooperative, or the first
23 deed of sale to a purchaser of an individual unit in a planned
residential development or of a separable fee simple ownership in
25 one of the dwelling units.

"Registration of conversion" means an approval of an
27 application for registration by the Department of Community
Affairs in accordance with "The Planned Real Estate
29 Development Full Disclosure Act," P.L.1977, c.419 (C.45:22A-21
et seq.).

31 3. Section 2 of P.L.1974, c.49 (C.2A:18-61.1) is amended to
read as follows:

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

Matter underlined thus is new matter.

1 2. No lessee or tenant or the assigns, under-tenants or legal
representatives of such lessee or tenant may be removed by the
3 county district court or the Superior Court from any house,
building, mobile home or land in a mobile home park or tenement
5 leased for residential purposes, other than owner-occupied
premises with not more than two rental units or a hotel, motel or
7 other guest house or part thereof rented to a transient guest or
seasonal tenant, except upon establishment of one of the
9 following grounds as good cause:

11 a. The person fails to pay rent due and owing under the lease
whether the same be oral or written;

13 b. The person has continued to be, after written notice to
cease, so disorderly as to destroy the peace and quiet of the
occupants or other tenants living in said house or neighborhood;

15 c. The person has willfully or by reason of gross negligence
caused or allowed destruction, damage or injury to the premises;

17 d. The person has continued, after written notice to cease, to
substantially violate or breach any of the landlord's rules and
19 regulations governing said premises, provided such rules and
regulations are reasonable and have been accepted in writing by
21 the tenant or made a part of the lease at the beginning of the
lease term;

23 e. The person has continued, after written notice to cease, to
substantially violate or breach any of the covenants or
25 agreements contained in the lease for the premises where a right
of reentry is reserved to the landlord in the lease for a violation
27 of such covenant or agreement, provided that such covenant or
agreement is reasonable and was contained in the lease at the
29 beginning of the lease term;

31 f. The person has failed to pay rent after a valid notice to quit
and notice of increase of said rent, provided the increase in rent
is not unconscionable and complies with any and all other laws or
33 municipal ordinances governing rent increases;

35 g. The landlord or owner (1) seeks to permanently board up or
demolish the premises because he has been cited by local or State
housing inspectors for substantial violations affecting the health
37 and safety of tenants and it is economically unfeasible for the
owner to eliminate the violations; (2) seeks to comply with local
39 or State housing inspectors who have cited him for substantial

1 violations affecting the health and safety of tenants and it is
2 unfeasible to so comply without removing the tenant;
3 simultaneously with service of notice of eviction pursuant to this
4 clause, the landlord shall notify the Department of Community
5 Affairs of the intention to institute proceedings and shall provide
6 the department with such other information as it may require
7 pursuant to rules and regulations. The department shall inform
8 all parties and the court of its view with respect to the feasibility
9 of compliance without removal of the tenant and may in its
10 discretion appear and present evidence; (3) seeks to correct an
11 illegal occupancy because he has been cited by local or State
12 housing inspectors and it is unfeasible to correct such illegal
13 occupancy without removing the tenant; or (4) is a governmental
14 agency which seeks to permanently retire the premises from the
15 rental market pursuant to a redevelopment or land clearance plan
16 in a blighted area. In those cases where the tenant is being
17 removed for any reason specified in this subsection, no warrant
18 for possession shall be issued until P.L.1967, c.79 (C.52:31B-1 et
19 seq.) and P.L.1971, c.362 (C.20:4-1 et seq.) have been complied
20 with;

21 h. The owner seeks to retire permanently the residential
22 building or the mobile home park from residential use or use as a
23 mobile park, provided this paragraph shall not apply to
24 circumstances covered under paragraph g. of this section;

25 i. The landlord or owner proposes, at the termination of a
26 lease, reasonable changes of substance in the terms and
27 conditions of the lease, including specifically any change in the
28 term thereof, which the tenant, after written notice, refuses to
29 accept; provided that in cases where a [tenant has received a
30 notice of termination pursuant to section 3 g. of P.L.1974, c.49
31 (C.2A:18-61.2), or has a protected tenancy status pursuant to
32 section 9 of the "Senior Citizens and Disabled Protected
33 Tenancy Act," P.L.1981, c.226 (C.2A:18-61.22 et al.)] landlord or
34 owner has applied for or received registration for conversion of
35 the building or mobile home park pursuant to "The Planned Real
36 Estate Development Full Disclosure Act," P.L.1977, c.419
37 (C.45:22A-21 et se .), the landlord or owner shall have the burden
38 of proving that any change in the terms and conditions of the
39 lease, rental or regulations both is reasonable and does not

1 substantially reduce the rights and privileges to which the tenant
was entitled prior to the conversion;

3 j. The person, after written notice to cease, has habitually and
without legal justification failed to pay rent which is due and
5 owing;

7 k. [The landlord or owner of the building or mobile home park
is converting from the rental market to a condominium,
cooperative or fee simple ownership of two or more dwelling
9 units or park sites, except as hereinafter provided in subsection l
. Where the tenant is being removed pursuant to this subsection,
11 no warrant for possession shall be issued until this act has been
complied with. No action for possession shall be brought pursuant
13 to this subsection against a senior citizen tenant or disabled
tenant with protected tenancy status pursuant to the "Senior
15 Citizens and Disabled Protected Tenancy Act," P.L.1981, c.226
(C.2A:18-61.22 et seq.), as long as the agency has not terminated
17 the protected tenancy status or the protected tenancy period has
not expired;] (Deleted by amendment, P.L. , c. (now pending
19 before the Legislature as this bill).)

21 l. (1) The owner of a building or mobile home park, which is
constructed as or being converted to a condominium, cooperative
or fee simple ownership, seeks to evict a tenant or sublessee
23 whose initial tenancy began after the master deed, agreement
establishing the cooperative or subdivision plat was recorded,
25 because the owner has contracted to sell the unit to a buyer who
seeks to personally occupy it and the contract for sale calls for
27 the unit to be vacant at the time of closing. However, no action
shall be brought against a tenant under paragraph (1) of this
29 subsection unless the tenant was given a statement in accordance
with section 6 of [this amendatory act] P.L.1975, c.311
31 (C.2A:18-61.9);

33 (2) The owner of three or less condominium or cooperative
units seeks to evict a tenant whose initial tenancy began by
rental from an owner of three or less units after the master deed
35 or agreement establishing the cooperative was recorded, because
the owner seeks to personally occupy the unit, or has contracted
37 to sell the unit to a buyer who seeks to personally occupy it and
the contract for sale calls for the unit to be vacant at the time of
39 closing;

41 (3) The owner of a building of three residential units or less
seeks to personally occupy a unit, or has contracted to sell the

1 residential unit to a buyer who wishes to personally occupy it and
the contract for sale calls for the unit to be vacant at the time of
3 closing;

m. The landlord or owner conditioned the tenancy upon and in
5 consideration for the tenant's employment by the landlord or
owner as superintendent, janitor or in some other capacity and
7 such employment is being terminated.

(cf: P.L.1981, c.226 s.13)

9 4. Section 3 of P.L.1974, c.49 (C.2A:18-61.2) is amended to
read as follows:

11 3. No judgment of possession shall be entered for any premises
covered by section 2 of this act, except in the nonpayment of
13 rent under [paragraph] subsection a. or f. of section 2, unless the
landlord has made written demand and given written notice for
15 delivery of possession of the premises. The following notice shall
be required:

17 a. For an action alleging disorderly conduct under [paragraph]
subsection b. of section 2, or injury to the premises under
19 [paragraph] subsection c. of section 2, or any grounds under
[paragraph] subsection m. of section 2, three days' notice prior to
21 the institution of the action for possession;

b. For an action alleging continued violation of rules and
23 regulations under [paragraph] subsection d. of section 2, or
substantial breach of covenant under [paragraph] subsection e. of
25 section 2, or habitual failure to pay rent, one month's notice
prior to the institution of the action for possession;

27 c. For an action alleging any grounds under [paragraph]
subsection g. of section 2, three months' notice prior to the
29 institution of the action;

d. For an action alleging permanent retirement under
31 [paragraph] subsection h. of section 2, 18 months' notice prior to
the institution of the action, and provided that, where there is a
33 lease in effect, no action may be instituted until the lease expires;

e. For an action alleging refusal of acceptance of reasonable
35 lease changes under [paragraph] subsection i. of section 2, one
month's notice prior to institution of action;

37 f. For an action alleging any grounds under [paragraph]
subsection l. of section 2, two months' notice prior to the
39 institution of the action, and provided that, where there is a
written lease in effect, no action shall be instituted until the
41 lease expires[;].

1 g. [For an action alleging any grounds under paragraph k. of
2 section 2, three years' notice prior to the institution of action,
3 and provided that, where there is a written lease in effect, no
4 action shall be instituted until the lease expires.] (Deleted by
5 amendment, P.L. , c. (now pending before the Legislature as
6 this bill).)

7 The notice in each of the foregoing instances shall specify in
8 detail the cause of the termination of the tenancy and shall be
9 served either personally upon the tenant or lessee or such person
10 in possession by giving him a copy thereof, or by leaving a copy
11 thereof at his usual place of abode with some member of his
12 family above the age of 14 years, or by certified mail; if the
13 certified letter is not claimed, notice shall be sent by regular
14 mail.

15 (cf: P.L.1986, c.138, s.1)

16 5. Section 5 of P.L.1975, c.311 (C.2A:18-61.8) is amended to
17 read as follows:

18 5. Any owner who intends to convert a multiple dwelling as
19 defined in P.L.1967, c.76 (C.55:13A-1 et seq.), other than a hotel
20 or motel, or a mobile home park into a condominium or
21 cooperative, or to fee simple ownership of the several dwelling
22 units or park sites shall give the tenants [60 days'] notice of his
23 intention to convert and the full plan of the conversion [prior to
24 serving notice, provided for in section 3 of P.L.1974, c. 49 (C.
25 2A:18-61.2)] after having received notice from the Department
26 of Community Affairs that the multiple dwelling or mobile home
27 park is in full compliance with all applicable State and municipal
28 health, safety, fire, housing, building and maintenance codes,
29 regulations, ordinances and statutes, and, pursuant to P.L.1977,
30 c.419 (C.45:22A-21 et seq.), that the conversion has been
31 registered or that the registration process has been waived by the
32 Department. A duplicate of the first such 60-day notice and full
33 plan shall be transmitted to the clerk of the municipality at the
34 same time. In the notice of intention to convert tenants shall be
35 notified of their right to purchase ownership in the premises at a
36 specified price in accordance with this section, and their other
37 rights as tenants under this act in relation to the conversion of a
38 building or park to a condominium, cooperative or fee simple
39 ownership. A tenant in occupancy at the time of the notice of

1 intention to convert shall have the exclusive right to purchase his
2 unit, the shares of stock allocated thereto or the park site, as the
3 case may be, for the first 90 days after such notice that such
4 purchase could be made during which time the unit or site shall
5 not be shown to a third party unless the tenant has in writing
6 waived the right to purchase. If the Department of Community
7 Affairs determines that the notice of intention to convert or the
8 full plan of conversion given to the tenants was materially
9 incomplete or incorrect, then a new notice of intention to
10 convert and full plan of conversion shall be issued to the tenants,
11 and the 90-day exclusive purchase period shall begin again
12 following such issuance. The conversion shall not be recorded
13 until after the 90-day exclusive purchase period has expired.

(cf: P.L.1981, c.8, s.4)

15 6. (New section) This 1988 amendatory and supplementary act
16 shall be applicable to any tenant against whom a judgment for
17 possession has not been entered pursuant to subsection k. of
18 section 2 of P.L.1974, c.49 (C.2A:18-61.1) prior to the effective
19 date of this 1988 amendatory and supplementary act. Any tenant
20 against whom a judgment for possession has been entered
21 pursuant to subsection k. of section 2 of P.L.1974, c.49
22 (C.2A:18-61.1) prior to the effective date of this 1988
23 amendatory and supplementary act shall retain all rights afforded
24 under sections 7 and 8 of P.L.1975, c.311 (C.2A:18-61.10,
25 2A:18-61.11).

7. P.L.1981, c.226 (C.2A:18-61.22 et seq.) is repealed.

27 8. (New section) a. In a municipality which does not have a rent
28 control ordinance in effect, no evidence of increased costs which
29 are solely the result of a conversion, including but not limited to
30 any increase in financing or carrying costs, and which do not add
31 services or amenities not previously provided, shall be used as a
32 basis to establish that a proposed rent increase is not
33 unconscionable within the meaning of subsection f. of section 2 of
34 P.L.1974, c.49 (C.2A:18-61.1)

35 b. In a municipality which has a rent control ordinance in
36 effect, a rent increase for a dwelling unit or for a mobile home
37 site or pad in a multiple dwelling or mobile home park which has
been converted shall not exceed the increase authorized by the

1 ordinance for rent-controlled units. Increased costs which are
solely the result of a conversion, including but not limited to any
3 increases in financing or carrying costs, and which do not add
services or amenities not previously provided, shall not be passed
5 directly through to the tenants as surcharges or as pass-throughs
in rental charges, shall not be used as the basis for a rent
7 increase, and shall not be used as a basis for substantiating a
hardship claim or claim to fair return in any hearing or other
9 proceeding before the municipal board, agency or officer having
jurisdiction to allow rent increases under the terms of the
11 municipal rent-control ordinance, or upon any appeal from the
determination of that board, agency or officer.

13 9. (New section) A municipality may pass an ordinance which
regulates conversions in a manner which is not less restrictive
15 than applicable State statutes and regulations pursuant thereto.
A conversion not prohibited by such an ordinance shall comply
17 with all applicable State statutes and regulations, as well as all
requirements of the ordinance.

19 10. This act shall take effect immediately.

21

STATEMENT

23

This bill is intended to protect the rights of residential tenants
25 whose dwellings are being converted to condominium, cooperative
or fee-simple ownership. It provides that every person who was a
27 tenant prior to the conversion recording shall be entitled to
remain in his or her dwelling unit (or mobile-home site in a
29 mobile-home park) as a tenant. Any pre-conversion tenant who
is not displaced at the time this bill is enacted can not be
31 displaced because of conversion.

Current law provides, as a general rule, that tenants in
33 premises so converted who do not purchase their dwelling units
within three years of the conversion may be compelled to move.
35 As an exception, senior citizens and disabled persons are entitled
to a more extended continuation of tenancy, and other persons
37 displaced by conversion are entitled to relocation assistance or
compensation in lieu thereof. Since this bill overturns that
39 general rule, and accords all tenants a right of indefinite
continuance in tenancy, it also repeals as unnecessary those

1 portions of the statutory law protecting the tenancies of senior
and disabled citizens (P.L.1981, c.226; C.2A:18-61.22 et seq.).
3 However, those portions of statutory law requiring relocation or
compensation or stays of eviction due to conversion (sections 7
5 and 8 of P.L.1975, c.311; C.2A:18-61.10, 2A:18-61.11) remain in
effect for any tenant in occupancy on the effective date of this
7 act, where a judgment for eviction due to conversion with respect
to such tenancy has already been granted.

9 The "Eviction for Just Cause" law (P.L.1974, c.49; C.2A:18-53
et al.), as originally enacted, did not provide conversion as a
11 cause for eviction. The conversion-eviction provision was added
by later amendment (P.L.1975, c.311, s.2). This bill returns to
13 the original intent of the Legislature that conversions not be a
cause for eviction.

15 The bill also guarantees to all rental dwelling units within
converted multiple dwellings the same rent-increase protections
17 that have been established for senior-citizen and disabled tenants
and for those tenants whose tenancies within converted
19 structures are now protected for a limited period of time:
namely, that in municipalities that have rent control these units
21 have the full protection of that rent control, and that in any
municipality conversion-related costs are not to be used as the
23 basis for rent increases.

In addition, the bill requires compliance with all State and
25 municipal codes and regulations concerning health, safety and
building maintenance before the notice of intention to convert
27 and the full plan of conversion may be issued.

The bill also allows municipalities to enact ordinances
29 regulating conversions in a manner "not less restrictive" than the
applicable State statutes and regulations. Conversions allowed
31 under such local regulation would also have to comply with the
State requirements.

33

35

HOUSING

Landlord-Tenant and Condominiums

37

Prevents eviction of pre-conversion tenants when residential
39 premises are converted to condominium, cooperative or
fee-simple ownership.

SENATE, No. 2107

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 22, 1988

By Senators COWAN,
O'CONNOR, JACKMAN and GRAVES

AN ACT concerning protection of residential tenants during the conversion of a multiple dwelling or mobile home park to a planned residential development, amending and supplementing P.L. 1974, c. 49 and P.L. 1975, c. 311, and repealing various sections of P.L. 1981, c. 226.

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

1. (New section) The Legislature takes note of its previous legislative findings adopted or given notice pursuant to section 10 of P.L. 1986, c. 138 (C. 2A:18-61.1a) which have relevance to this 1988 amendatory and supplementary act.

2. (New section) As used in this 1988 amendatory and supplementary act:

a. "Convert" means to convert one or more buildings or structures or mobile home sites or pads from residential rental use to condominium, cooperative, planned residential development or separable fee simple ownership of the dwelling units or of the mobile home sites or pads.

b. "Registration of conversion" means an approval of an application for registration by the Department of Community Affairs in accordance with "The Planned Real Estate Development Full Disclosure Act," P.L. 1977, c. 419 (C. 45:22A-21 et seq.).

c. "Conversion recording" means the recording with the appropriate county officer of a master deed for a condominium or a deed to a cooperative corporation for a planned residential development or separable fee simple ownership of the dwelling units.

3. Section 2 of P.L. 1974, c. 49 (C. 2A:18-61.1) is amended to read as follows:

2. No lessee or tenant or the assigns, under-tenants or legal

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

Matter underlined thus is new matter.

representatives of such lessee or tenant may be removed by the county district court or the Superior Court from any house, building, mobile home or land in a mobile home park or tenement leased for residential purposes, other than owner-occupied premises with not more than two rental units or a hotel, motel or other guest house or part thereof rented to a transient guest or seasonal tenant, except upon establishment of one of the following grounds as good cause:

a. The person fails to pay rent due and owing under the lease whether the same be oral or written;

b. The person has continued to be, after written notice to cease, so disorderly as to destroy the peace and quiet of the occupants or other tenants living in said house or neighborhood;

c. The person has willfully or by reason of gross negligence caused or allowed destruction, damage or injury to the premises;

d. The person has continued, after written notice to cease, to substantially violate or breach any of the landlord's rules and regulations governing said premises, provided such rules and regulations are reasonable and have been accepted in writing by the tenant or made a part of the lease at the beginning of the lease term;

e. The person has continued, after written notice to cease, to substantially violate or breach any of the covenants or agreements contained in the lease for the premises where a right of reentry is reserved to the landlord in the lease for a violation of such covenant or agreement, provided that such covenant or agreement is reasonable and was contained in the lease at the beginning of the lease term;

f. The person has failed to pay rent after a valid notice to quit and notice of increase of said rent, provided the increase in rent is not unconscionable and complies with any and all other laws or municipal ordinances governing rent increases;

g. The landlord or owner (1) seeks to permanently board up or demolish the premises because he has been cited by local or State housing inspectors for substantial violations affecting the health and safety of tenants and it is economically unfeasible for the owner to eliminate the violations; (2) seeks to comply with local or State housing inspectors who have cited him for substantial

violations affecting the health and safety of tenants and it is unfeasible to so comply without removing the tenant; simultaneously with service of notice of eviction pursuant to this clause, the landlord shall notify the Department of Community Affairs of the intention to institute proceedings and shall provide the department with such other information as it may require pursuant to rules and regulations. The department shall inform all parties and the court of its view with respect to the feasibility of compliance without removal of the tenant and may in its discretion appear and present evidence; (3) seeks to correct an illegal occupancy because he has been cited by local or State housing inspectors and it is unfeasible to correct such illegal occupancy without removing the tenant; or (4) is a governmental agency which seeks to permanently retire the premises from the rental market pursuant to a redevelopment or land clearance plan in a blighted area. In those cases where the tenant is being removed for any reason specified in this subsection, no warrant for possession shall be issued until P.L. 1967, c. 79 (C. 52:31B-1 et seq.) and P.L. 1971, c. 362 (C. 20:4-1 et seq.) have been complied with;

h. The owner seeks to retire permanently the residential building or the mobile home park from residential use or use as a mobile park, provided this paragraph shall not apply to circumstances covered under paragraph g. of this section;

i. The landlord or owner proposes, at the termination of a lease, reasonable changes of substance in the terms and conditions of the lease, including specifically any change in the term thereof, which the tenant, after written notice, refuses to accept; provided that in cases where a [tenant has received a notice of termination pursuant to section 3 g. of P.L.1974, c. 49 (C. 2A:18-61.2), or has a protected tenancy status pursuant to section 9 of the "Senior Citizens and Disabled Protected Tenancy Act," P.L. 1981, c. 226 (C. 2A:18-61.22 et al.)] landlord or owner has applied for or received registration for conversion of the building or mobile home park pursuant to "The Planned Real Estate Development Full Disclosure Act," P.L. 1977, c. 419 (C. 45:22A-21 et seq.), the landlord or owner shall have the burden of proving that any change in the terms and conditions of

the lease, rental or regulations both is reasonable and does not substantially reduce the rights and privileges to which the tenant was entitled prior to the conversion:

j. The person, after written notice to cease, has habitually and without legal justification failed to pay rent which is due and owing;

k. [The landlord or owner of the building or mobile home park is converting from the rental market to a condominium, cooperative or fee simple ownership of two or more dwelling units or park sites, except as hereinafter provided in subsection l. Where the tenant is being removed pursuant to this subsection, no warrant for possession shall be issued until this act has been complied with. No action for possession shall be brought pursuant to this subsection against a senior citizen tenant or disabled tenant with protected tenancy status pursuant to the "Senior Citizens and Disabled Protected Tenancy Act," P.L. 1981, c. 226 (C. 2A:18-61.22 et al.), as long as the agency has not terminated the protected tenancy status or the protected tenancy period has not expired] (Deleted by amendment; P.L. , c.);

l. (1) The owner of a building or mobile home park, which is constructed as or being converted to a condominium, cooperative or fee simple ownership, seeks to evict a tenant or sublessee whose initial tenancy began after the master deed, agreement establishing the cooperative or subdivision plat was recorded, because the owner has contracted to sell the unit to a buyer who seeks to personally occupy it and the contract for sale calls for the unit to be vacant at the time of closing. However, no action shall be brought against a tenant under paragraph (1) of this subsection unless the tenant was given a statement in accordance with section 6 of this amendatory act;

(2) The owner of three or less condominium or cooperative units seeks to evict a tenant whose initial tenancy began by rental from an owner of three or less units after the master deed or agreement establishing the cooperative was recorded, because the owner seeks to personally occupy the unit, or has contracted to sell the unit to a buyer who seeks to personally occupy it and the contract for sale calls for the unit to be vacant at the time of closing;

(3) The owner of a building of three residential units or less seeks to personally occupy a unit, or has contracted to sell the residential unit to a buyer who wishes to personally occupy it and the contract for sale calls for the unit to be vacant at the time of closing;

m. The landlord or owner conditioned the tenancy upon and in consideration for the tenant's employment by the landlord or owner as superintendent, janitor or in some other capacity and such employment is being terminated.

(cf: P.L.1981, c.226, s.13)

4. Section 3 of P.L. 1974, c. 49 (C. 2A:18-61.2) is amended to read as follows:

3. No judgment of possession shall be entered for any premises covered by section 2 of this act, except in the nonpayment of rent under paragraph a. or f. of section 2, unless the landlord has made written demand and given written notice for delivery of possession of the premises. The following notice shall be required:

a. For an action alleging disorderly conduct under paragraph b. of section 2, or injury to the premises under paragraph c. of section 2, or any grounds under paragraph m. of section 2, three days' notice prior to the institution of the action for possession;

b. For an action alleging continued violation of rules and regulations under paragraph d. of section 2, or substantial breach of covenant under paragraph e. of section 2, or habitual failure to pay rent, one month's notice prior to the institution of the action for possession;

c. For an action alleging any grounds under paragraph g. of section 2, three months' notice prior to the institution of the action;

d. For an action alleging permanent retirement under paragraph h. of section 2. 18 months' notice prior to the institution of the action, and provided that, where there is a lease in effect, no action may be instituted until the lease expires;

e. For an action alleging refusal of acceptance of reasonable lease changes under paragraph i. of section 2, one month's notice prior to institution of action;

f. For an action alleging any grounds under paragraph l. of section 2, two months' notice prior to the institution of the action, and provided that, where there is a written lease in

effect, no action shall be instituted until the lease expires[;].

g. [For an action alleging any grounds under paragraph k. of section 2, three years' notice prior to the institution of action, and provided that, where there is a written lease in effect, no action shall be instituted until the lease expires.] (Deleted by amendment; P.L. , c.)

The notice in each of the foregoing instances shall specify in detail the cause of the termination of the tenancy and shall be served either personally upon the tenant or lessee or such person in possession by giving him a copy thereof, or by leaving a copy thereof at his usual place of abode with some member of his family above the age of 14 years, or by certified mail; if the certified letter is not claimed, notice shall be sent by regular mail.

(cf: P.L.1986, c.138, s.1)

5. Section 5 of P.L. 1975, c. 311 (C. 2A:18-61.8) is amended to read as follows:

5. Any owner who intends to convert a multiple dwelling as defined in P.L. 1967, c. 76 (C. 55:13A-1 et seq.), other than a hotel or motel, or a mobile home park into a condominium or cooperative, or to fee simple ownership of the several dwelling units or park sites shall give the tenants [60 days'] notice of his intention to convert and the full plan of the conversion [prior to serving notice, provided for in section 3 of P.L. 1974, c. 49 (C. 2A:18-61.2)] after having received notice from the Department of Community Affairs that the multiple dwelling or mobile home park is in full compliance with all applicable State and municipal health, safety, fire, housing, building, and/or maintenance codes, regulations, ordinances, and/or statutes, and, pursuant to P.L. 1977, c. 419 (C. 45:22A-21 et seq.), that the conversion has been registered or that the registration process has been waived by the department. A duplicate of the first such [60-day] notice and full plan shall be transmitted to the clerk of the municipality at the same time. In the notice of intention to convert tenants shall be notified of their right to purchase ownership in the premises at a specified price in accordance with this section, and their other rights as tenants under this act in relation to the conversion of a

building or park to a condominium, cooperative or fee simple ownership. A tenant in occupancy at the time of the notice of intention to convert shall have the exclusive right to purchase his unit, the shares of stock allocated thereto or the park site, as the case may be, for the first 90 days after such notice that such purchase could be made during which time the unit or site shall not be shown to a third party unless the tenant has in writing waived the right to purchase. If the Department of Community Affairs determines that the notice of intention to convert or full plan of conversion given to the tenants was materially incomplete or incorrect, then a new notice of intention to convert and full plan or conversion shall be issued to the tenants, and the 90 day exclusive purchase period shall begin again following such issuance. The conversion shall not be recorded until after the 90 day exclusive purchase period has expired.

(cf: P.L.1981, c.8, s.4)

6. (New section) This 1988 amendatory and supplementary act shall be applicable to any tenant against whom a judgment for possession has not been entered pursuant to paragraph k. of section 2 of P.L. 1974, c: 49 (C. 2A:18-61.1) prior to the effective date of this 1988 amendatory and supplementary act. Any tenant against whom a judgment for possession has been entered pursuant to paragraph k. of section 2 of P.L. 1974, c. 49 (C. 2A:18-61.1) prior to the effective date of this 1988 amendatory and supplementary act shall retain all rights afforded under section 7 of P.L. 1975, c. 311 (C. 2A:18-61.10) and section 8 of P.L. 1975, c. 311 (C. 2A:18-61.11).

7. (New section) In a municipality which does not have a rent control ordinance in effect, no evidence of increased costs which are solely the result of a conversion, including but not limited to any increase in financing or carrying costs, and which do not add services or amenities not previously provided shall be used as a basis to establish the reasonableness of a rent increase under paragraph f. of section 2 of P.L. 1974, c. 49 (C. 2A:18-61.1).

In a municipality which has a rent control ordinance in effect, a rent increase for a dwelling unit or mobile home site or pad which has been converted shall not exceed the increase

authorized by the ordinance for rent controlled units. Increased costs which are solely the result of a conversion, including, but not limited to, any increases in financing or carrying costs, and which do not add services or amenities not previously provided shall not be passed directly through to the tenants as surcharges or pass-throughs on the rent, shall not be used as the basis for a rent increase, and shall not be used as a basis for an increase in a fair return or hardship hearing before a municipal rent board or on appeal for such determination.

8. (New section) Any municipality may pass an ordinance which regulates conversions in a manner which is not less restrictive than applicable State statutes. A conversion which is not prohibited by such an ordinance must also comply with all applicable State statutes.

9. Sections 1 through 12 and sections 15 through 20 of P.L. 1981, c. 226 (C. 2A:18-61.22 through C. 2A:18-61.39) are hereby repealed.

10. This act shall take effect immediately.

STATEMENT

This bill is intended to protect the rights of residential tenants whose dwellings are being converted to condominium, cooperative or fee simple ownership. It provides that every person who was a tenant prior to the conversion recording shall be entitled to remain in his or her dwelling unit as a tenant, since eviction of such pre-conversion tenants is no longer an allowable cause for eviction. Any pre-conversion tenant who is not displaced at the time this bill is enacted into law cannot be displaced because of conversion.

Current law provides, as a general rule, that tenants in premises so converted who do not purchase their dwelling units within three years of the conversion may be compelled to move. As an exception, senior citizens and disabled persons are entitled to a more extended continuation of tenancy, and other persons displaced by conversion are entitled to relocation assistance or compensation in lieu thereof. Since this bill overturns that general rule, and accords to all tenants a right of indefinite

continuance in tenancy, it also repeals as unnecessary those portions of the statutory law protecting the tenancies of senior citizens and the disabled. However, those portions of statutory law requiring relocation, compensation or stays of eviction due to conversion, section 7 of P.L. 1975, c. 311 (C. 2A:18-61.10) and section 8 of P.L. 1975, c. 311 (C. 2A:18-61.11), remain in effect for any tenant in occupancy on the effective date of this act, where a judgment for eviction due to conversion with respect to such tenancy has already been granted.

P.L. 1974, c. 49 (C. 2A:18-61.1 et seq.), as originally enacted, did not provide conversion as a cause for eviction. The conversion eviction came later by amendment. This bill returns to the original intent of the Legislature that conversions not be a cause for eviction.

The bill also guarantees the same rent increase protection to all converted dwelling units that had previously been established for senior citizens, disabled tenants, and other tenants whose tenancies were protected from eviction due to conversion for a limited period of time. These units will be protected by rent control in municipalities that have rent control and conversion related cost increases will not to be used as the basis for rent increases in any municipality.

In addition, the bill requires compliance with all State and municipal maintenance and health codes prior to the issuance of the notice of intention to convert and the full plan of conversion, and allows municipalities to enact ordinances regulating conversions while requiring concomitant compliance with applicable State statutes for those conversions that are not prohibited by such municipal ordinances.

HOUSING

Landlord-Tenant and Condominiums

Prevents eviction of pre-conversion tenants when residential premises are converted to condominium, cooperative or fee simple ownership.

SENATE COUNTY AND MUNICIPAL GOVERNMENT
COMMITTEE

STATEMENT TO

SENATE, No. 2107

STATE OF NEW JERSEY

DATED: JUNE 23, 1988

The Senate County and Municipal Government Committee favorably reports Senate Bill No. 2107.

Senate Bill No. 2107 provides that every person who was a tenant prior to a conversion recording shall be entitled to remain in his or her dwelling unit as a tenant. Specifically, the bill extends this entitlement by removing eviction of pre-conversion tenants as an allowable cause for eviction under section 2 of P.L. 1974, c. 49 (C. 2A:18-61.1). Any pre-conversion tenant against whose residence a judgment of possession has not been entered at the time this bill is enacted into law cannot be displaced because of conversion.

Under subsection g. of section 3 of P.L. 1974, c. 49 (C. 2A:18-61.2), a landlord must provide pre-conversion tenants with three years' notice of the conversion. Since conversion is grounds for eviction under subsection k. of section 2 of P.L. 1974, c. 49 (C. 2A:18-61.1), tenants may be compelled to move upon expiration of the three year notice period. As an exception, senior citizens and disabled persons are entitled to a more extended continuation of tenancy, and other persons displaced by conversion are entitled to relocation assistance or compensation in lieu thereof. Since this bill overturns that general rule and accords to all tenants a right of indefinite continuance in tenancy, it also repeals as unnecessary those portions of the statutory law protecting the tenancies of senior citizens and the disabled. Those portions of statutory law requiring relocation, compensation or stays of eviction due to conversion, however, specifically section 7 of P.L. 1975, c. 311 (C. 2A:18-61.10) and section 8 of P.L. 1975, c. 311 (C. 2A:18-61.11), remain in effect for any tenant in occupancy on the effective date of this act, where a judgment for eviction due to conversion with respect to such tenancy has already been granted.

The bill also guarantees the same rent increase protection to all converted dwelling units that had previously been established for senior citizens, disabled tenants, and other tenants whose tenancies were protected from eviction due to conversion for a limited period

of time. These units will be protected by rent control in municipalities that have rent control and conversion-related cost increases will not to be used as the basis for rent increases in any municipality.

In addition, the bill requires compliance with all State and municipal maintenance and health codes prior to the issuance of the notice of intention to convert and the full plan of conversion, and allows municipalities to enact ordinances regulating conversions while requiring concomitant compliance with applicable State statutes for those conversions that are not prohibited by such municipal ordinances.

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ASSEMBLYMAN JOHN T. HENDRICKSON, JR. (Chairman):
We're waiting for a few minutes for some additional Assemblypeople. I apologize for being a few minutes late, but everybody understands the pressures on a legislator. I just left Commissioner Saul Cooperman's people on a piece of educational legislation. That meeting took a little longer than I thought it would. So, I was here, but I was downstairs at another meeting. I didn't mean to be a few minutes late and keep everybody waiting here. We will open as soon as we have some more Assemblypeople here. (short pause)

Good morning everyone. This meeting is called to order. First, let me introduce Assemblywoman Maureen Ogden, who is sitting in today as a temporary substitute member of the Committee. Maureen was good enough to give up her time today on this very important piece of legislation. Unfortunately, our two regular members had committed to come, but like everything that happens to a legislator, other priorities took over. We had time to look around, and Maureen consented to come up.

Secondly, let me make it clear at the outset that I intend to give everyone who wishes to testify the opportunity to do so. Witnesses should be prepared to answer questions from the Committee. Unless there are any comments from the Committee members, I will now call the first witness. Do we have any comments? (no response)

New Jersey Tenants Organization, Phyllis Salowe-Kaye?

UNIDENTIFIED SPEAKER FROM AUDIENCE: She's absent.

ASSEMBLYMAN HENDRICKSON: Is Senator Cowan here? Is any member of his staff here yet? (no response) I will then call on Assemblyman Singer.

A S S E M B L Y M A N R O B E R T W. S I N G E R: Thank you, Mr. Chairman. I appreciate your calling me first on this bill.

I live in Lakewood Township, as you know, in the Tenth District. Lakewood Township is a rent-controlled community, with a population of about 45,000 people. We have been rent controlled for a number of years. For the past 13 to 14 years, there has been no new construction of any rental units. As a matter of fact, if we look at the other 32 municipalities in Ocean County which don't have rent control, we will see that there has been no new construction of any rental units at all.

Presently, right now, in Lakewood, in a community that is rent controlled, a one-bedroom apartment rents for approximately \$575 to \$625 a month, if you can find one. The housing shortage, both in my community and in my county, is in a critical state. We find a situation where both young and old alike cannot find affordable housing. The small rental housing stock we have now in Lakewood is slowly changing to condo conversion. Most recently, one 90-unit complex went to condo, and now one of our largest complexes in Lakewood has been approved for condo conversion. What this is doing is forcing working people out of their homes, with no alternative.

For some strange misnomer, some people are under the impression that people who rent have this hoard of money they're saving; that they don't want to put money down to buy a condo or buy a house. I must tell you that that is absolutely not true. The problem is, in our particular instance, the cost of such condo conversions is so far above the means of the people who are renting, that it becomes an impossible situation for them.

We not only tell them that they cannot remain in their present homes that they have lived in for many years, but they must leave the town that some of them grew up in. I tend to believe that it is just an unfair act, and something that government must do something about.

Now, as you know, last term, we passed the first condo conversion bill. There was a lot of controversy about that

situation that talked about not giving the rights to a person to sell his building for condo conversion, and isn't that against the Constitution? I guess we thought about that this term, and said, "Maybe there is some validity to that argument," and we are willing to say, at least in my mind, that if a landlord wishes to convert his apartment complex to condos, he can. Therefore, he does have the right to convert. But what we're saying, very, very, simply, is, the same right we give to senior citizens, we want to give to tenants; the fact being, if you want to convert your apartment complex, your duplex apartments, whatever you want, to a condo, fine, convert them, but allow the person who has been there for such a long time to remain there as a renter, until such time as they decide to leave, not the landlord.

You know, the critical housing shortage statewide that we face today, and we've talked again about-- The so-called evil that the builders talk about is rent control. This is the evil that has prevented the building in the marketplace of rental units. We found in the last several years, that because there was this build-up of people who had not bought anything, this surge of buying anything that was being built came upon our State, whether it was single-family homes, or whether it was condos. I can remember reading in the newspapers in North Jersey where some of the large builders were holding lotteries on a first come, first served basis, who would buy the units they were building. I know in my own community, that as soon as they broke ground, they had full sales of their units.

Well, that is changing right now, but yet even with that change in the economy, and even with the fact that condos are not selling at the high level they were, we are still seeing, very basically, that there are still no rental units being built, and there are no alternatives. I feel that because there are no alternatives for people-- People have the right to live in the communities they have lived in all their lives; to choose where they would like to live, realistically.

We have an obligation to protect the renter. By protecting the renter, we are securing the future not only of that community, but of the State of New Jersey. These are the working people of our State. Again, I must plead with you regarding these factors: These are not persons hoarding huge amounts of money. These are not persons who wouldn't like to be able to buy that condo or that home. Many of them would like to, but unfortunately, just take a look at the price -- what they are asking for, compared to what these people make for a living, compared to the kinds of savings they have.

The other side of the coin a little bit, too, is, we shouldn't have to make anybody buy anything they don't want to, but they should be able to remain in the community they would like to remain in, where they have been productive members of that community, been good members of that community their whole lives.

I think if we continue on this course, we will force thousands of good, decent, hard-working people of this State out of our State, and out of our communities; people we cannot afford to lose. I would implore this Committee to release this bill, to allow it to go to a full vote in the State Assembly. Hopefully it will pass and go to the Governor's desk to be signed.

Again, I thank the Committee for their time and efforts on this very, very important bill.

ASSEMBLYMAN HENDRICKSON: Thank you very much, Assemblyman Singer. (applause) Assemblyman Menendez?

A S S E M B L Y M A N R O B E R T M E N E N D E Z:
(speaking from audience) Mr. Chairman, I appreciate the opportunity. I see there is a prime co-sponsor here. I don't know if the Chair would like to consider him first.

ASSEMBLYMAN HENDRICKSON: Absolutely. I was just, in the essence of time, because I thought you had asked to leave early-- Assemblyman Kronick?

A S S E M B L Y M A N D A V I D C. K R O N I C K: Good morning, Mr. Chairman, Committee members.

ASSEMBLYMAN HENDRICKSON: Good morning.

ASSEMBLYMAN KRONICK: Thank you very much for the opportunity to speak this morning on a very, very important issue to all of us.

We are here, I think it is safe to say, to hear and present testimony on what effect condominium conversions have had upon the existing stock of rental apartments, and what effect the non-eviction bill would have upon condominium conversions.

The questions that need to be answered are:

Do condominiums offer an acceptable answer to the need for affordable housing?

Are condominiums accessible to every economic strata of our society?

Does the trend in conversions represent a hardship to some for the benefit of a privileged few?

And, would the non-eviction legislation prevent the continued conversion of rental stock?

As you may be aware, there is a crisis in affordable housing facing many New Jersey residents. In 1986, it was established by the State Council on Affordable Housing that New Jersey needed 145,707 units of low and moderately priced housing. Now, almost halfway through 1989, only 2000 units have been constructed, and very few of those have been in our highly populated urban areas.

Our cities, which comprise the greatest concentration of the lower- and middle-class blue-collar work force, are in a state of transition, caused largely by the rapid conversion of rental units into condominiums. Much of this has happened in the last five years. Rental apartments, to thousands of people in our cities, still represent the only source of affordable housing.

A recent study, conducted by the Jersey City Department of Housing and Economic Development, found that a typical tenant could not afford to purchase his home and faced a substantial increase when moving to a new apartment. The average apartment converted to a condominium in 1987 had rented for \$377 a month, while the average price for a condominium was \$99,624. Meanwhile, the average rental apartment in the city cost \$625 a month. In this situation, a tenant is faced with the decision of paying a rent increase of more than \$250 a month, or purchasing the apartment he lives in for the market-discounted insider price to tenants of \$75,000.

These figures offer little hope to a family of four in Jersey City with average yearly earnings of about \$21,000. The State calculates that such a family can afford to pay approximately \$477 a month for housing. A family opting to pay a higher rent or a higher mortgage and maintenance fee, does so at the expense of basic necessities and quality-of-life items. This puts a tremendous strain upon family life, and the family unit is still, in my opinion, the foundation stone upon which our society rests.

While the clock is running, every day makes a difference. It is now several months since I last testified, and during this interim hundreds of families have felt the disastrous impact that this condition has wrought on their daily lives. This has resulted in higher divorce rates, I believe, more broken homes, more school dropouts, an increase in crime, and possibly an increase in mental health problems facing our society. So, why are we allowing a policy that hinders the health of the family?

Since 1979, over 70,000 apartment units, housing about 175,000 people have converted from affordable rentals to condominiums or cooperatives. This means that 7% of New Jersey's rental housing stock has been removed without any compensatory increase in rental units. Currently, there are

about 30,000 units in the process of converting to condominiums, affecting about 75,000 people.

The tenants non-eviction bill establishes the rights of tenants to remain as tenants while a building is in the process of converting. There are similar laws in this country. New York, for example, has one, without harm to the New York housing market. The only thing the non-eviction bill would do is put a halt to the evictions and cut down on the disruption of decent people's lives. It will not put an end to conversions.

The bill under consideration also allows local municipalities to establish their own local ordinances covering tenancy and conversion. This is a good thing. Situations vary from municipality to municipality. Laws needed in one place may not be applicable in another. We have allowed, through State statute, for the wholesale disruption of our neighbors' lives long enough. If economic incentive prevails, conversions will continue at a somewhat slower pace, and I say, "Let that be the case."

But, I also say, let us stop being one of the few states in our great country that demand eviction. Rather, let our laws reflect our respect for the rights of individuals, for the rights of the family, and for the role that decent housing plays in the development of the individual in our society.

We can correct the mistakes of the past and the inequities of the present with this legislation. I want to thank you, Mr. Chairman and Committee members. Thank you. (applause)

ASSEMBLYMAN HENDRICKSON: Thank you, Assemblyman.

I would like to say at this time that all of us sitting here have many, many commitments. Most of us have already been in meetings this morning. I know I have a full agenda today, and have set aside this time to recognize the problem. We would like the statements as short as possible,

particularly from our next elected officials, in order to get some of the people on who have come so far. We will go through lunch; we are not going to break for lunch at all. But because of all of our heavy schedules, we would like to terminate, so everybody knows, and try to get everybody on, by three o'clock. We all have long traveling times and late afternoon and early evening commitments. So, if we will all go along those lines, I believe we will be able to hear everyone.

Assemblyman Menendez?

MR. LEVIN: (Committee Aide) Mr. Chairman, may I have just one minute?

ASSEMBLYMAN HENDRICKSON: This is Mr. Levin, OLS Staff Aide.

MR. LEVIN: If you have prepared a written copy of your statement, or a summary, after you speak, please leave it with our stenographer over there, so your testimony can be accurately reproduced.

ASSEMBLYMAN HENDRICKSON: Assemblyman?

ASSEMBLYMAN MENENDEZ: Thank you, Mr. Chairman, members of the Committee. As one of the co-sponsors of this bill, I appreciate the opportunity to appear before the Committee. I will try, in keeping with the Chair's request, to condense some of my remarks.

I think there is a saying, "Home is where the heart is," and it seems fair to conclude that in America today there are homeless because we have a Federal government that is heartless. This country where we live has been inexorably entwined with how we live. And where we live has been part of the pursuit of the American dream. Up until a few years ago, where we lived was a responsibility that the Federal government acknowledged, at least in part, as rightfully theirs. But as a more prominent son of New Jersey, Bruce Springsteen, would be quick to point out, "Glory days have passed us by."

Today, if you are not too well off, if you live in one of our urban areas, and if you are in the market for a decent, affordable place to live, you're out of luck. There are a variety of problems facing us in the area of housing, but none is more urgently in need of an answer than the demand for decent, affordable rental housing.

I would like to give you a specific example which I am close to, which is my hometown of Union City, where I am also the Mayor. I think it is a perfect microcosm of what ails the urban housing market. We are the most densely populated city in the nation; three square miles, where almost 60,000 people are crammed. We have 21,000 housing units; less than 3% are vacant. Seventy-five percent of our residents live in rental housing, and yet not one new rental unit has been built in the last 20 years. Sixty-five percent of our housing stock was built before 1940.

Because Union City is part of what is known as "New Jersey's Gold Coast" -- because we are right across from New York City on the Hudson River, the west bank -- condominium conversions have driven longtime residents from their homes.

I think if we are to look at the problem, we've got to look at some of the issues that have been brought out on these bills, which have been discussed at various hearings. I'll tell you that my experience is that eight out of ten people who come to my office as Mayor, come with a housing problem. I think some of them are not related to condo conversion, but many of them are. Let's review some of the arguments:

The bill is unconstitutional, in that it is confiscatory; it is an unfair taking of property, without just compensation. There is no question that non-eviction, as practiced in our sister State of New York for years, has withstood all constitutional challenges, and that Mr. Porrioni's extensive legal memorandum -- which I am sure members of the Committee have -- as the Chief Legislative Counsel of New

Jersey's Legislature, concluded that this bill could withstand the constitutional challenge, and therefore is legal.

Two, condominium conversion has helped to rebuild certain urban areas and infuse new tax dollars into the municipal economy. It has created the possibility for homeownership and provides a greater positive than negative effect.

There is no doubt that in those buildings in which true, substantive rehabilitation has taken place, the quality of housing is better. But it is also true that those were the buildings which people were methodically evicted from, so that rehabilitation could take place. These displaced tenants have not been able to afford, for the most part, the higher prices that such condos are selling for. Those that might be considered affordable, and which are held out as shining examples of success -- as I am sure you will hear throughout the course of this hearing -- are those apartments that have substantial defects which would not be corrected as a result of conversion. They are the worst examples of conversion and eviction for profit.

It is true that additional tax revenues are created by condo conversion, but not without its costs. Many conversions took large apartments and made smaller ones, thereby creating less and less opportunities for those with families, and creating more density concurrently with more traffic and parking problems. As the value of these converted buildings goes up, they work against many of our State aid formulas.

A devastating example is one of the cities which I represent -- Hoboken, and Assemblyman Kenny is here -- where the school equalization aid, as a result of-- The school equalization aid, because of the rising property values in Hoboken as a result, to a large degree, of condominium conversion, lost approximately 24% of its State school aid, or approximately \$2.6 million. Jersey City, partly because of its

renaissance of condo conversion, has now gone through a reevaluation that will cause a whole segment of a population to be evicted -- or, to lose their homes, because of something that they had nothing to do with. Many of them have lived in them for a long time, didn't do anything substantial to improve their properties, yet as everything went up around them, they found themselves paying raises they simply could not afford.

Rent control has always been brought up; that it does not allow a landlord profit, and that condominium conversion has created the housing crisis, as is evidenced by the fact that there are many condos that are not sold in the market. I think the arguments that rent control does not provide a reasonable return are fallacious. Our Supreme Court has said that any rent control ordinance that does not provide an efficient operator of a building with a fair and equitable return, is unconstitutional, and can be challenged as such. And those ordinances that did not comply with the edict were quickly moved to be struck by landlords that were aggrieved, as they should have been.

We cannot forget that most of the building owners purchased these buildings with their eyes wide open, both as to the existing rents and existing laws. They made a decision partly based on risk and, in most cases, have been able to cash in on substantial profits, and there is nothing wrong with profit. Clearly, property owners are not in that business out of philanthropic desires. What is wrong is when they seek to convert to condos because the fair and reasonable return they are granted through rent control and existing case laws is not enough. Therefore the slogan you have heard time and time again, "Eviction for profit."

The developers will tell you that a lot of the condos that are out there -- that the market is soft, and that may be true. They also fail to remind you that all of these units that have not sold, and which a developer retains, are now

potential high-rent apartments, by which the developers can realize what they could not by maintaining them as rental apartments; namely higher rents and significantly higher profits.

It is important to note that not too long ago, the Legislature and the Governor passed a law that would allow for newly created -- constructed rental units to be free of any municipal rent control, and, at least to my knowledge, no significant developments have come forth in terms of that law. There are those who argue that maybe the Federal Tax bill has something to do with that, and we should look at that, too, in urging our legislators to change that in the government so that there can be another incentive.

Finally, let me say that in this past Legislature, when there was 50% plus one, many of the people who now argue that this bill is unfair to the housing industry, advocated that this bill -- or, a form of this bill -- would be a more fair way to go, non-eviction, instead of 50% plus one.

Now, we could bemoan that the Federal government hasn't done their job, and I think most of us could agree with that. There is no question that we need a comprehensive housing plan in New Jersey, developed by all segments of the housing community. There is also no question that such a comprehensive housing program won't happen quickly. We all know the competing interests involved, as well as the legislative process.

And finally, when we testified before the Senate Committee on this bill, we said that the clock was ticking at an alarming rate. And, when that alarm rings and we wake up to the reality of the displacement that will take place through evictions by condo conversions, we will be waking up to a problem of crisis proportions, unable to solve it, and lamenting our inaction.

Mr. Chairman and members of the Committee, I think at this point the Committee -- and I am sure they have been lobbied individually by all the interests involved -- has come to a point where testimony, in and of itself -- other than today's hearing-- I don't know how much more fruitful an endeavor it will lend. It is time to take a vote. I ask you to vote for S-2107 and A-2653, and to stop the time bomb from actually ticking.

Thank you very much. (applause)

ASSEMBLYMAN HENDRICKSON: Thank you, Assemblyman.

Assemblyman Kenny? Again, I implore you not to be repetitive or redundant. Try to make your points, so that we can hear everybody. Thank you, Assemblyman.

A S S E M B L Y M A N B E R N A R D F. K E N N Y, J R.: Okay. Thank you, Mr. Chairman. I want to commend you and your Committee for bringing this very important bill to this hearing today. I also want to commend Assemblyman Kronick and Assemblyman Singer for sponsoring legislation that is bipartisan, which is very significant because the only way a bill of this significance is going to achieve support in our body, is if there is bipartisan support. I am very pleased to see that.

Mr. Chairman, we have already had three Assemblymen speak on the issue, and I have testified five times in favor of this legislation, before the Senate on several occasions, and before this, or a similar committee last -- I believe it was early last winter, which you chaired. So, my position on this is very well-known.

I would like to just address one important factor: The primary role of government is to provide for the general welfare of the people. In American politics, frequently that responsibility comes into conflict with property rights, which are given very high protection under the Constitution. It should be recognized that the conflicts here should not be

between the personal rights of tenants and the property rights of the owners of property, but there should be a consensus to resolve the problem. I should also stress that tenants also have property rights. They have a reasonable expectation, under the non-eviction statutes of the State of New Jersey, that when they rent, they will be allowed to stay in their apartments for the duration of their perpetual tenancy, unless they are evicted for cause.

What we have developed here is a cause for eviction -- condominium conversion -- which no one ever anticipated was going to result in the eviction of thousands and thousands of families. I grew up in a family that was a tenant family, in Hudson County. I would ask each of you -- I don't know if you had the particular experience in your lives of being tenants -- but I would just ask you to think for a moment what it would be like if your mother or father, as a child, received an eviction notice. How would that make you feel, say, as a 12-year-old who is going to school, if your family received an eviction notice that they have to get out of their apartment, their home?

I know that when I grew up in my apartment in Jersey City, to me it was my home, as much as anyone's private residence is their home. I had my school, my church, the park I played in, the teams I played for, and for me and my family to be evicted from that place would have been devastating to me and to my family.

Now, I happen to own a home in Hoboken. I am very fortunate. But I don't think we should forget the type of pain -- the human pain we are causing families when they are evicted. I think it just rises above basic property rights, and gets into the area of the welfare of people that transcends any discussion or dispute, and we have to resolve the problem.

The bipartisan support is very significant, because this is not a Democratic or Republican issue. Both parties are

committed to housing; both parties are committed to helping the people. Governor Kean has tried to implement a housing policy in this State. The Speaker of the Assembly, Mr. Hardwick, has spoken about addressing this problem. The Democratic party has spoken about addressing the problem. I think the time has come where we are starting to sense that there is a consensus.

I have seen many of the speakers who are going to follow me, and I have heard them, and I respect them -- people in the building industry and the construction industry. I respect them. One of the things they are going to say, is that it is not condo conversion that is the problem; there are other things that cause the problem, you know, that we don't have enough money for affordable housing, and so on, and they want to address that. Well, I agree that we need these solutions for housing, but the problem is, we are not going to address these problems over the next few years, or even the next 10 years. It is going to take time. But right now, we have an opportunity to give people protection in their housing, and I think we have to do that. That is incumbent upon us, and then we can go forward and address the housing needs of this State.

If, in years to come, in fact, it turns out that the State of New Jersey is able to house its people in an affordable fashion, then we can take another look at it. But right now, that is not the reality, and we have to deal with the reality. That is the sworn oath we took when we became legislators.

My final point is this: I believe it is time that this issue be brought to the full Assembly for a debate. The 80 Assemblymen and Assemblywomen should have the opportunity to debate this on the floor. There is so much speculation as to what support this bill has, yet none of us really know. Whatever head counts we do privately, we all know that no legislator commits himself or herself until the time comes. I think the time has come. We have to bring this to the floor

for a vote. We have to have a debate. We have to put the burden on ourselves -- the full body, not just on this Committee. I think you have done your job by bringing it here, but I think whatever your position on this bill is, I think the right thing to do is to move it out of Committee, and to give it to the full Assembly where it enjoys some bipartisan support. Let's have a debate, and let's put this before the people.

Thank you very much. (applause)

ASSEMBLYMAN HENDRICKSON: Thank you, Assemblyman.

Former Assemblyman, and now Senator, and a distinguished legislator, Senator Cowan. (applause) Protocol, through the Committee process, is that we have the legislators first, but we will be getting to everybody.

SENATOR THOMAS F. COWAN: Thank you very much, Mr. Chairman. I deeply appreciate the efforts you have made -- which were so well-promulgated by the previous witness -- in bringing the bill before the Committee here.

I have tried to arrange myself in a state where I could present this -- with all the time that has been spent on the bill -- in a manner that would be brief, concise, and to the point. I wrote up a little statement, and I will just make a few general comments, and then welcome any specific questions that you may have regarding S-2107/A-2653.

Development has both a positive and negative dimension. On the positive side, development brings in more ratables, thereby lessening the burden on other residents. Many development projects generate jobs and trigger other development in other parts. But development also has a negative side. For example, development sometimes causes property values to soar so rapidly, that residents can no longer afford to keep their homes and remain in their neighborhoods.

In recent years, a condominium conversion wave has swept our area. The Department of Community Affairs estimates

that conversions throughout our State have removed approximately 67,000 rental units from the market over the past three years; since 1979, approximately 70,000, or 7.2%, of the 930,000 rental units; since 1988, almost 10,000, over a seven-month period. That would be annualized to 17,000 in 1988, more than any other year. These have been removed from the market. This trend toward condominium conversion has especially affected the rental market in Hudson County. From 1979 to 1988, nearly 15,000 rental units have been registered for conversion in our county. This rise in condominium conversions has reduced both the availability and the affordability of rental units for many tenants.

These conversions have caused displacement, and have certainly contributed to the homeless population. These displaced tenants often include the elderly or indigent individuals, often with dependents and minimal job skills. As you know, these bills extend protection to tenants facing eviction from buildings undergoing condominium conversion. The legislation also requires property owners to satisfy all existing municipal fire, building, and safety codes prior to starting a conversion.

The bills also permit municipalities to enact other measures as they see fit, to regulate conversions within their borders. I do not believe that these bills treat developers and landlords unfairly. These individuals will continue to prosper, but I believe the bills will restore some balance in landlord/tenant relationships. The scales have been tipped against moderate income, the poor, the elderly, the disabled tenants for too long. The Legislature has failed to provide guidelines on conversions and to spell out the rights of tenants in these situations.

Today, a real void exists on this issue which favors converters at the expense of the uninformed tenants. I believe the bills fill that gap. We must act now to preserve the

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affordable housing stock in this State. If we do not, we will indirectly help to increase displacement and the homeless population.

Let me make this clear: The bills are not an urban versus suburban issue. I can cite -- as I am sure Assemblyman Singer probably has already -- Toms River incidents, and Eatontown. It's spreading. Affordable housing, in some way, affects all of us State residents. Also, condominium conversions are not confined to just Hudson or other urban areas. They occur in many of our towns and cities, from the most affluent to the poorest. Conversions everywhere limit the availability of affordable rental units for low- to moderate-income families and individuals, and also place a burden on the local infrastructure system.

Condominiums are not inherently wrong, nor is it inherently wrong for a landlord to seek greater profits. But the condo conversion process is certainly subject to our regulation. When there are numbers of residents in buildings undergoing conversion who cannot afford to buy the units, and little rental housing they can afford to move into is available, it is proper for us to give the tenants more protection than the current law allows. This bill is not an assault on free enterprise. It is another modification on the laws that we, in the Legislature, enacted, that will protect tenants who are reliable rent-payers.

Condo and co-op conversions became a cause of grounds for eviction with the enactment of Public Law 1975, Chapter 311. The bill number was A-3570. It was introduced in July 1975, and signed by the Governor in February of 1976, a short six-month period of time. I can only relate that and parallel it to the problems we are having getting the non-eviction legislation enacted. This came about -- the original eviction legislation -- in response to the issue of conversions in Bergen County, a rather affluent county; a compromise to

clarify the ambiguities of Public Law 1974, Chapter 49 -- Assembly Bill 1586 -- in favor of building owners, which allowed for evictions in cases where an owner sought to permanently retire a building from the rental market, if it was economically nonprofit.

What we have in condo conversion today -- and some like to refer to themselves as developers -- are speculators -- basically speculators. I can only cite as one example, when you take a piece of property that may have 100 rental units that is sold for \$3 million, converted, sold at \$50,000 a unit, you have a net \$2 million profit, without moving. That is, you don't have to move, but 100 people are displaced; probably more than 100.

When we talk about a converter-- That is at an inside price. These are just examples that I am using off the top of my head. If they were to put \$20,000 into improving the unit, and sell it to an outsider, say at a minimum, in our area right now, of \$100,000, that unit is then bringing back \$10 million. Not bad; not bad at all!

But, there are good converters, and we have had them in Jersey City. I can cite one -- Waterfront Invest -- in my neighborhood, which has taken what were vacant apartments, which had become a scourge in the neighborhood because of addicts and others using them as their domiciles, and turned around and converted them. I hope they are doing well. I assume -- from what I see -- that they are getting their money back. Those are the people you like to see make money in the conversion business. They have made that neighborhood -- or, I should say, they have brought the neighborhood back to some semblance of orderliness and decency.

Another factor in the conversions is what we call "warehousing" -- a terrible scourge, part of the whole process. I can cite one building now that I visited, I would say, six weeks ago. I believe there were something like 225

rental units. Of those, there are 40 sitting vacant because the converter is looking to make a fast buck. All of this contributes, in some instances, to tremendous harassment of the people who are left in those buildings.

With that, I can only cite-- There have been a number of court cases dealing with warehousing in Hudson County, and I would just like to quote our Chief Assignment Judge -- Judge Humphreys -- in probably what I feel is one of the better statements that has been made in this whole scenario. Very simply said: "Housing is a basic human need. Society would not tolerate warehousing of food for greater profit, while people starved. The warehousing of apartments, for greater profit, when people can't find decent homes, is not much different."

We have another conversion going on, and I will cite the apartment complex in Jersey City -- St. John's. It was built with Federal money originally, and you will probably hear more about it from some of the distinguished tenants in the area. But what we have-- There are nine units there now, and these people -- it's been three years -- have been handed their eviction notices within the past 30 to 60 days. Nine units. One woman-- I have a letter here from a Mr. Rick Cohen, who is the Director of Housing and Economic Development in Jersey City. I will not cite the names of the individuals, but I will just give you the categories they are in. They have been served with their eviction notices. This letter, which I received a copy of from Mr. Cohen, was sent to Stewart Palilonis, who is the Manager of Planned Real Estate Development in the New Jersey Department of Community Affairs. The context of the letter is that these people are uninformed as to the situation. Over the three-year period of time, with all the heat and knowledge we think we have, they have now been served with their eviction notices.

One tenant is 80 years old, low income, not protected, because we didn't pass the legislation to raise it to \$50,000, or \$34,000, what we had before last year. But here, a woman 80 years old, by herself, is being evicted. Another individual, 71 years old, low income, no protection; another one, 64 years old; another couple, 78 years old, disabled, and with limited sight; another, elderly, income under \$50,000, not protected; another, elderly, income \$50,000, but over \$34,000, was told that he was not qualified for protected tenancy. Another one, with income over \$50,000, was told that she was not qualified for protected tenancy; a couple, income under \$50,000, wife disabled, no recollection of receiving any information on protected tenancy -- not protected. Another unit, the individual is over 90 years old, with very little income.

These are the people, and if you would like to have this, Mr. Chairman, I would be only too happy to see you. But this is only in one complex I am talking about.

There has been some question, and I heard the previous speaker mentioning property rights-- There is no one in this room, I am sure, who would disagree with our individuality, as long as it isn't laissez faire, or our economics, as long as they aren't laissez faire. I think we understand -- at least it is my belief -- only too well, this sad situation which exists. I would say to you, that if we could act so expeditiously 13 years ago, six months to evict people, then, Mr. Chairman and members of the Committee, we certainly should do something now to see if we can't protect the people who really need that protection.

When we mention property rights, or proprietary rights, we realize how this country was founded, but it was founded on the fact that we can legislate, we can statutize, but we also must humanize in this country, in our society, and moralize, and that's the point. As far as the constitutionality of this bill, if you don't have it, Mr.

Chairman and members of the Committee, I do have a copy that I requested almost a year ago. The opinion is that if enacted, this law will withstand any constitutional challenge.

I would just like to also state, we talked about rental units, and we said it was rent control that was holding up the building of rental units. As you know, Mr. Chairman, I come from the construction industry. I have 43 years in that business. I enjoy it. It has been very good to me, and I would like to see that continue. But even last year, we passed legislation to allow for exemptions from rent control for 30 years on new multi-dwelling buildings. I see no great surge. I know it takes a little time, but there are a lot of times you can fast track, too, if you really know what is out there.

I really would like to thank you for what you have done -- Mr. Chairman, particularly you. I would ask that you please consider the bill -- as the prior speakers have said -- favorably, and if at all possible, release it as soon as possible. Despite what may be individual points, individual thinking, individual convictions, even if the bill were to be released without recommendation, I know there are probably a minimum of 60,000 people who would be only too anxious to see it go to the floor of the Assembly.

Thank you very much. (applause)

ASSEMBLYMAN HENDRICKSON: Thank you. Assemblywoman Ogden has a question, Senator.

ASSEMBLYWOMAN OGDEN: Senator, I thought the current law provided that those who are 72 and older, regardless of income, were entitled to stay in their apartments.

VARIOUS UNIDENTIFIED SPEAKERS FROM AUDIENCE: No, no.

SENATOR COWAN: No, ma'am. It's a \$50,000 limit. In fact, in Hudson County, we passed legislation, along with Assemblyman Catrillo. He and I were co-sponsors of legislation to raise that limit to \$50,000, thinking that it would help some. Unfortunately, even with the enactment of that

legislation, they are now saying that if you did not have that eligibility before the converters' master plan -- or whatever they call it, the final act -- was in, you are not protected.

ASSEMBLYWOMAN OGDEN: So, those over 72 are not protected, and there is an income requirement. Is that what you're saying?

SENATOR COWAN: Yes.

ASSEMBLYWOMAN OGDEN: I see. The other question I have is-- The current law provides that if the tenant requests comparable housing, the landlord is to provide it. Now, obviously, you would not have your bill in if that happened, but how does all this break down? What do they mean by "comparable"?

SENATOR COWAN: I would say comparable to -- that it would almost be the equivalent of. But see, that is the point. There is no stock out there. What the converters are taking, as I mentioned, are the prime rental units that are there. If you go up along the lower Palisades into Hudson County, and go into North Bergen and West New York, you will see that. I would say that up until-- There were a number of new dwelling units built up there, too, because I was part of that process, going back to 1959. It started about '57, and then all of a sudden it stopped around '70. There were some beautiful buildings put up.

ASSEMBLYWOMAN OGDEN: No, I fully understand what the problem is. It is just that one would think with this in the law that it would provide protection, would provide viable alternatives. And as I say, if it did, you wouldn't have your bill in. So, I'm just sort of curious as to why it's not working at all.

SENATOR COWAN: No, undoubtedly it isn't. Maureen, I guess you might relate that, in some sense, to our noise pollution with the aircraft that you have been spending so much time on.

ASSEMBLYWOMAN OGDEN: We don't even have any laws there.

ASSEMBLYMAN HENDRICKSON: Thank you, Senator. It is always a pleasure.

SENATOR COWAN: Okay, thank you very much. (applause)

ASSEMBLYMAN HENDRICKSON: I'll call next, former Assemblyman Frank Gargiulo, from Hudson County. (applause) Please, for the sake of time, just for all of us-- After that, I will take one pro and one con on the legislation, so everyone will get a fair chance. Frank?

F R A N K J. G A R G I U L O: Mr. Chairman, first let me thank you for having me before you, and for being so kind as to put me up front. I will be brief. I don't want to be redundant.

ASSEMBLYMAN HENDRICKSON: Once a legislator, always a legislator.

MR. GARGIULO: That's right, it would seem that way.

I am not even going to look at my notes. I am here today on behalf of this bill before you. I want to first of all commend Senator Cowan, Assemblyman Singer, and Assemblyman Kronick for sponsoring the legislation. I think it is a piece of legislation that won't solve all the problems, but it will take the first step. I think it is a piece of legislation that, for the first time, addresses both sides of the issue. I really do.

I don't want to belabor the point and come up with all of the statistics, which have been mentioned already. However, when we talk about rights, I am a firm believer in property rights. I am a businessman; I am a homeowner; and all of the other stuff that goes along with that. And I believe we have to do everything possible to protect those rights. But this country wasn't founded just on property rights. I mean, no society survives, no society is worth its salt, if it doesn't provide people with a place to live, food to eat, and

clothing to wear. I mean, that's obvious. Those societies which haven't provided those things are no longer in existence. You and I will be judged on the quality of those things.

The right to own property-- No one is going to deny that. But there is another right. There is also a right, in our way of living, to rent property. Some people do not want to buy. I have heard the comment over and over, "Well, a lot of the condos are cheap enough so that they can buy them." When I talk to the tenants, they don't want to be homeowners. My wife threatens me every day: "We're selling this house, and we're going to rent." I say, "Well, go find a place." There is no place to rent.

So, there are two sides to that issue. They are our people, and they have a right-- I think it is incumbent on us to keep that right for them to rent if they want to, and to buy if they want to. I think that is the real issue today. Of course, there are a lot of poor people who are being evicted, being put out, and that is an absolute crime. We, as politicians, must act on that immediately. But the issue goes deeper. The issue goes to what our people want, and what they deserve.

I honestly believe that this bill has been around, and has been talked about too much. I think it is time that it comes out for a vote -- even if it is out of this Committee without a recommendation -- gets before the Assembly, and allows us to work on it. Let's let 80 people look at it, and let's get it passed. I urge you, Assemblymen, to please post the bill for a vote.

Thank you very, very much. (applause)

ASSEMBLYMAN HENDRICKSON: Thank you, Frank. Our next witness will be George Vallone. George, and Dan Gans.

G E O R G E V A L L O N E: Thank you, Mr. Chairman, Committee members. I agree with the other speakers that it is

vitally important that you hold these hearings and get the input of the public at large which you represent.

First of all, I want to say that we are builders and developers from the Hudson County area. We have been partners now since 1978. We started out doing renovations of abandoned, burnt-out apartment buildings. We then went on to building new residential construction on vacant industrial property and warehouse property, and we are still doing that to this day; taking primarily non-residential property and building it into residential uses.

Just recently, we, as the market shifted away from the condo and the for sale housing market, began exploring the rental market as an alternative for our business plan. We quickly found that the economics of building rental construction in an urban area are nonexistent. We were very fortunate to look to the State for subsidy programs, and we were able to procure the first grant given under the Department of Community Affairs' JUMPP Program. That will be for the renovation of a 35-unit vacant apartment building in Assemblywoman Bush's home district town of East Orange. We are very pleased to have been able to find a subsidy that would make the construction of the rental housing possible.

We are members of numerous trade groups that are very well-represented here -- the Builders' Association, the multi-housing, multi-family groups. Their experts are going to be here to speak specifically on the bill. They certainly have studied it much more than we have, and I am sure can speak more fluently on it. We were asked to come here at the request of yourself, Mr. Chairman, as builders and developers in the area, trying to produce new rental housing.

So, we want to just make a few brief comments on what we feel the problems with rental housing are, with creating new rental housing, and then we want to just sit back and respond to whatever questions you may have had in mind when you asked us to appear before you today.

The basic issue, as we see it right now, is that the environment is not conducive to building rental housing. The reasons are that: Number one, there is a sewer ban on the whole area. We don't feel that with all hookups being denied right now-- The ills of the past 20 years of neglect from keeping our infrastructure upgraded, are being dumped, so to speak, on the home builders right now, who really had nothing to do with the problem from the beginning.

DANIEL GANS: What this is really doing, in effect, is forcing people within the cities-- Since 1985, in Hudson County, they have really not been able to build new construction. They have only been able to convert. So, this is putting more and more pressure onto the conversions. As Assemblyman Menendez said, there has not been much new building in these cities since 1940. The quality of what is there is deteriorating and needs upgrading. It is wonderful to say, "Well, we can't strain our infrastructure in the cities," but they are already strained in the cities, and they need repair, and they need development to occur, and we need new development to occur, so we don't affect the housing.

MR. VALLONE: So, there is a conflict between the one goal on the one hand, that we want to be putting clean water into the Hudson River from our sewage plants, and the goal on the other hand, that we need to create new rental housing. I think that conflict is a conflict of priorities. So, if there is going to be a priority that we need to build new rental housing, and certainly the bill that was put through to decontrol -- you know, to exempt from rent control new rental housing was a definite step in the right direction-- But then at the same time, we had a sewer ban slapped on and you can't get a hookup, which means that you can't get financing for a project.

So, there is a conflict there between one goal -- in this case the DEP's of clean water -- and in the other case of creating new rental housing.

The second thing we feel is a hindrance, and we really ran across this recently in doing this new JUMPP Program through DCA, is that the Bacon-Davis laws are a tremendous inhibition in driving up the costs of housing. If you take the subsidy program, you have to pay Bacon-Davis wage rates, which are so much higher than the wage rates you could pay workers if you didn't have that restriction, leading to a more expensive end product.

MR. GANS: These laws are even beyond just saying it's union or nonunion. The Bacon-Davis laws are more onerous than that. Changes within these laws-- It is a shame that somebody who wanted to live in these buildings could never work on the job because their income levels would be too high. It's a paradox we have within the construction industry right now.

MR. VALLONE: So, we feel that not making these housing programs and subsidies that are available linked to Bacon-Davis wage requirements is, again, another conflict between two competing interests there.

The next thing that has recently hit us smack in the face, because we are high-rise builders, is the handicapped laws. We have found that in trying to design apartments that are affordable, the first thing we try to do is design them to be small, because the smaller they are, the less they will cost, and the less they can be sold or rented for.

So, the handicapped laws, unfortunately, have prevented us from making them small -- as small as we would have liked to -- because you have different things, like turnaround zones and layouts of kitchens and counter configurations and door configurations that have to be dealt with.

MR. GANS: These laws are really discriminatory towards anyone who wants to live in a multi-family building. I think when we talk about rental units, we are talking, usually, multi-family dwelling units. Anyone who is going to live in a

multi-family dwelling unit cannot have the configuration in the bathroom that is the most efficient for living; cannot have the configurations in kitchens that are the most efficient. Units have to be larger in many areas, and smaller in other areas -- smaller bedrooms, smaller living rooms, larger kitchens, larger hallways, for maneuverability. This is not to say that we should not have laws that protect the handicapped. These laws are increasing the costs of all construction tremendously, where other laws that would really help the handicapped are not being used.

MR. VALLONE: We feel that we would be far better off to put aside so many dollars per unit, and should a handicapped person desire that apartment, completely customize it for them, even beyond what the code requirements are now, to make it accessible and adaptable, so that they could live in there even more comfortably than today's codes require. It would be cheaper overall.

MR. GANS: We have been building now, as George said, for almost 12 years, and we have abided by every handicapped law within the State of New Jersey. We have tried a number of times, really, to seek out a handicapped person to move into any unit, and we have as yet to be successful at doing that

But, the costs are real, and the costs are there. These costs are driving up the costs of new construction.

MR. VALLONE: So, there is another conflict between objectives -- policy objectives -- and they are conflicting, and there has to be a prioritization put on them right now, because they are grating on each other. The costs of creating housing-- That now has to be 100%; every single apartment in the building has to be 100% accessible for a handicapped person to live in, and that pushes the cost up for all people who are not handicapped.

The next area where we feel there is a tremendous conflict is the ECRA law. In the urban areas, which is where

the focus of this housing has to go on, was where the industry was. It was what made the urban areas what they were. They were industrial centers; they were ports, commerce, transportation, etc. Those uses have changed, and there are vast blocks and blocks of property zoned industrial today, that do not have an industrial demand. We have been working, and recently there has been some progress in Hoboken, to get these industrial zones rezoned for residential. There has been some movement in that direction, but it is far too slow. When you are talking about going into a zoning board to get a use change from industrial to residential, it's fighting an uphill battle, and it could take years. We have had situations where it has literally taken years.

So, the industrial uses are environmentally toxic. In most instances, it is those industrial properties that are left behind that have the environmental problems, which ECRA was meant to address. And the ECRA process, which created this vast bureaucracy-- We joke about it. We call it the "Environmental Consultants' Retirement Act." It created this vast process you have to go through before you can transfer a piece of property to be developed for any use, whether you want to go residential, or whether you want to even continue the industrial use. Before you can transfer that property, you have to go through this ECRA process, which takes years.

We don't understand why it couldn't all be privatized, in much the same way that asbestos is privatized. You hire someone who is licensed by the State. He does an audit of the problem. He makes up a remediation plan. He supervises the work being done, and then it certifies that it is complete at the end. Privatize the process. Make people's livelihoods, which is their license, responsible. We do it with doctors; we do it with lawyers. Make their licenses responsible, and you'll get more people than not who will comply completely, and

we will get these properties cleaned up in half the time, and at half of the expense.

Finally, the Hoboken ordinance which attempted to create affordable housing is a perfect example of the wrong way to do it. What they attempted to do was-- They said, "Any new construction in town-- You know, if you can get a piece of property beyond ECRA and zoned residential, and if you can get beyond the sewer hookup, any property that you build, you are going to have to put 10% of your units aside as low- and moderate-income housing." So that means on top of all the existing costs, you now have another cost of 10% of the units being economically nonproductive to the project, and, in effect, requiring a subsidy on the other 90% of the units. No density bonus; no tax abatement; no use of city-owned property; no Federal or State programs. Nothing whatsoever, but a hand stuck out, saying, "Give us 10% of your inventory. We want it for affordable housing." That ordinance is being challenged right now in court, but it is an example of the wrong kind of thinking. It is an example of the kinds of contradictions that we have been talking about this morning, between one objective and another objective. Create more housing, yet push up the costs and slow down the pace.

In conclusion -- my conclusion anyway; I don't want to conclude for Dan-- My conclusions are that we've got to try to deregulate the situation. We've got to try to take these conflicts out, where you have one department working against another department; one set of regulations working against another set of regulations.

MR. GANS: The way this law is now, and it is another regulatory law-- It would be nicer if the legislation could be positive in force and give opportunity in the market areas to create the other types of housing. It is good to regulate, but at the same time, if we can't promote what we want to accomplish, the regulations really aren't doing anything, other

than stagnating. When I hear Assemblyman Kenny talk about 10 years before anything else will happen, I get very, very scared about what the future of our cities is going to be like. If there is no more new construction, and our cities are not in great shape -- if they were, we could say, "Well, let's just leave them all alone" -- but they are not in great shape, and if we wait 10 years, I fear we will look like the South Bronx, without other proper legislation. People will go away from the cities. If you can't build new construction and you can't convert, I don't know what is going to happen to our cities. I just hope it is not a 10-year wait. If regulations come in, we have to get other regulations, or other ways in which the State can help to make opportunities to create what we want to create.

MR. VALLONE: So, to finish my conclusion, deregulate the environment; mandatory high-density zoning in formerly abandoned industrial zones; and prepare the infrastructure. Put the dollars into the cities; take off the sewer bans. The sewer bans-- You don't solve a sewer problem by stopping construction. You stop a sewer problem by solving the sewer problem, and that takes money; it takes engineers; it takes deadlines and objectives. Then, once the infrastructure is prepped and the zoning is in place, just get out of the way, because that is all we are waiting for to be able to start building the housing.

So those are our comments, Mr. Chairman. You are welcome to ask any questions. We brought along some cost data on rental housing construction, if you would like that. We are wide open.

ASSEMBLYMAN HENDRICKSON: We have a question. Assemblyman?

ASSEMBLYMAN IMPREVEDUTO: Yes. George, you raised some issues as to some conflicts in the construction of rental units. I suspect new rental units.

MR. VALLONE: Yes, sir?

ASSEMBLYMAN IMPREVEDUTO: One of the questions I raise to you-- You spoke about the Bacon-Davis. Doesn't that call for paying the prevailing wage?

MR. VALLONE: Prevailing wage, yes. That is correct.

ASSEMBLYMAN IMPREVEDUTO: I am not trying to be argumentative here. But, if you don't want to pay someone the prevailing wage, what do you want to pay them? I mean, slavery was killed.

MR. GANS: The prevailing wage laws are really quite high. Often, the Bacon-Davis law pushes wages even above union scale. The way they are figured right now is very onerous. It also keeps people from gaining an opportunity to get into a field -- to get a start in that field. There are many, many private projects that are not federally or State funded, that are being built at less expense, that are still union jobs that don't have to undergo these same regulations. Part of the Bacon-Davis laws are the increased amount of paperwork, the increased bureaucracy on the job sites, the increased costs for everybody involved. I have had so many union contractors come to me and say, "This isn't federally funded, is it? It's not State funded?" because they don't even want to get involved in it either. I don't think--

ASSEMBLYMAN IMPREVEDUTO: I can appreciate that; I can appreciate exactly what you said, and I do agree. You know, as a Councilman in a town also, when we bond, or go out and send in our specs, it is certainly a problem. But we find today that there are fewer and fewer people bidding on anything that has State money attached to it, or Federal laws attached to it.

However, give me an example, if you can, of-- You are going to built this new 100-unit, multi-family rental complex. You are using JUMPP Program moneys, and you need to hire a carpenter, or a group of carpenters, obviously. What you are saying to me then, is that you would have to pay them-- First of all, they would or would not be union -- what?

MR. GANS: It really doesn't matter. Under the law it doesn't matter, as long as you are paying the prevailing wage.

ASSEMBLYMAN IMPREVEDUTO: Okay, it makes no difference. Now, if the union wage for a carpenter was \$10 an hour -- and I don't know it is -- what would you have to pay these guys?

MR. GANS: About \$35.

MR. VALLONE: It's about \$35 an hour.

ASSEMBLYMAN IMPREVEDUTO: Is that what it is right now -- currently? A union carpenter gets \$35 an hour?

MR. GANS: A union foreman. Maybe a carpenter gets about \$30.

MR. VALLONE: What does a laborer get, \$20? (speaking to Mr. Gans; no response)

ASSEMBLYMAN IMPREVEDUTO: You would have to pay these new guys, I mean these guys coming on-- Under Bacon-Davis, you would have to pay them \$35 an hour?

MR. VALLONE: The prevailing wage. (negative responses from several members of the audience)

MR. VALLONE: The prevailing wage.

MR. GANS: That's right. (several people from audience speaking at once; comments impossible to transcribe)

ASSEMBLYMAN HENDRICKSON: If we could just keep a little decorum, please, we will get through.

MR. VALLONE: But, take a laborer. We would like to hire someone who is young who is looking for a job who needs training. We would like to hire him at minimum wage and train him. But we can't do that.

ASSEMBLYMAN IMPREVEDUTO: If you're renovating-- If you buy a building that is currently a 10-story apartment building and you are going to renovate it for rental use again, or for rental use, do all of those apartments also need to agree with all of the handicapped regulations?

MR. GANS: Yes.

ASSEMBLYMAN IMPREVEDUTO: So, it's either renovation or new construction?

MR. VALLONE: That's right.

MR. GANS: We have an article here that was in The New York Times -- I will give it to you afterwards -- which really spells out the New York law, which is the same--

ASSEMBLYMAN IMPREVEDUTO: So, if it is a 100-unit apartment house, every apartment must be--

MR. VALLONE: Yes, sir.

MR. GANS: That is the way the law--

MR. VALLONE: It used to be 4%, because they figured that 4% of the population was handicapped. Now, it is 100%.

ASSEMBLYMAN IMPREVEDUTO: What do you see as the reasoning for that?

MR. VALLONE: I think the handicapped people have great lobbyists. It is a very difficult thing to fight when you see a roomful of people in wheelchairs. I feel just as badly for them. I want all of them to have a place to live. But, you have to be practical. You can't be emotional. If 4% of the units are available for handicapped people-- Like Danny said before, no one has ever shown up at one of our buildings who was handicapped, and said, "Hey, I want one of those handicapped apartments, one of those four percenters." So we end up holding those 4% back. This was before the new law. We ended up holding those 4% back, not finishing them until the very end of the project, and the building inspector said, "Well, if it's the end of the project and nobody wants them who is handicapped, finish them regular."

ASSEMBLYMAN IMPREVEDUTO: Is that a Federal law or a State law?

MR. GANS: A State law.

ASSEMBLYMAN IMPREVEDUTO: A State law?

MR. GANS: A State law right now, but it has been modeled after a Federal law. Right now, it is a very, very big

hindrance, I think, to build multi-family dwelling units with that -- that have those requirements.

ASSEMBLYMAN IMPREVEDUTO: If some of these things were changed, some of these conflicts were changed through legislation, would you, as developers, build rental units in North Bergen, Hoboken, Union City, West New York?

MR. VALLONE: Absolutely.

MR. GANS: We still hope to anyway.

MR. VALLONE: We believe--

ASSEMBLYWOMAN BUSH: And East Orange.

ASSEMBLYMAN IMPREVEDUTO: And East Orange. I can't forget East Orange.

MR. VALLONE: Rental housing, for us, is like a savings plan. If we build rental housing, we'll have rental housing for our children when they grow up. If we do "for sale" housing, we'll sell it, we'll make our profit, pay half of it to the government in taxes, and, if we're lucky in all the other deals we do for the rest of our careers, we won't blow the money. Do you know what I mean? It may be there; it may not. We build rental housing -- and this is something we have been trying to do for years now-- You build rental housing, and you keep it. It's an asset. It produces cash. Thirty years down the road, when the mortgage is paid off, it produces more cash, and you've got a wonderful little estate-building mechanism for yourself.

When you sell it off, that's it, you sell it off. Now you've got a pile of dollars on the table, and what do you do with them? They're worth less and less every year. Apartments are worth more and more every year. So, we would definitely like to--

ASSEMBLYMAN IMPREVEDUTO: Even with rent control?

MR. VALLONE: Pardon?

ASSEMBLYMAN IMPREVEDUTO: Even with rent control?

MR. VALLONE: Well, certainly with the exemption for new construction-- It is easier to get financing for the construction of rental projects right now. In a market where you have rent control-- Well, you are going to try to find markets where the rent control ordinances are the least onerous. But if you have a piece of property, or you are in a marketplace already and that is where you want to build, then you are going to abide by the existing rent control laws.

ASSEMBLYMAN IMPREVEDUTO: Even considering the fact-- I don't know what Stephanie's East Orange is, but I can tell you that some of the stronger rent control laws -- at least I think so -- are probably West New York, North Bergen, Hoboken. Even with those stringent rent control laws, you would still be willing to build there?

MR. VALLONE: Well, you see, you can't just sort of isolate rent control. It is a much broader picture than that.

ASSEMBLYMAN IMPREVEDUTO: But it is all based on the municipality. I mean, the municipality makes the law.

MR. VALLONE: Well, you have to base it on rent control, but really what the fundamental is-- The fundamental is cost; the fundamental is cost. Rent control is a revenue constraint. Okay? And, given any rent control constraint, if I can produce that project at a low enough cost, there is still a margin left.

ASSEMBLYMAN IMPREVEDUTO: So, what you are saying is, rent control doesn't scare you?

MR. VALLONE: I'm saying, rent control, by itself, doesn't scare me. If I had an environment where--

ASSEMBLYMAN IMPREVEDUTO: That was really what I wanted you to say.

MR. VALLONE: --property was available at a decent price, there was infrastructure in place, I could get high density zoning, I could get permitting quicker, and those types of things, it would make up for the depressing effect of rent

control, and it might even equalize it out to the point where you could still produce new construction.

But right now, the cost of new rental construction in the urban areas is out of the market. You can't pencil it out. And if you can't pencil it out, the bank is not going to give you the money for it.

ASSEMBLYMAN IMPREVEDUTO: I just wanted to hear you say that rent control doesn't scare you. I think that is the important thing.

MR. VALLONE: Nothing scares me. That is why I build in Hudson County. (laughter)

ASSEMBLYMAN IMPREVEDUTO: Touché. Thank you.

MR. VALLONE: You're very welcome.

ASSEMBLYMAN HENDRICKSON: I would just like to have you make a real definite statement that rent control, by itself, does not stop you from building.

MR. VALLONE: By itself -- emphasis added -- I would agree with that statement.

ASSEMBLYMAN HENDRICKSON: But, the inherent economic problems that are out there make it impossible, because there is no escalation or deescalation either side?

MR. VALLONE: That's right. Now, remember, when I talk about rent control, I am talking about our new construction. The way our rent control law works, is that on new construction you start out at the market for 13 months. That means you get two one-year leases at market rates, and then you are under rent control. That is the way our ordinance works, so that is the way I am speaking of it -- in terms of that. I am not--

ASSEMBLYMAN HENDRICKSON: We're really in a Catch-22 situation economically, with the overall factors that exist out there.

MR. VALLONE: We have calculated that 25% of the costs of housing are due to unnecessary and duplicative regulations.

It just seems to go on and on and on. We've got one set of laws conflicting with another set of laws, and the poor thing that suffers in the middle is the cost of housing. We've got competing goals. You've got a whole roomful of people here who want affordable housing. Down the hall, they've got another group going which wants to have clean water, and then the clean air group on the lower floor, and they are all conflicting.

So what has to happen is, there has to be a prioritization. I think the Assemblyman who spoke before us today said that housing is the priority; that it is one of the fundamental needs, and we would agree with that, obviously, being home builders. But more importantly, once we iron out our priorities and we begin to shift the legislative environment behind that priority to support that priority, instead of impeding it, then we are going to start to see construction of new housing, which is really the answer here.

This anti-conversion bill is a Band-Aid. That's all it is. The problem, fundamentally, is supply and demand. There is too much demand, and not enough supply. What gets to the root of the problem is not putting a Band-Aid on it. It is operating on the real problem, which is that we've got to build more housing.

ASSEMBLYMAN HENDRICKSON: Through your organization, would you make a proposal, as soon as possible, on exactly what you feel, in those cities -- the laws which need to be made in such a manner as to give you some incentive, or to give people an incentive? I think we would need that.

MR. VALLONE: We would be happy to do that.

ASSEMBLYMAN HENDRICKSON: And I agree that we can't wait 10 years. It is, like, tomorrow you guys have to start.

MR. VALLONE: We need to start right away.

ASSEMBLYMAN HENDRICKSON: Assemblywoman Ogden?

ASSEMBLYWOMAN OGDEN: Mr. Chairman, I would like to follow up on the questions Assemblyman Impreveduto was asking.

If the Legislature were to make it possible not to apply the prevailing wage to rental housing, how would we be assured that the saving that would occur on the construction would be passed on in lower rents?

MR. VALLONE: Well, under the programs that require the Bacon-Davis, which are the State- and federally-funded programs, there are rent limits set. They are basically set on the HUD guidelines, which vary area to area, based on median income. But the rents are set. We are not talking about a situation where we can establish the rents.

MR. GANS: We also--

ASSEMBLYWOMAN OGDEN: No, but you are going to be able to construct the apartments for less, if you have labor that is paid less per hour. So, you know, if you are asking us to help you in that instance, you should be able to help the rental situation by having even lower rents.

MR. GANS: Our subsidies-- We have to break a whole project down line item by line item -- carpentry, anything of that nature. Everything that is being done has to be demonstrated in that format. If we want to decrease these costs, there is an opportunity to show that to DCA, which is reviewing this now, and then the subsidies might be less, because the subsidies are based upon your costs of construction. That would be one thing that would be better for the State, which is really probably where it would come in. If the construction costs were less, the subsidies would be less. So the creation of housing would not need to be subsidized as greatly from the State.

MR. VALLONE: Or, the same amount of subsidy dollars would create more units, if there is less subsidy required per unit. They start off with a fixed rent. They say, "This is what a moderate-income person in Hudson County can afford," and then they back into the rest of the numbers. You show them your construction costs, and there is a gap. There is always a

gap. Your costs are too high for the rents to cover them. Under the JUMPP Program that is currently being utilized to create housing, they plug that gap, and they are willing to do that for as many as 15 years. So, it's a--

ASSEMBLYWOMAN OGDEN: So, you're saying there is no way we could end up with lower rents, if we were to move on this issue. It would just be less subsidy, that sort of thing.

MR. VALLONE: You would get more affordable housing, based on the current definition of what affordable housing is. You would get more bang for your buck -- for your subsidy buck -- is what we are talking about.

ASSEMBLYWOMAN OGDEN: You were talking about the sewer ban. Are you talking about this as being everywhere, all along the waterfront? Is that where it is, because I see an awful lot of big, new office buildings at Port Liberte -- luxury units, you know.

MR. VALLONE: Pretty much.

MR. GANS: Jersey City--

MR. VALLONE: Jersey City solved their problem by running a pipe line out through Passaic, as opposed to fixing their own plant. Hoboken, which is in the North Hudson Utilities District, which takes into account Weehawken, Union City, Hoboken--

MR. GANS: And West New York.

MR. VALLONE: --and West New York, too, has done a private-- A group of us private developers got together and fixed the primary plant, and because we fixed the primary plant, DEP gave us an exemption to the ban. There is still a ban on, but those of us who contributed \$5.5 million to the fixing up of the primary plant were given exemptions to it. So, in the case of our project, it worked out to about \$1000 per apartment, just getting that exemption to the ban so that we could go forward. One thousand dollars an apartment doesn't sound like too much -- it's another 10 bucks a month on your mortgage -- but it adds up.

ASSEMBLYMAN HENDRICKSON: Are there any other questions from the Committee? (no response) Thank you very much, gentlemen.

MR. GANS: You're very welcome, Mr. Chairman.
(applause)

ASSEMBLYMAN HENDRICKSON: I will now call Matthew Shapiro, First Vice President of the Tenants Organization.

M A T T H E W B. S H A P I R O: I was very pleased to hear that rent control doesn't inhibit new construction. I've known that for a long time.

For the last three years, we have had a State law that supposedly would promote a lot of -- a great deal of construction. It hasn't done it. Simply not giving rent control to new construction does nothing -- absolutely nothing. That law should never have been passed. If you eliminate that law, you will not change one iota the amount of new construction, up or down. New construction under rent control goes to the market level under every law in the State, not just the ones in Hudson County. Every rent control law in the State guarantees market level rents on new construction. That 30-year ban on rent control for new construction is a philosophical law. It has no application to reality whatsoever. It should never have been passed.

But we are not here to talk about rent control, and we are really not here to talk about the construction of new housing, although that is a somewhat related topic. The critical issue we are here to talk about is conversion of the existing rental housing. Now, I'm sure that the people who will follow me -- perhaps Mr. Sheridan, perhaps others -- will tell you what many converters have said over the years; that is, conversions actually create affordable housing by providing home-buying opportunities for some people who might not otherwise be able to buy a home.

This is probably the biggest and most vicious perversion of the truth on any subject in the last decade. Conversions do not create housing. The building is still the same building after conversion. And the total monthly cost of living in an apartment after it has been converted is typically from two to five times what it was as a rental apartment. That includes all of the costs of owning an apartment -- your mortgage, your maintenance, your lost interest on your down payment, everything -- not just the common charges, because they are usually a little higher than the old rent. But when you add all the other costs in on a monthly basis, you are normally paying from two to five times what you were as a rental. I don't think that any of the expert witnesses who will testify on behalf of converters will be able to deny that fact.

So, the same apartment becomes much, much more expensive. Somehow, this is supposed to mean that the apartment has suddenly become affordable. Any fair-minded, unprejudiced person would say that there is something terribly wrong with that reasoning. To the existing tenant, when you double or triple the cost of housing, the apartment has become unaffordable.

I am going to summarize what I have written here. I don't want to take too much time.

There is just no way that you can call it affordable to the existing tenant. If you bring in a new tenant -- which means that the existing tenant left -- you might think it is affordable to the new tenant -- excuse me, the new owner, not a new tenant. It might be affordable. You don't really know. All you really know for the new person is that it is possible for them to pay it. You really can't judge what is affordable or what is not affordable, but they're doing it. If they are very wealthy, then it is affordable.

But, in order to get there, you had to take the old tenant and bring his affordability level to a round figure --

zero. He had to be eliminated; he had to be evicted, in order to provide an affordable home to somebody who had to be two, three, four times as wealthy, in order to come in and afford the new housing costs. If that means creating affordable housing, then that concept-- You might as well just throw it out the window. That is not affordable housing. That is a crime.

Now, we can certainly conclude that conversions reduce the availability of affordable housing, but how serious a problem is this? The seriousness of the problem is directly proportionate to the number of rental units converted, and that number is astronomical. The chart that I will give you is an update of one I have given to you in the past. It shows the number of units registered as converted year by year, county by county, from mid-1979, when the Department of Community Affairs first began maintaining their statistics, and also upon my personal examination of the 1988 applications for conversion. From '79 to '88, nearly 8% of New Jersey's rental housing -- that is over 75,000 apartments, housing about 188,000 people -- were converted and effectively removed from the category of affordable housing. If you consider that the London bombings of World War II resulted in the loss of 2% of their rental housing stock and its worst housing crisis, New Jersey's 8% loss is almost unprecedented.

The devastating effects of "condomania" have reached nearly every part of this State. It affects 19 of the 21 counties, 17 of which have lost more than that 2% that London lost, and the hardest hit counties, percentage-wise, are Atlantic, Cape May, Bergen, Hudson, Monmouth, and Ocean, having lost 23%, 18%, 16%, 11%, 9%, and 8% of their rental housing since '79.

In terms of the number of units converted, we've got Hudson and Bergen at the top, with around 16,200 each; Essex with 7700; Atlantic with 6000; Monmouth with 4700; Middlesex

with 3500. These numbers are just phenomenal. We are not talking about one or two apartments being converted. We are talking about mass conversions.

Now, what is most obvious from the chart is that the current rate of conversions is much higher than it was before. In 1986, it was 7212 units converted, which was higher than the four preceding years. In 1987, it was almost double that figure, producing 13,569 converted apartments -- more than any prior year -- but 1988 topped them all, having seen 15,209 families undergoing conversion of their homes from affordability to impossibility.

What is not obvious from the figures, but which is nonetheless true, is that the typical conversion is no longer the high-rent, upper-middle-income building turning into a millionaires only abode. Maybe some of it was like that in '79. Today's conversions are normally in low-, moderate-, and solid middle-income buildings, with rents typically from \$200 to \$400 a month, and purchase prices over \$100,000. We know this from the direct contact our office has had with people from all over the State, and also from my examination of the conversion application records.

Now, what this means, is that very few of the current tenants can find a way to buy and pay the tripled housing costs. In many buildings, no one at all can buy -- no one. This is how today's conversions create affordable housing.

If we add the 1986, '87, and '88 figures, to sort of correspond to the three-year period that people have notice to leave, we get about 36,000 families, or 90,000 individual tenants, who are currently facing the prospect of displacement because they can't afford their homes, due to conversion. In 1988, at 15,209 units, or 38,000 people per year, this came to over 100 people each day, or one person every 14 minutes, added to the pool of potential evictees. How many of the conversion-displaced families will end up homeless on the

streets of New Jersey, is uncertain. Many will. Those who do not become homeless will pay more for less adequate housing, or leave New Jersey, or double or triple up in already crowded apartments. And when the condo displaces pay more for less, which is almost guaranteed by the prevalence of vacancy decontrol in over half of our rent controlled communities, they will end up forcing others onto the street, by competing successfully for the few remaining rental apartments. It is common knowledge that today's homelessness is caused by high rents that the tenants could not continue to pay.

So, this is the societal good performed by conversions -- double to quintuple housing costs, massive displacement, increased costs for the remaining rental housing, and homelessness, all at an alarmingly increasing rate. For the last three years, we have been trying to get some legislation passed that would ameliorate these harmful effects of conversions, while still permitting them to occur. A year-and-a-half ago, a bill that would have required a majority of tenants to agree to purchase prior to registering the conversion -- commonly called the "50 plus one" bill -- was defeated in the Assembly. Its detractors said that it would have been too great an intrusion into the private marketplace to give the majority of tenants such power, and they feared that very few conversions would occur. At the time, converters said -- said many times -- that they could live with the non-eviction bill, but not with the majority rule bill.

So, we gave them what they said they could live with -- S-2107/A-2653 -- the no eviction bill, and now it, too, is considered an anathema by the powerful conversion lobby. This bill is a major compromise, since it does relatively little to preserve the long-term affordability of the housing that is being converted. The experience in New York, where converters get to choose between majority rule and the non-eviction methods, is that conversions are rampant, and they are

practically all non-eviction conversions. I don't know of one majority rule conversion in New York, although there may be one. The converters simply wait out the tenants. Eventually, enough of them will die or move, to make the conversion extremely profitable. This bill will not hurt converters, not at all.

What the bill will do is preserve the short-term affordability of the housing for the people who live there as tenants, and it will eliminate a reason for eviction that was never intended by the Legislature, when it passed the Eviction for Just Cause Law. When the Legislature first passed this law -- and this was in '72, '73 -- conversion was not listed as a cause for eviction. But an erroneous court interpretation inserted it, and since then the State has enacted a couple of laws that limit this immoral right to evict to a very small degree -- the three-year notice and the senior protection which we have to a limited degree.

The eviction law was only intended to allow the eviction of tenants who broke the rules -- nonpayment of rent, destruction of the property, violation of substantial lease clauses. Bad tenants. They were the ones who were supposed to be evicted. Clearly, given the conversion crisis we now face, and the lack of available, affordable, alternative housing, it is long past time that we return to the Legislature's original intention, and eliminate conversions as a cause for eviction. At least the courts would stop putting families out of their homes for the sole reason that some wealthy converter wants to make a great deal of money.

Although the bill doesn't address long-term housing affordability directly, it does allow municipalities that want to address it, to do that by allowing them to enact other laws that might be more stringent. The Senate has done its part. They passed S-2107 with a bipartisan vote, and its fate now rests in the hands of this Assembly Committee, along with its

sister bill, A-2653. You are going to decide the fate of the 90,000 tenants who are currently facing eviction. Are you going to allow them to be forced out of their homes to satisfy just one thing, the greed of others, nothing else? Or, are you going to act to ensure that they can continue to afford to live in their homes without these threats of eviction?

We can talk from now until doomsday about trying to find other means of stimulating the production of housing, and maybe we could come up with some very innovative programs. The JUMPP Program sounds terrific. It might produce a little bit of housing. Is it going to produce enough to house these 90,000 people within the next few months? I don't think so. I know it won't. No program that we can come up with is going to do anything but put a few drops in the bucket.

Now, they are all fine, and we will gladly work with the Legislature to try to come up with innovative programs to produce housing, maybe even convince some governments to start funding proper sewage treatment facilities, so that more sewers can be added. That all sounds great, but right now, we have an absolute, utter crisis that has to be addressed. These people are being put out of their homes. You know, to tell you the truth, over the last three years-- I talk about the figure of 90,000. That's really not true. There really aren't 90,000 people who are now currently facing the prospect of being evicted. Probably half of them are already gone. When you get a notice that tells you, "Be out in three years," what do you do?

Well, you know, we are talking about people's homes. We are not talking about, "Will I buy another piece of chewing gum three years from now?" People need some sort of certainty about their lives. Those who can possibly find another place to live are going to go and do it. Probably a number of them are out of the State; probably a number of them have already doubled or tripled up in other apartments, and they are

availing themselves of whatever it is that they can do, because the gun is at their heads. So probably we are not talking about 90,000 people. Already the delay -- the three-year delay -- in passing this legislation, I would say, has caused the eviction, or causing to leave of 45,000 of these people. And we have another 45,000, some of whom are here today, who are waiting for you to say whether or not there is going to be another month, year, two years, or three years of delays, so that they absolutely have to leave their homes.

The decision is yours. We are not asking you to do anything other than let the Assembly vote on this bill, without amending it to death. If you put amendments on it, then we are starting to talk about another Committee process. Even if it gets passed, it will go back to the Senate, and we will have another year's worth of Committee hearings. We have an emergency. This bill is meant to address it. Amended, probably the people in this room won't get protection anyway. (applause)

Please, I beg you -- please -- allow this bill to be voted on by the Assembly. Even if you don't recommend it, as some people have said before, please just release it today. Vote on it today. Allow it to go to the Assembly for a vote. Give us the chance that we have been denied for three years, please. (applause)

ASSEMBLYMAN MATTISON: Jack?

ASSEMBLYMAN HENDRICKSON: Are there any questions?

ASSEMBLYMAN MATTISON: Just one quick one.

ASSEMBLYMAN HENDRICKSON: Assemblyman Mattison.

ASSEMBLYMAN MATTISON: Mr. Shapiro, could you illustrate for the Committee an example as to what-- I don't know what an average rent is, but if someone is paying \$400 a month, and that building converts to a condominium -- I almost said a condomania--

MR. SHAPIRO: Or a co-op, whatever.

ASSEMBLYMAN MATTISON: What, in fact, might that \$400 translate to if they had to buy it?

MR. SHAPIRO: Well, \$1200 to \$1500 a month in costs -- typical, absolutely typical. When you add up the mortgage, you add up the maintenance, you add up the taxes -- if they are not included in the maintenance fee; if it's a condo, you pay separate taxes-- If you add all of those costs up, you're talking typically of tripling the costs. Sometimes, it is as low as doubled; occasionally, it is as low as doubled. Typically, it is triple the costs.

ASSEMBLYMAN MATTISON: Is that what currently the market is going for out there?

MR. SHAPIRO: Yes, absolutely. Are there any other questions? (no response) I will give you these charts.

ASSEMBLYMAN HENDRICKSON: Thank you very much, Mr. Shapiro. (applause)

I have hesitated to ask the audience to refrain from that, because I want you to express your frustrations. But the longer you keep it up -- and we have to leave -- the less people are going to be able to testify.

I will now call on Mr. Nicholas Martini.

N I C H O L A S M A R T I N I, E S Q.: Mr. Chairman and members of the Committee: Before making my remarks--

ASSEMBLYMAN HENDRICKSON: Could I hear some quiet back there, so we can hear the testimony, please?

MR. MARTINI: --my statement, by way of introduction, I wish to let you know that I have been a member of the New Jersey Council on Multi-Housing Industry, the New Jersey Property Owners Association, and the Montclair Apartment Owners Association for more than 10 years last past. I was elected Mayor and City Commissioner of the City of Passaic for 20 years. I was a Passaic County Freeholder two terms, six years. I was County Counsel of Passaic County for 20 years. I have had a little experience in running a city and about

housing. Also, I was an investor, and a representative and an attorney of many owners of multiple housing properties, smaller ones and larger ones, as well as many tenants' groups, especially in Montclair, for the last 35 years.

I am making this statement today to express my sincere, strong opposition to Senate Bill No. 2107 and Assembly Bill No. 2653, which propose to ban all further condominium, in effect, by banning evictions permanently for all tenants who remain in the apartments who are not over 62 years of age, who are protected by the senior citizen provision of the bill, and also the disabled persons.

These bills will not accomplish what you think they are going to accomplish. You are putting the whole load, may I say, entirely on the backs of a very small minority of the people who are in the housing business, those remaining in the rental housing industry. Why should they pay the whole load? These people do need housing. We need affordable housing, but why should these private owners pay it themselves? What you need here is new legislation by the State, subsidizing housing, granting more incentives to builders of rental housing, and you will get what you want. But you can't put the load on just a few private multiple housing people. The load belongs on all the people of the State, and all the builders, and all the tenants, and all the owners, because we do have an obligation to provide housing to people who need it in a free society. I agree with that. I always thought of that policy in my own City of Passaic when I was Mayor and Commissioner.

So, getting back to my remarks: There has been much misinformation on the effect of condo conversions, such as the alleged effect on the homeowners, causing the Homeless Prevention Program to be enacted. This is not correct. The Homeless Prevention Program was passed primarily to help people on welfare, and others unable to pay their rent because of temporary financial and/or family problems. It was not passed

because of condominium conversions. Its main purpose was to help tenants on welfare and in subsidized housing projects who were temporarily unable to pay their rent, who were in need of temporary assistance of some kind to prevent them from becoming homeless.

The Tenants Organization has mistakenly claimed, for some time now, that tenants who are not senior citizens or disabled cannot find other apartments, after looking for other apartments for three years. The fact is, in our newspapers, daily and Sundays, there are hundreds of ads for apartments for rent every day, condos for rent; 1500 or more a day, only in the three newspapers I could find. I have them all here, and I am going to give them to you. There is no such thing as no apartments for rent.

Now, the vacancy rate, from my experience, has been from 10% to 18% in some areas. I have personal knowledge of that fact. There are plenty of apartments available, within reasonable ranges. Not \$200 a month, like the other gentleman said before. I never heard of a \$200-a-month apartment, or \$400 a month, but anywhere between \$450, \$475, \$500 -- good apartments in good areas -- you'll see from what I am going to leave you today -- all including heat, hot water, and cooking gas, those amenities. As a matter of fact, some of these even offer free rent for one month, to get the tenants in, and others offer other inducements. It has become increasingly difficult to rent apartments in certain areas of the State -- most of the areas, but particularly in certain areas. Monmouth County is one of them; Passaic County is another one of them. Montclair even has difficulty in renting apartments. We have vacancies in Montclair. In one of the projects I happen to know personally about, it's running almost 10%.

My experience has shown, and I have personal knowledge of the fact that there are many vacancies throughout the State -- Camden and other areas. In some areas, the vacancies run

from 10% to 18%. So, there is no real merit to the claim that pre-conversion tenants cannot find another apartment within three years after they receive the notice -- three years' time.

The Committee should know why new rental housing has not been constructed. I want to try to give you my views on that. I have experienced it in my county. I found that some of the reasons are: very, very high construction and labor costs; the State bureaucracy regulating construction; high interest rates; high financing costs; higher and higher tax rates; higher land costs; higher management costs; and the astronomical increases in insurance premiums for property and fire insurance, particularly for public liability coverage, which sometimes you can't even get. You have to try to get it one place after another.

The risks and exposures to loss are just too high for new, privately financed, and owned rental housing in this State. You'll have to do something about that. Investors and financial institutions will not give money on rental housing projects in many areas. They turn them down. They have been shying away from them in increasing numbers.

Another reason we don't have housing, is that strict rent control in some areas of the State have had a discouraging effect on privately owned, multiple rental apartments. Many owners of privately financed rental properties have been compelled to abandon their properties or sell them at a sacrifice, because they can no longer carry the heavy financial burdens with low or no returns.

Condo conversions have had a very beneficial effect on every city and town where they have taken place. First of all, they increased ratables and local tax revenues. They have provided a ready market for homes desired not only by tenants who lived in the apartments being converted, but also by outsiders and tenants in other buildings who wanted to buy their own homes, instead of continuing to pay rent. These far

outnumber the small percentage of tenants who do not wish to buy their homes, or can't buy them, and yet who have three years within which to find themselves an apartment.

In conclusion, it is my considered judgment -- and I have had a lot of experience in municipal work, county work, public life, all my life; over 40 years, in fact, in all categories-- It is my honest, considered opinion -- and I will put it in for tenants, as well as owners -- that the adoption of this ill-advised legislation will not only deny the thousands of existing tenants the opportunity and option of buying their own apartments at a substantial discount, but will, in effect, destroy and confiscate the remaining private, multi-housing rental industry in this State, just to satisfy the whim of the Tenants Organization, which speaks for only a relatively few tenants, who are amply protected by the three-year moratorium against possible eviction. The seniors are fully protected; the disabled are fully protected by the present law.

For all of the foregoing reasons, I strongly urge you not to adopt this unfair, unjust legislation; not to pick on just a small group of taxpayers in this State, and say, "Hey, you have to carry this load for the people who can't find apartments. We are going to take your property. You can't do anything with your property. You can't sell it; you can't convert it. You've got to keep the tenants there forever -- permanently." That is what your bill would say; the tenants will remain there forever. That is unfair, unconscionable, and will destroy the industry.

I want to thank you for this opportunity to be heard. I came here at considerable effort. I was recently discharged from the hospital, but I felt so concerned about this, that I wanted to be here to give you the benefit of my views. I don't own any converted properties. I don't have anything to convert. I am here to speak as one who has experience in the building industry and in the (indiscernible) industry.

ASSEMBLYMAN HENDRICKSON: Mr. Martini, stay there, sir, please. We have some questions. What I would ask staff to do, is to make copies of Mr. Martini's presentation.

MR. MARTINI: I have them already.

ASSEMBLYMAN HENDRICKSON: You have copies for all of us?

MR. MARTINI: Yes, I have.

ASSEMBLYMAN HENDRICKSON: How about the statistics you have on vacancies? Do you have enough for all of us?

MR. MARTINI: I have that all here, yes.

ASSEMBLYMAN HENDRICKSON: Are there enough copies for all the Committee people?

MR. MARTINI: Yes, you may have these.

ASSEMBLYMAN HENDRICKSON: There is a question from Assemblywoman Bush. Assemblywoman?

ASSEMBLYWOMAN BUSH: Thank you, Mr. Chairman. I thank you for the opportunity to ask the gentleman questions, because I am not a member of this Committee. But I am on the Housing Committee, and am quite concerned about this issue.

You indicated a number of figures as to vacancies that exist. Do you have any background as to why these vacancies exist?

MR. MARTINI: No market; people don't rent. People don't come--

ASSEMBLYWOMAN BUSH: I realize they don't rent, but did you have the opportunity to, number one, maybe look at the rental units that are up there for sale--

MR. MARTINI: I have personal knowledge of two cases: One in Montclair, where the rate is about 10% vacancy; and one in Monmouth County, where it is 18% vacancy right now, and has been for a year.

ASSEMBLYWOMAN BUSH: But I am asking for the reason for the vacancies. Do you have any information for--

MR. MARTINI: The reason is that people have not rented the apartments.

ASSEMBLYWOMAN BUSH: No, I understand that. I need a little more beyond the conclusion -- the basis of why we arrived at the conclusion, if you can. If you don't have the information--

MR. MARTINI: All I know is that they can't rent the apartments. They are nice apartments; they're available; the ranges are reasonable -- from \$485 to \$650; good apartments in nice areas, with heat and hot water included. They just can't rent them.

ASSEMBLYWOMAN BUSH: With the two that you know about, or with this 10% vacancy rate?

MR. MARTINI: I get the same reaction from other people in the areas.

ASSEMBLYWOMAN BUSH: Okay. Well, let me ask you this: Do you have any idea as to how these apartments that are for rent -- which you say are going begging for renters -- compare to the apartments that people have lived in which are now being converted? Is there any similarity?

MR. MARTINI: In my opinion, they are equal or superior to the ones they have lived in -- the converted apartments.

ASSEMBLYWOMAN BUSH: Upon what do you base your opinion?

MR. MARTINI: My actual observations.

ASSEMBLYWOMAN BUSH: Of the 1500 units you say you see in the newspapers?

MR. MARTINI: No, no, no, no, no, no, no.

ASSEMBLYWOMAN BUSH: Or the two you're saying that you know--

MR. MARTINI: If you look in the articles there, you will see yourself the locations, what they offer.

ASSEMBLYWOMAN BUSH: Okay. But, have you looked at the apartments?

MR. MARTINI: These two are listed in those ads.

ASSEMBLYWOMAN BUSH: Okay, okay. Thank you. Mr. Chairman, if I may make just one comment-- I have had the opportunity to review this legislation, and I feel there are two needs we are looking towards: A property owner's right to be able to sell or convert his property; but also a need for housing, which is a social -- a need of humanity. I feel this legislation -- A-2653 -- addresses both needs, and would enable -- unlike what the gentleman said -- a person to convert. It says that you are in a business dealing with housing, and that that need must be met also. I see it as being a very good bill.

I just want to again thank you for the opportunity to come and sit with you. (applause)

ASSEMBLYMAN HENDRICKSON: Are there any other questions from the Committee of Mr. Martini? (no response) Thank you very much. I am very happy that you could come down to testify.

MR. MARTINI: Thank you.

ASSEMBLYMAN HENDRICKSON: I will now call Joel Horwitz, member of the Hoboken Campaign for Housing Justice.

I notice that some of the testimony from people is giving us a background of who they are and what they have, and I think that is essential. I have waited for a while before I said that, but I wish that each person who gives testimony, would give us some of his or her background, and perhaps how they are making a living, the way others have, so we have some information on them. Thank you.

J O E L H O R W I T Z: I will cover that first: I have been in Hoboken for 10 years. I have been involved in housing justice groups for eight of the 10. I have a written statement. It is not that long -- it is only about six minutes -- but I won't summarize it because it is an important thing to me.

ASSEMBLYMAN HENDRICKSON: I didn't ask you to cut your testimony.

MR. HORWITZ: I know, I know. I'm sorry.

ASSEMBLYMAN HENDRICKSON: I just asked for some background, at your discretion. Other people have done it.

MR. HORWITZ: Sure, okay. I'm curious. What is the time limit, as far as when this possibly could come out, if it does come out onto the floor? Could it be immediate? Could it be--

ASSEMBLYMAN HENDRICKSON: We are here to take testimony today on the bill. Okay? That is what we are here for.

MR. HORWITZ: Oh, because I was under the impression that possibly it could get voted out of Committee real soon, like today.

ASSEMBLYMAN HENDRICKSON: I think we're listening to you. It is not for you to be questioning. All right? We want to hear your testimony.

MR. HORWITZ: Well, that's okay. You will.

ASSEMBLYMAN HENDRICKSON: Thank you.

MR. HORWITZ: Thank you. But it is important, because I have been here four times in the last year, and I think I have a right to ask that kind of thing.

The only affordable housing available to many people is the apartment they live in right now. Thousands of working people could not afford an apartment if they had to find one today. The real estate industry's "market rate" often forces people to pay 40% to 60% of their income on housing, lowering their standard of living considerably.

We have 50,000 homeless people in New Jersey already. The homeless not seen on the street, and not documented, are doubling up with other people, overcrowding their homes. Fifty thousand men, women, and kids are living in dangerous, crime-infested hotels and shelters on the street, or are doubled up with friends or relatives. Again, our country's standard of living for these people has plummeted. It has

drastically dropped, and 50,000 people in one State are a lot of people. I think it's deplorable, because this kind of greed that is sometimes explained as "property rights" is not what our country should be all about. Shelter is shelter.

We have a crisis. Federal housing projects built in the future will probably not help the majority of homeless people we have already, or the growing number of homeless between now and when that housing is built. We have to at least stem the crisis, don't we? We have to keep the people who still have homes, in their homes. I'm sure you agree. I can't see anyone not agreeing with that. If you already have a crisis that is a heck of a lot of people, and there is no guarantee that things will be built at all-- As other people have said, it is going to take a long time to build as many housing units as the people we have homeless right now need, and then you have the whole thing with condo conversion. That is not to say that everyone who will be homeless will be put out by conversion, but it is certainly going to add more people to the 50,000 who are, in fact, homeless. You know how waiting lists for federally funded apartments work. You're going to solve it for a drop in the bucket. It's better than nothing, but we have to do something now, so that the number doesn't keep growing.

Now, I have worked with people in a boom town who go through the detrimental effects of conversion as one of the aspects of gentrification. Where you have the worst example of the housing industry is in a boom town. I understand that real estate can be a respectful industry in different situations, but if you have a situation where the temptation is there to make more money than you can make any other way, very quickly as compared to other industries that take a long time to make a good profit, you end up getting people who are very sick.

I have seen the condo conversion process in Hoboken and in the State. It is not fairly explained to regular

people, many of whom cannot afford a lawyer, and many of whom do not speak the English language well, or at all, being immigrants, just like almost all of our ancestors were at one time or another. I don't believe you can prey on this kind of situation, and that is what has happened.

There are gray areas in the law itself that I don't think even lawyers understand clearly. You know, there are a lot of untested areas in the condo conversion laws that have just been tested for the first time in the last few years, and there is no clear answer. So, how can we expect a person living in a place to understand the process? There are definitely not enough public resources where people who are inclined to try to find out for themselves how to protect themselves under the laws of the State-- There aren't enough places for people to call, which have the proper information. There have been conflicting responses to people who called DCA in Trenton. It's not right.

Condo conversion, in instances I have seen, has created an incentive to intimidate people, and to not repair buildings while they are still inhabited by pre-conversion tenants. People pay a lot of money for buildings in great need of repair, depending completely on the conversion value and the evictions to make any logical sense out of how much money they spend on the building. There is no incentive to make repairs on the building while it is still inhabited, and there is no enforcement of local laws that actually get repairs done, because fines are always a fraction of the repair costs. So this whole syndrome of condo conversion, in its worst aspect, has developed a situation that promotes people who have slumlord mentalities to do it even worse, just to get the people out. So, the three to four years supposedly guaranteed to pre-conversion tenants before their eviction, becomes, in reality, how long someone can stand living in horrendous conditions.

That's basically it. You know, I don't mean to come off negatively toward all of you. I mean, we are on the same side, I hope. We are not your enemies; you are not our enemies. You are our representatives. It is hard not to be emotional about it. You've got the business aspect of it versus the human right to shelter. I would say that 50,000 people in one State is a hell of a crisis -- people who are already without shelter. I can't imagine any representative of the people not taking the move to say, "You have to stem it, to make sure that there is not one more person who loses a roof."

So, please, vote for it. Vote it out of Committee as it is, with no amendments or changes, today, sooner, or not very much later. And when it reaches the Assembly floor, please vote it in. Other states have non-eviction and condo conversion laws that work fine. Someone made the mistake of allowing condo conversion to become one of the just causes for eviction in our law, and that was a mistake. We can't allow a mistake to take away thousands of people's apartments where conversion has begun in the last four years. You've heard the figures. It's astounding -- allowing the eviction of law-abiding tenants during an affordable housing crisis. I think most people would agree that people who have lived in a place for a long time, if they had to start over and look for a place in New Jersey now, a lot of them just could not make it. A lot of them would be spending 40% to 60%, maybe a higher percentage of their income, and that is not something to be proud of.

I think it is un-American, and I think it is criminal. I really think we need it now. Thank you.
(applause)

ASSEMBLYMAN HENDRICKSON: Thank you, Mr. Horwitz. Are there any questions from the Committee? (no response) Thank you.

I will call next, Mr. John Sheridan.

J O H N P. S H E R I D A N, E S Q.: Thank you, Mr. Chairman, members of the Committee, other legislators present. My name is John Sheridan. I am an attorney with the firm of Riker, Danzig, Scherer and Hyland. We represent a gentleman named Morton Ginsberg, who operates out of a company called MLG Properties, Inc.

I am going to basically read a statement for him today, because he could not be here. I want to emphasize that we are not speaking for any other segment of the housing industry. We are speaking only for ourselves. We believe we have some unique ideas, but they may not be held by other members of the community that builds housing in the State, or converts housing in the State. I am going to read this in the first person, because it is his testimony:

"I am the President of MLG Properties, Inc., and I own or control approximately 7500 multi-family apartment housing units in New Jersey. We would continue a large portion of these properties as rental housing, if unduly restrictive rent control in some municipalities was ameliorated by uniform vacancy decontrol provisions, and if the threat of unduly restrictive conversion legislation is removed.

"With respect to the conversion of rental housing units to condominium or cooperative ownership, the first question to ask is whether those conversions have reached critical proportions which threaten our rental housing stock? Have conversions created a statewide crisis in rental housing, or is the crisis largely nonexistent?

"The records of the Department of Community Affairs show that from 1979 through December 31, 1987, less than 57,000 rental housing units were registered for conversion. This does not mean that all units which have been registered have been sold and taken off the rental housing market. Many are unsold; many are still occupied by tenant, some of whom are senior citizens or disabled, whose tenancy status is protected by

existing legislation; and many have been purchased by outside investors, but continue to be occupied by the preexisting tenants or new tenants. In addition, preexisting tenants have protected tenancy status under the present law, which guarantees continued occupancy for a minimum of three years, and in many cases more.

"Measured against the total number of rental housing units in New Jersey -- approximately one million -- the total number of units registered for conversion during the period is less than 6% of our total rental housing stock. To be more specific, the 57,000 units registered for conversion in 1979 through '87 represent 5.86%. If you deduct from the number of units those which continue to be renter-occupied because of senior citizen protected status and non-seniors remaining in possession, and deduct further the number of rental housing units constructed since 1980, the 5.86% figure will be shrunk even further. In fact, the real percentage is even lower, because most of the units converted in the shore counties are seasonal, not primary units, and they shouldn't even be in the figures which this Committee is considering.

"Also, in measuring the status of housing in New Jersey, consideration should be given to the total of 250,000 new housing units constructed in the 1980 to 1986 period in New Jersey. Despite the number of rental units registered for conversion, the total number of renter-occupied units increased between 1980 and 1985 from 969,000 to 1,016,000, or approximately 47,000 units. Total occupied housing units -- existing units, less demolitions, plus newly constructed units -- rose in New Jersey from 2.5 million in 1980 to 2.75 million in 1985, and have continued to rise to date.

"Thus, from a statewide perspective, it is clear that conversions of rental units to condos or co-ops have not produced a significant housing crisis. It is true that the number of registrations has increased in the past two recent

years. Two principal factors are contributing to this: One, the threat of Draconian restrictions on conversions by new legislation has, I think, forced many people who would otherwise not want to convert at this time, who would be perfectly willing to stay in the rental housing market, to file applications. In addition, harsh rent control in some municipalities, which discourages the continuation of rental housing and encourages conversions. It had deterred the construction of new rental housing until the recently enacted exemption.

"While conversions have not created a crisis in rental housing in general throughout the State, we should look at conversions on a county-by-county basis to see what the impact has been. Again, we must use the number of units registered for conversion between 1979 and the end of '87.

"Seven counties had no conversions, or an insignificant number. Bergen County, where the largest number of units have been converted -- 14,435 during that period-- During the same years in Bergen County, new construction -- new housing unit construction -- has increased by 14,738, of which nearly 6000 are in five or more multi-unit complexes. Moreover, much of this conversion activity involved high-rise, 'luxury' apartment buildings occupied by upper-middle-class and higher-income tenants. As for occupants at moderate- or middle-income levels, many benefited by purchasing these units at relatively low 'insider' prices, and they have been able to profit from their investment by reason of sharp appreciation in values, reselling their units in later years at profits of 200%, or more.

"Moreover, measured against total housing stock in Bergen County, we see that 14,435 units registered for conversion were only 4.8% of the more than 300,000 total housing units in the county in 1980, and 4.6% of the total number in '85.

"In Hudson County, the number of units registered for conversion in these years was 10,800, or approximately 7.5% of all renter-occupied housing in the county in 1980. It was only 5% of all housing in the county in 1985. Again, the percentages were lowered by senior citizen protected tenancies and new construction.

"One could conclude that conversion of rental housing has not caused any substantial housing dislocation in Hudson and Bergen Counties, where the most activity has taken place in recent years. Thus, the opponents of conversion cannot prove a societal need for highly restrictive conversion legislation.

"As noted above, the threat of Draconian legislative restrictions and harsh, oppressive rent control measures in some municipalities have been major stimulants to a rise in conversion registrations in the past two years. However, there have been two counter forces depressing conversion sales: the 1987 stock market crash, and the Federal Tax Reform Act of 1986. This latter legislation has virtually wiped out all interest from outside investors in condominium conversions due to the phase-out of tax benefits. Thus, conversion sales have slowed dramatically in recent years, and I think have greatly ameliorated any hint that we were going to have a crisis in this area.

"Moreover, the benefits to the public interest contributed by converting, has been largely overlooked. These benefits are: First, an automatic increase in tax ratables and a reduction in taxes for homeowners. Second, improvement in rental housing stock by renovations made to encourage purchases and continued maintenance by owners." Thus, we can avoid what has happened, to a large extent, in places like the South Bronx in New York. "Third, fulfilling State and national policy goals of low-cost ownership of housing. And fourth, enabling owners to offset inflation, and increase their capital by ownership of an appreciating capital asset.

"These benefits do not need elaboration, with one exception: Largely overlooked as a by-product of harsh local rent control provisions, is that the values of multi-family housing projects have been depressed well below potential market values. This means that their assessments are reduced, and they do not pay a fair share of municipal and county taxes. As a result, other taxpayers in those municipalities, particularly homeowners, are paying a disproportionately high share of those taxes. Thus, homeowners in municipalities with rent control are subsidizing tenants. Those homeowners may be poorer than some of the tenants being subsidized, and may themselves be senior citizens or handicapped citizens." I would just ask this Committee, is that really fair? Is that what this Committee would like to do?

"As a result of conversions, the assessments of the same properties can finally reflect true market value, which means that the tax base in the municipality will be increased and tax rates lowered proportionately across-the-board.

"I want to just indicate to you a calculation that I have done, which I think makes this point: In Hudson County, assuming a conservative increase in assessments of \$40,000 per unit, multiplied by the 11,000 units registered for conversion, means that Hudson County's tax base, during the period 1980 to 1987, by reason of conversions, has increased by approximately \$440 million." What would have happened in Hudson County if that increase had not taken place over the last seven years?

"With this background, we can now consider what criteria should be used to determine when the benefits of conversion are deemed outweighed by the dislocation of renters. Obviously, we have to distinguish between counties where the incidence and impact of conversions differ widely."

The point I am making here, is that even if there is a need to do something, it only exists in perhaps one county. It is not a statewide problem.

"One reasonable approach would be to describe the point of detriment as the time when, in a given county, the total number of units registered for conversion with Department of Community Affairs' approval in that county since 1980, minus the total number of newly constructed rental housing units since 1980, and minus the total number of units occupied under protected senior citizen and disabled tenancy status, has equalled, or exceeded, 10% of the total renter-occupied housing units in the county. This test allows for an average of 1% per year for 10 years, in the aggregate, of net loss of rental housing through conversions of existing housing stock, before serious enough detriment is assumed to require the imposition of controls to prevent tenant displacement thereafter, notwithstanding the construction of some low- and moderate-cost housing in the county."

The next question is, what tenants should be further protected? Surely I would hope that the Committee would agree -- but this legislation certainly does not say this -- "that tenants who can afford to purchase and maintain the unit after conversion are not in need of protection." There is no income test in this legislation; there is no means test. You could be making a million dollars a year and be in a \$500 apartment, and you would be protected under this legislation. It just makes no sense, particularly when you have homeowners out there who are struggling to keep their homes, who are supporting those rental units through higher taxes.

"We should not talk about setting aside a number of units in a high-rise luxury rental building" -- which this legislation would do. This legislation would apply to a high-rise tower in Fort Lee, just as it would to a low-income building in Newark. "We should not talk about setting aside a number of units in a high-rise luxury rental building, for example, for low-income tenants as a condition of converting that building," if low income tenants are not occupants of

those apartments before the conversion. In other words, any additional protection for tenants should only go to those in true financial need. There is no reason for across-the-board protection. "These may be low-income tenants, or perhaps even some tenants of moderate assets who cannot afford to purchase the particular rental unit in which they reside.

"While I believe that the marketplace with appropriate governmental support can solve this problem, I am prepared to offer an approach that specifically addresses the issue of low- and moderate-income tenants. The following formulation should afford adequate protection for tenants in these categories, without total disregard of the rights of property owners, who are being asked to subsidize another segment of the private sector.

"An owner of apartments which he wishes to convert to condominiums should be able to remove his project from the effects of any new restrictive legislation, such as Senate Bill No. 2107, Senator Cowan's non-eviction bill, if the owner offers one of the following options to the tenants of the building being converted who have a total gross annual household income of less than one-third of the inside offering price:

"Option A: 1) A sale at the inside offering price for that unit to the tenant for no cash down and a purchase money mortgage comprising the entire amount thereof.

"2) This mortgage would be for five years, and debt service on the mortgage would be equal to the rent at the time of conversion, plus annual increases based on the CPI.

"3) There would be no accrual of debt service beyond the amount referred to in number 2 above, and there would be no monthly maintenance charge for the five-year period or until sold or refinanced, whichever occurs first.

"4) The converter would have the option to take advantage of any HMFA or other low-interest financing to comprise all or part of that purchase money mortgage.

"5) Before the end of the five-year period, the tenant would have to refinance or sell. At that time, the converter could foreclose if the tenant did neither. However, the chance of that occurring is remote, because by definition the tenant has bought the property at a substantial present discount and has, in effect, a free option at that same fixed discounted price for five years. The opportunity for profit on the sale or refinancing is overwhelming, and the chance that he would not be able to do so, lose the apartment and have to leave, would be extremely remote.

"Option B: Alternatively, the converter would reduce the offering price to three times the particular tenant's total gross annual household income.

"If the tenant refuses the option offered to him, existing law with its protections would apply to him. All tenants not eligible for this program would be covered by existing protections, including senior citizens.

"So that the owners can offer these programs, such legislation should provide: 1) That it is prospective only, i.e., it applies only to conversion applications filed after the effective date of the legislation; and 2) that rent control ordinances affecting the owner's projects shall allow annual increases at least equivalent to the Consumer Price Index.

"Should this Committee make specific recommendations for legislation, we urge you to include a recommendation for vacancy decontrol. By letting some units adjust to market level rents, this will at least partially relieve the pressure on owners to convert units. There is no legitimate public policy reason not to require vacancy decontrol in rent control ordinances. I also urge you to recommend legislation which would require a municipality that desires to extend rent control beyond January 1, 1990 to do a fiscal impact study of rent control on its tax base, and to submit the study to every

taxpayer prior to extending its rent control ordinance. The homeowners of the State just don't understand how rent control requires them to subsidize tenants, some of whom are better able to pay than are the homeowners. There has been a lot of discussion of real property tax reform in recent months. It would be real tax reform to remove the burden of subsidizing tenants from homeowners, and placing the burden of housing low-income citizens where it belongs, i.e., on the Federal and State governments supported by general tax revenue.

"The hard facts demonstrate that perceived housing problems have not been caused by conversion registrations in this State. There may be a time in certain counties in which the proportion of rental units converted to separate ownership is not sufficiently offset by construction of new housing units, particularly rental units, when the dislocation of financially disadvantaged tenants could be deemed a sufficient detriment to overcome the advantages of private ownership by occupants of the housing unit. In that event, the private property rights of the landlord should not be infringed upon to the extent that, in effect, the prohibition against eviction gives the tenant a lifetime lease on the apartment unit. Instead, the landlord should be encouraged to assist the tenant in acquiring the benefits of ownership and participating in the American dream -- getting 'a piece of the rock.' This will give government additional time to marshal its forces to increase the availability of low- and moderate-cost housing."

Thank you.

ASSEMBLYMAN HENDRICKSON: Thank you, Mr. Sheridan. Just one question: You had in the statement there the names of the municipalities where you say rent control is extremely onerous. In that testimony, could we have those municipalities?

MR. SHERIDAN: The municipalities are not named in the testimony. I can tell you that my client-- I am aware of a project he has, for instance, in Union Township, and rather

than tell you the towns that are onerous, I would tell you that in Union Township, in Union County, he believes he has a situation where he would not want to convert that building under any circumstances. He has a very livable situation. He has a rent control ordinance with vacancy decontrol, but he has been allowed, over the last number of years, about a 5% increase per year. He is convinced that with that, he has been able to upgrade the apartments, and he has no desire at all to convert those buildings.

On the other hand, he has some projects, I believe, in Hudson County, where he feels the municipalities have been totally unreasonable in allowing rent control -- increases on an annual basis. He feels that he has been absolutely forced into converting those buildings.

He also, like many other converters, has rushed off with conversion applications, basically because this kind of legislation you are now considering has been hanging over their heads for the last three years. Every year there has been a new bill with a new effort and, frankly, they are scared to death. They are scared to death that they are going to be stuck with a situation where they have unreasonable rent control ordinances, and no ability to convert.

I would also tell you one other thing this bill does that bothers me somewhat. I am involved in a Mount Laurel housing case right now, where a developer of an office building was prepared to build rental housing as part of a Mount Laurel commitment. The Public Advocate wants it to be rental housing, as opposed to for-sale units. But one of the things that is going to happen, if this kind of legislation passes, is that-- I don't think they will be able to build those units, because the assumption is that after 15 years, those units would go to market rate, or alternatively, could be converted and sold. Without those incentives in the out years, I am very doubtful that the developer could financially put together a statement

that would make those buildings affordable to be rental units -- affordable to him, in the sense that he could afford to do it during that 15-year period.

ASSEMBLYMAN MATTISON: Mr. Chairman, just one quick question. Mr. Sheridan, if I may, something you said seems to be paradoxical from the numbers I am looking at. Number one is, I understand that the 1986 changes in the tax laws make it unattractive, from what you said, to convert, as well as the flat market that has currently hit. That again makes it unattractive to convert. However, if I look at this series of numbers -- this spread sheet -- showing all of the counties and indicating to me, from 1979, how many each year consecutively -- how many units have converted-- I am looking particularly at 1986 -- the year the tax law took effect -- until now. In almost every case, the numbers of condominium conversions have increased; in some cases drastically.

MR. SHERIDAN: Perhaps I wasn't clear about what I was saying. What I was saying was, the sales of units have slowed dramatically, and they have slowed in part because-- I believe that over the years, some of those units were purchased by people who were purchasing them for investment purposes. With the lower tax benefits, they are no longer purchasing those units.

ASSEMBLYMAN MATTISON: So they converted. What's happening to them?

MR. SHERIDAN: I think in many cases the sales are dramatically slower than what they were and, therefore, they are not being sold as quickly. That is what's happening.

ASSEMBLYMAN MATTISON: So, are they sitting empty?

MR. SHERIDAN: Well, the question of warehousing has been raised, and I suspect that some of them are sitting vacant. But, you know, there is a simple answer to that. The reason they are not being rented, is because if you put a tenant in there-- You can't get him out, once you have put him in. (negative reaction from members of the audience)

ASSEMBLYMAN HENDRICKSON: Please, please.

MR. SHERIDAN: So, the answer to the warehousing question is one what is well within your control, I think. It would encourage landlords to go out and rent those units. The answer is, put those units on a special basis; that when the time comes to sell -- when the unit is sold, the person has to get out. Then, you wouldn't have any warehousing. I'm sure the landlords would be delighted to get some additional rental income.

ASSEMBLYMAN MATTISON: Thank you.

ASSEMBLYMAN HENDRICKSON: Assemblywoman Ogden?

ASSEMBLYWOMAN OGDEN: Mr. Sheridan, you talked about a means test, which implies that you think there are a lot of people who currently rent apartments who are paying, really, a very, very small fraction of their income towards the rent. Do you think there are many people -- because a previous speaker said that the average renter was paying somewhere between \$200 and \$400-- These were the units that were being converted. Do you think people who could well afford much more expensive apartments -- that there are many who are actually renting much less expensive apartments?

MR. SHERIDAN: Well, you know, I don't have personal knowledge of this. I believe there are some. I would say to this Committee that even if there is only one -- and I believe there are many, many more than that -- that that person should not be protected. There is a simple thing to do, and that is to put-- You know, if you are going to have this legislation, at the very least only protect those people who need protection, and establish a means test. Right now, there is a means test for senior citizens' protection. Senior citizens are protected. I believe the means test is, you are protected, provided you do not have three times the per capita income -- the average per capita income in the county in which you reside.

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So, every senior citizen-- For instance, I believe in Hudson County that works out to something like \$45,000 or \$50,000 a year. Every senior citizen in Hudson County who has income of less than \$45,000 or \$50,000 is already fully protected. Now, Senator Cowan gave some examples today. I don't understand those examples in the context of the current law. I am going to check into that very, very carefully. But what I'm basically saying is, you have-- In conversion buildings, you have many different kinds of situations. You have buildings that are upper-income, luxury buildings. Why should this law even apply to those buildings? Why should it apply to anybody who can afford to pay more? Why should that person get a ride on the back of a landlord and on the backs of the taxpayers in the rest of the county?

So, if you are going to have this kind of legislation -- which I think is probably misguided -- at least put a means test into the legislation, so that it would only protect those people who need protection.

ASSEMBLYWOMAN OGDEN: Another question: Under Option A, which you said would provide that the tenant could remain with no cash down--

MR. SHERIDAN: Yes?

ASSEMBLYWOMAN OGDEN: --and would be paying the same as what he is paying for his rent for five years, with annual increases based on the CPI-- Then at the end of the five years, they would have to refinance or sell. You know, initially that looks as though, well, this is a good way for the tenant to get something -- a good deal -- assuming that the whole apartment house increases in value. But on the other hand, you could look at it and say, "Well, isn't it really going to be difficult for them to refinance after five years," and isn't this another way of providing for their eviction? (affirmative response and applause from audience)

MR. SHERIDAN: If we took the history, at least over the past number of years, every one of those tenants would have made a lot of money. So, yes, if they couldn't personally get the mortgage at the end of the five years, they would be evicted, but they would be evicted with a lot of cash. They would still have to move, but they would have the profit on that unit at the end of the five years, and they would be able to use that profit for a higher rent someplace, or to buy a different unit which might be cheaper. That was the concept of the program.

ASSEMBLYMAN HENDRICKSON: Are there any other questions from the Committee? (no response) Thank you very much, Mr. Sheridan.

MR. SHERIDAN: Thank you.

ASSEMBLYMAN HENDRICKSON: We are going to take a 10-minute break. The Committee has been up here for a long time, and there are certain functions. When we come back, I will next call Laine Tigane. Then after her, Marvin Menkes, so we know who will be testifying. Just give us a few minutes. Thank you. I hope everyone will come back on time.

(RECESS)

AFTER RECESS:

ASSEMBLYMAN HENDRICKSON: I am going to call the Committee meeting back to order. As I stated, the next testimony will be from Laine Tigane.

L A I N E T I G A N E: Yes.

ASSEMBLYMAN HENDRICKSON: Would you step forward, please? Am I pronouncing your name correctly?

MS. TIGANE: Yes, thank you very much, sir. I thank you for the opportunity -- the chance to speak. I am a tenant. I reside in North Bergen. I would say, first, that I

am a senior citizen. I have resided in North Bergen for 31 years, and have been at my present location, which is Corona Properties (phonetic spelling), for 19 years.

I want to bring my case up, so you can see how senior citizens are treated. I was working up until 1987, or '88 actually. Now I am retired. In '87, it happened that in Hudson County \$36,000 was the maximum earning limit. But in my case, it went \$4000 over, which I made purposely just the one year, using the opportunity to work overtime to cover the previous unemployment for one-half year, by the same company where I was employed at the time -- since 1972, 17 years; that is a long time.

Now, North Bergen Township considered my other earnings, which were usually much lower, like, around \$30,000 -- much below the \$36,000. But this one year only, there was over-earning, and the landlord sued me -- took me to court for eviction. I am not able to buy this apartment, which would run \$1200 a month. I cannot do that.

I want to know, what should I do? Should I go on the street? I am on Social Security, and I cannot buy it. I am not working any longer. My case is not-- Some other people will have the same condition; maybe a little bit different, but it will be the same. Where should a tenant go?

I wanted to say this: When I came to this present location, I paid \$150 per month; now I pay \$326 per month. There has also been a rent increase. I wanted to say that if the landlord thinks that the \$4000 is for him -- such a lot of money, which I earned-- That didn't even cover my half-year unemployment, or the over \$5000 medical expenses, which were not my fault, but the doctor's fault.

I am asking you, gentlemen, wouldn't you use the one-time opportunity to cover your expenses? That was my only one opportunity to use the overtime. All the other years were lower. I wanted to explain that. Please, this is a senior citizen condition. Where should a senior citizen go?

Thank you very much.

ASSEMBLYMAN HENDRICKSON: Thank you for your testimony. (applause)

I had said that Marvin Menkes would be next. I would ask-- Mr. Antonicello has to leave. Would you allow him to come up, and testify later.

M A R V I N M E N K E S: (speaking from audience) Do I have a choice, sir?

ASSEMBLYMAN HENDRICKSON: Come on up.

MR. MENKES: I have an appointment also.

ASSEMBLYMAN HENDRICKSON: Sit down. No problem.

MR. MENKES: Okay, thank you, Mr. Chairman.

My name is Marvin Menkes. I am the Executive Director of the Property Owners Association of New Jersey. Because our organization has not appeared at any Committee hearing for a number of years, I am going to take a minute or two to tell you a little bit about us. We are a trade organization of more than 700 members. All of the people who belong to this group own or manage, or both, rental units that house anywhere from five families to 2000 families. The vast majority of our members fall into the category of 25 units or less.

I feel this is particularly important to bring to the attention of the Committee, because it seems to me that over the years -- and from what I have read in the newspapers, and some of the testimony that was given here already -- there has been a crush and a rush to make this seem like the good guys against the bad guys; the haves and the have nots. Our members are a unique, very American-like group. To borrow a phrase from a recent presidential hopeful, we are somewhat like a "rainbow group." We are all sizes and shapes and colors. We share many beliefs in common, and yet we hold many beliefs as individuals.

We run meetings regularly. We issue a newsletter 10 times a year. And our purpose is to serve the needs of the

smaller property owners. We meet regularly. We would invite you to come and share a meeting with us anytime you would care to. We feel that our organization, in many ways, is a reflection of our State and our country. We have many first generation Americans; many members who were born in countries other than our own; many second generation Americans. We have some professional people who belong. We have many people who work with their hands, schoolteachers, and we even have a mortician, a number of librarians. But interestingly enough, again, a large percentage of our membership hold full-time jobs, and they manage their properties in the evenings, on the weekends, with the help of either their wives or husbands. Whoever holds the full-time job, allows the other to take over the responsibilities. Some of these folks have held ownership of their properties for almost 50 years.

We have very few three-piece-suit people in this organization. There are people who come out to our meetings regularly to learn, to exchange experiences with their fellow owners, and to better themselves so they can better operate their properties and better serve their tenants.

Our position is a very simple one, Mr. Chairman and members of the Committee -- and I do thank you for allowing me to address you -- and we will cite no graphs or charts or the opinions of others. Our position is merely that, if you pass this legislation in its present form, you are curtailing, or lessening, the value of the properties that the members of our Association now own. If this right, or let's say, this ease, or reasonable ease of conversion is done away with, there will be a general lessening of the value of the properties these people own.

Now, by doing this you are taking dollars out of someone's pocket. You are curtailing the future of their children and their families. We are not against any sort of comprehensive housing programs designed to benefit the elderly,

the young people in our society, people with specific disabilities or handicaps. What we are against -- as Mr. Martini pointed out to you -- is a legislative decision which puts the burden of cost on a single group; namely the property owners of investment real estate. We will be the first to support your efforts to make housing available to all. We do insist -- we hopefully insist -- that everyone in our society here in the State of New Jersey will share in this cost. POA members will be happy to do this, because we think it is the fair thing to do. We don't think the costs should be put on the backs of one particular group.

Now, I would take issue with an inference made by two or three of the speakers who preceded me. We all understand the importance of human rights, of civil rights, of people rights, and we also hold sacred property rights. The inference was made that that is not what this country was based on. Well, you know, I went to school in this country and I read a few books, and I know, and I would share with you the opinion, that the impetus of the American Revolution, the severing of these colonies from Great Britain, was based on a revolution of property owners who stood up against a tax that they felt was unfair. Now, I'm not saying they weren't nice guys along with that, but I will say, and I will insist that certainly a major impetus to the founding of this country that we all feel very comfortable in and want to help in any way we can, was the recognition and the importance of property rights.

Now, I have one other thing to add, and that is: I want to second the Chairman's recognition of Mrs. Ogden's graciousness in joining the panel, because I am a former member -- rather resident of Millburn, and I was lucky enough to have lived there when she was active on the Town Council, and about the time she was Mayor, I do believe, and she was just as gracious then. So, many things don't change, they just get better as time goes on.

I want to thank you very much for the opportunity to present these views and, of course, it goes without saying that our organization is opposed to this legislation in its present form. Thank you very much.

ASSEMBLYMAN HENDRICKSON: Are there any questions from the Committee? (no response) Thank you very much, Mr. Menkes.

MR. MENKES: Thank you, sir.

ASSEMBLYMAN HENDRICKSON: I will call next, Mr. Frank Engelberg. Frank?

F R A N K E N G E L B E R G: Mr. Chairman and members of the Committee: Thank you very much for calling on me. I will be very brief. I have to leave right after my comments. Unfortunately, my wife became ill, and I have gotten our bus to go there and pick her up.

I'm 77 years old. If God is good to me, I will be 78 years old next month. I have lived my entire -- almost my entire life-- I have lived 71 of my 78 years in the State of New Jersey. I love my State.

I didn't want to to into this, but the last speaker mentioned that he went to school, and so did I. I don't know whether things have changed so much, that the world we live in is so different. But I remember that when I was a little boy, they had to slide the doors open because the schools were built without things. We didn't have the luxuries that exist today, so the auditorium was made possible by sliding the doors open, and everybody stood in the same room. Frank Tibbitts (phonetic spelling), who was the principal of P.S. 80, and who later on became the head of the Board of Education, used to talk to us about civics. He used to tell us what a great country this was; that this was a government of the people, and that the people were the ones who ruled. He said the legislators we elected were people who were supposed to represent us and protect us against the improprieties of special privileges.

I believed that all my life. In fact, when I got out of public school, I went to Dickinson, and I was told that there were robber barons who thought they could make whatever profit they wanted, and that legislation was passed to restrict the robber barons. I always respected Teddy Roosevelt. He was a person who fought against the trusts.

ASSEMBLYMAN HENDRICKSON: My hero. I belong to his organization.

MR. ENGELBERG: I hope we have more than that in common. So, my understanding of politics was that the legislators are here to represent us. I really don't know how we can be represented fairly, when I hear the fictions that are presented here.

I am a tenant. I would like to talk about tenants and about how tenants feel about the nonsense they hear from some of the people who speak at this end of the table. The American dream -- the great American dream-- Most people have it. Most young people want to own their own home. They want to own a home in the suburbs, with a little bit of grass around the house, and with a fence around the house, where they can have a dog or two, where they can bring their children up in a safe environment. That's the American dream.

What we are being offered is a trap. Somebody who is paying \$200, \$300, \$400 a month rent, confined to an apartment that is roach infested and rat dominated, is given an opportunity to buy these apartments at prices that are unbelievably high, indecently high. My building, a building that was assessed at \$1 million, then reevaluated at \$2 million, sold for \$4 million, and they are selling shares for \$14 million. They want us to buy, at these prices.

I pay \$400 a month rent. If I wanted to buy-- Matt Shapiro was very conservative. If I wanted to buy, my apartment would cost me \$1400 a month to operate. Now, there is something wrong, when something like this is possible. I

have heard the discussion here about means tests. How about a means test for the real estate lobby, so they wouldn't be able to sell their real estate above a legitimate profit, where their profits would be limited to what we have in rent control? Nobody who owns a rent-controlled apartment can lose his profit -- his reasonable profit. He is guaranteed 11%. If you recall when DeRuggiero reported for the real estate people at the last meeting we had, DeRuggiero pointed out that his complaint was, not that he didn't make a profit, but that he had to wait two years to collect it. He had to go to court. When I asked him if he knew any other industry that is guaranteed 11% profit, his answer was -- it's on the record; we could look it up-- He said, "Yes, the utilities." My temptation then was to ask him, "Well, why don't you agree then to the same regulations that the utilities have?"

Now, our tenants, they're not geniuses. They don't know this law as well as you do, and I don't know it as well. But my common sense tells me that there is something wrong when we talk about a means test.

There is something else wrong, I think, in our approach. For some reason, \$50,000 has become a magic number. Now, with \$50,000, you would have been a rich man in 1930 or 1940. Today, what do you get for \$50,000, or \$60,000? We had a woman who was going to testify here, who has two children. Her income is above \$50,000. She lives in a roach-infested apartment that she wants to escape from, but she may be stuck there. She may have to buy, and pay \$1200 or \$1300 a month rent. After she is stuck there, the \$10 a week she has been putting away to send her kids to college can no longer be put away. This American dream that people have talked about-- What kind of a dream is it when the future of your children is going down the drain? When we hear some of this nonsense, we wonder what all of this talk is about.

What about the free market? Oh, I wish we had a free market. I wish the tenants could go out and compete, and say to the landlord, "I don't want that apartment. I want this apartment at a lower rent." Let me tell you what exists on Boulevard East. There are no rental apartments. What these greedy, money-hungry monsters have done, is buy up every piece of real estate, and they are warehousing those apartments.

We took a study before this meeting to be prepared. In four buildings, with 850 tenants, 118 apartments are being warehoused. They won't rent them, and they can't sell them. What is this nonsense about a free market? We're tenants who are trapped on the desert, and somebody wants to charge us our blood for a glass of water. They can get any price.

We had a meeting of our membership on Monday. A committee of our members is here today. They came here, and they sent us here, to plead with you to protect us. The only thing we have is you people. We can't get any mercy from the real estate lobby. I want to underscore my complete agreement with Matt Shapiro, Tom Cowan, and Frank Gargiulo. We met with the real estate people. We made a compromise. We wanted "50 plus one." We think that is the correct bill; we think that is the honorable bill, because people who have lived in an apartment for 15, 20, 30, 40 years should not be able to be dispossessed, for any reason whatsoever.

My building is 40 years old. We have tenants in that building who have paid off that mortgage twice. The mortgage has been completely paid off. Fifty plus one was the honorable and decent bill to protect the greedy. They said to us, "Wait a minute, free market-- You're not permitting us to sell. If you had the no-eviction clause, like they had in New York--" Well, we could buy that. I was one of the people who met with NJTO and we discussed this. There was disagreement there. The no-eviction bill is a major compromise. It practically guaranteed these real estate people to sell every one of their apartments.

Let me tell you something else about my building: In my building in the last year, there has been a 10% attrition. Ten percent of the people have died. Now, what do you think happened to those apartments? They're vacant. They are not being sold. At this rate, in five years 50% of those apartments will be vacant, and whoever owns the building will be able to sell that.

So, we feel, and I agree, that our compromise was a complete compromise. I would like to speak at greater length. I will leave a copy of some of my comments. Oh, one last remark: This last person, who has all of this real estate for rent in his community-- It amazes me. I am going to tell all of our people being dispossessed to run to Montclair, because in North Bergen-- We had a person come to us two or three weeks ago, and he said, "Frank, I am being put out of the apartment I rented on 79th Street." I said, "How did you find an apartment on 79th Street?" He said, "Oh, I found it. I am paying \$600 in the cellar." I said, "What do you mean you're paying \$600 in the cellar?" He said, "Oh, they put up a little kitchen where I can do some warming, and then I have a place to put a bed, and I'm paying \$600." He said he was going down to Town Hall. I said, "I think there is something wrong with that. I think that is a violation of our town ordinance."

So, maybe this person who has vacancies in Montclair-- Maybe that is the kind of vacancy he has. When our tenants hear some of this talk-- Someone here said, "the haves and the have nots." I think that is what the issue is, except the have nots today are the people who are not making \$20,000, \$30,000 a year. One of our members who is working, and couldn't be here today, went to one of the meetings when I talked about affordable housing. When she heard about the figures of affordable housing, and what they are doing-- I think you were at that meeting, very frankly, and Marge Beckman (phonetic spelling) was there. She said, "Oh, I've got to go on welfare. With the salary I've got, I can't buy."

Well, what are we talking about? We're talking about people. We know what the problem is. The problem is a very simple one: Some people have cornered the market, and they are bleeding us to death. We hope that our legislators in New Jersey will protect us from this violent rape of tenants in the State of New Jersey. We urge you, please, vote this bill out of Committee today, so that we can go back to our members and say, "We've gotten our Legislature moving, and our problem will be decided immediately."

I want to thank you very much for giving me the time. Excuse me for leaving at this time. (applause)

ASSEMBLYMAN HENDRICKSON: Thank you very much, Frank, and I hope your missus is all right.

MR. ENGELBERG: Thank you.

ASSEMBLYMAN HENDRICKSON: Our next testimony will be from Robert Antonicello.

S U S A N C O V A I S: Thank you, Mr. Chairman.

ASSEMBLYMAN HENDRICKSON: Can we hold it down a little, please? (referring to people talking loudly in the audience)

MS. COVAIS: Before Bob Antonicello speaks, I just wanted to point out that I handed out a statement from the New Jersey Association of Realtors, strongly opposing both of these legislative proposals. I am not going to go into too much detail, because I think a lot of the speakers coming before and after us have picked up a lot of the points.

I just wanted to point out that no member of our Association -- no bona fide member of our Association -- has ever met with a tenants' association to talk about any kind of compromise. In fact, when we heard about this non-eviction bill, we strongly opposed it, and rejected it immediately. So, I don't know what group Mr. Engelberg met with, but they were not members of the New Jersey Association of Realtors.

Thank you very much.

ASSEMBLYMAN HENDRICKSON: Thank you.

R O B E R T A N T O N I C E L L O: My name is Bob Antonicello. I was born and raised in Jersey City. I have lived there for 34 years. My family has lived in Jersey City since they came off the boat and entered Ellis Island 80 years ago. I am a development consultant in Jersey City, a former city planner, and I worked in affordable housing for a number of years. My career is about 12 years old at this point. I converted about 200 buildings--

ASSEMBLYMAN HENDRICKSON: Excuse me, if we're having a conversation, can we take it into the hall, please? (speaking to members of audience talking among themselves) Go ahead.

MR. ANTONICELLO: Over the last four-and-a-half years, I have converted about 200 properties as a development consultant in Hudson County. I am here today to talk about my experience with my clients, who are not wealthy people, and why they converted their assets to condominium ownership.

First, condominium conversions in Hudson County have been a safety valve. Make no mistake about it. It is a measure of last resort. There are two reasons why you convert a property in Hudson County, actually anywhere: One is greed; the other is fear. Greed isn't there. There is an overabundance of condominiums in the market. Many tenants in Hudson County are not very wealthy. You cannot get the kind of prices you need to fuel that kind of greed. There are some examples that the North Bergen Tenants' Organization bring up, but there is a postscript to that: The two converters in Hudson County -- if you want to call them greedy -- have all filed for Chapter 13, because the market couldn't bear their prices. They were not very good businessmen in doing their conversions, and they filed for Chapter 13.

They are not my clients; they are other people's clients. I am here today to talk about my clients: First generation Indians; Pakistanis; people from the Middle East; people from Asia; first generation Polish, Italian; people from

the Caribbean; people from South America -- people who have come from those countries seeking an opportunity. Maybe that is kind of what keeps me going when I look at these people, because I watch them come into this country with very little. They buy a house on a block, maybe Corbett Avenue in Jersey City, and within two or three years they have saved enough money to buy a six-family down the block. They take that six-family and they try to work it. The wife may manage. The wife may even mop the floors. I have seen this happen on a regular basis. If you live in Hudson County, this is a common occurrence. This is not an abnormality. There are no major developers that I know of who have come in and taken six-families, and are sweeping the floors themselves; fixing toilets themselves. These are my clients.

These people have been pushed to the wall. You know, it is not easy to acquire property today. You've got to go through the whole business of finding it; negotiating financing; taking the risk with interest rates. You've got tenants. You know, tenants can say what they want, but good tenants are hard to come by nowadays, and most people don't want to lose them. You've got to rent buildings; you've got to keep them leased. It's not easy, but once you've got it, you don't want to sell it. Once you reach a point where you are converting it, it is really a measure of last resort.

The safety valve has blown off in Hudson County, and it blew off four years ago. If you look at those numbers, you will see that eight years ago in Hudson County -- in Jersey City, which I am very much familiar with-- In the four years that Gerald McCann was Mayor of Jersey City, there was a dialogue. It was often a stormy dialogue with tenants, but there was a dialogue. There were 400 units converted in Jersey City during that period -- 400, 450. When Gerald McCann lost, the dialogue stopped. You know, you don't have to take my word for it. You can just look into the record. The dialogue

stopped, and 5600 units were converted. Why? Because landlords were pushed to the corner once again. You can't have a one-sided dialogue, and then point the finger at the landlord, and say, "You're the problem."

There needs to be an ongoing dialogue. It is going to be spirited between landlords and tenants, but that is a given. But hopefully you can come up with the proper direction, and head in that direction, so that everybody can live with it. That didn't happen for four years. Effectively what happened in Hudson County was-- Many of the politicians in Hudson County said, "Look, we'll take our stand with the Assembly and the Senate, and hopefully we can plug the one gap, the one loophole that we don't control, which is condominium conversion legislation." But if we plug that gap, who controls the Rent Leveling Boards in Hudson County? The tenants. You very rarely find a property owner on a Rent Leveling Board in Hudson County. You can't pass through taxes in Hudson County -- most municipalities in Hudson County -- and a 2-1/2% to 3% increase is about the norm in Hudson County. This is all documented fact. You can look into it.

I kind of resent it when the tenants talk about dreams. I live in Jersey City. I have a son who is going to be a year next month. And my dream was always to continue to live in Jersey City. My grandparents lived down the block from where I grew up. I knew them on a regular basis. We had dinner with them on a regular basis, and I hoped that one day my children could live down the block from their father, who would still live in Jersey City, and that we would have an extended family. Well, that is not the case any more, because our neighborhoods have become unlivable in Jersey City, mainly as a result of apartment buildings, that are a direct result of the quality of life. You walked through Hudson County, long before there was condominium conversion, and there was a civic nightmare -- Bergen Avenue -- in Jersey City.

If you are familiar with Jersey City, there is an abundance of civic nightmares, whole neighborhoods where rent control has brought them down. They have started to come back, but they won't come back if you pass this bill. Now, coming back for whom? Well, for the most part, when I look at the buildings that I converted in Hudson County, the average sale price is about \$80 a square foot -- the insider price.

ASSEMBLYMAN HENDRICKSON: Say that again -- how much?

MR. ANTONICELLO: Eighty dollars a square foot. Now, \$80 a square foot, when you consider that these people may have paid \$40 to purchase this building -- \$40 a square foot -- a number of years ago, \$80 is doubling their money. But the market value of that unit is probably worth somewhere around \$120 a square foot. So, if a tenant were to buy his apartment -- some of them don't, but some of them do -- he could, in effect, double his money. That is how conversions have worked successfully throughout the country -- the doubling of your money that occurs. What happens is, the landlord wants to cash out. He doesn't like this deal any more. This is not a very good deal for him. He wants to recast the deal. He is pushed to the corner. He can't go to the Jersey City Rent Leveling Board for an increase. It is almost impossible to get a reasonable increase from the Jersey City Rent Leveling Board. As a matter of fact, on a number of occasions, the North Bergen Rent Leveling Board asked me, "Why don't you convert the property?" I have been told that by a number of municipalities in Hudson County. They realize that this is a joke, and the tenants realize that it is a joke.

So, at this point, what I would like to say is: A lot of people like Bob Menendez have come before this Assembly Committee and said that they can't handle it, but they can handle it. It takes a lot of courage for a local mayor and city council to handle the housing crisis. You can solve the problem within your borders. Jersey City has had two major

buildings: Seville Apartments, which went condo, but the condo conversion was scuttled because they worked out an agreement with the tenants with vacant units. Vacant units got a little rent. Tenants did not have a conversion over their heads. A landlord knew he had a future in the rental business, and wasn't going to be the custodian of low-income housing. That's a major fear.

A major fear is that if this kind of legislation comes in, what about you? You are the custodian of low-income housing. This is no place to go. If you really think that the South B won't follow, think again. When you have eliminated the conversion route for many of these people, disinvestment follows. It's hand in glove. There is no question about it. How are we going to rebuild Hudson County, which was built more than 150 years ago, for the most part? You don't rebuild it with this kind of legislation. You rebuild it by forming a partnership with the tenants, the municipalities, and the landlords. Ninety-five percent of the housing that we live in today was built by the private sector. They could solve the problem if you would work with them, but that hasn't occurred.

If you want an example in Hudson County where it has occurred -- with the exception of the Seville Apartments -- I would like to see it, because I have not seen a meaningful dialogue in Hudson County. I have seen a lot of saber rattling; I have seen a lot of finger pointing. But, I haven't seen anyone sit down and say, "Let's come up with a realistic alternative to this and let's work with it."

Now, I would like to point out one thing in Jersey City: We converted a building called Arlington Gardens. It's 95 apartments in Jersey City. Many of the tenants were poor; some were moderate income. No one purchased in this building. We approached the Housing Authority about purchasing this property at \$ square foot. Now, keep in mind that it

is costing them \$110 a square foot to build new housing, and it looked like a real deal; it is a real deal. But do you know why it works for the Housing Authority and it doesn't work for someone like me, or a private developer? Because the Housing Authority has Section 8 vouchers for people who legitimately can't pay their rent, and for the people who can pay more rent, they got rent increases. So you get rent increases from people who can pay more rent, and housing vouchers for people who can't make the rent. They threw the plan out. That is the kind of partnership I think we can form. But this legislation does not help that kind of a partnership.

I would just like to make one other point: I mentioned my grandmother before. My grandmother is 97 years of age, and she sold her house last year. She sold her house because the taxes doubled in Jersey City. She wanted to stay there. When she came into this country, she settled on Corbett Avenue. That is the block she wanted to live the rest of her days on. She had great-grandchildren within three blocks. She couldn't. She wouldn't take our assistance to help her pay her taxes, because that would be only the beginning. After her taxes, how could she afford heating the house and maintaining the house? So, she moved in with my uncle.

Now, the family was there to help my grandmother out, and that's fine. I think families should be there. But the bottom line is, no one capped my grandmother's expenses. No one said, "Mrs. Antonicello, your expenses will only go up 2-1/2% to 3% a year." No one said that. But you're saying that to tenants, and in many cases you're saying that to senior citizens making \$50,000 a year. Now, I've got to tell you, there are a lot of families growing up in Hudson County who wish they had \$50,000, but they don't. When you start putting \$50,000, which is a lot of money, in my book-- It may not be in Mr. Engelhart's book, but it is in my book now. It's more than a fireman makes; it's more than a policeman makes. It is

much more than a teacher makes in Hudson County. You've got to draw the line somewhere. If you are going to cap a senior citizen's expenses with rent control for a rental unit, you've got to cap a senior citizen's expenses for a home.

There are nightmares all over. If you read The Jersey Journal letters, you see them all the time from homeowners who have lost their homes. It is a major issue in the municipal campaign in Jersey City now, and yet you say that tenants who are making \$50,000 -- more than \$50,000 -- will now have life estates under rent control, which means that their apartments can go up no more than 3-1/2% or 4% in Hudson County, but the homeowner, the sky's the limit. That is not how you build a partnership. The only way to rebuild Hudson County in places like Jersey City, is through a partnership.

Thank you.

ASSEMBLYMAN HENDRICKSON: Any questions from the Committee? (no response) Thank you very much, Robert.

I will now call Joan Pransky, legal counsel.

UNIDENTIFIED SPEAKER FROM AUDIENCE: She's absent.

ASSEMBLYMAN HENDRICKSON: I will call Frank O'Brien.

F R A N K O ' B R I E N: Mr. Chairman, members of the Committee, I thank you. I am a tenant, a victim of being evicted. As a matter of fact, we are supposed to be out of our apartment two days after Thanksgiving. I have a girl four years old, and I have a boy 11 years old. How do you tell your son and your daughter, when everyone else is sitting down eating Thanksgiving dinner comfortably, including your landlord, that possibly in two days we will be out of our apartment; we have no place to go?

I have worked all my life. I have asked no one for nothing. I have asked our landlord to fix our apartment. Since he has gotten that condo clearance, our apartment does not have a ceiling in the bathroom. Half of the ceiling is in the bathroom; it fell down because of a flood. He never repaired it, and it has been well over a year.

We have roaches and mice in our apartment. We have had them for quite a while. We have no exterminator coming into our building. We are in a situation here where I don't know who to turn to. I don't know much about this law, with this condo situation here. I know I pay my rent every month. I work hard. Forget about even thinking about buying my apartment. I believe my inside price was-- If I am not mistaken, it is \$60,000 for four rooms. As I said before, I have a boy and a girl. There's not even enough room to live there now, but I can't afford anything else. I have my paycheck on me. I got paid, because I work nights. I bring home \$330 a week. What do people like my wife and my two children do? What do I tell my daughter? What do I tell my son?

Someone before said something about the American dream. What happened to the "home of the brave"? Where is everything going? It seems like it is going towards one end of the table -- one end of the table -- and we are just getting pushed off because we are sitting on the wrong end of the table.

You had a gentleman up here before who said there are many apartments vacant. I have a paper here that can verify that there sure aren't many apartments vacant. A one-bedroom apartment for \$600; a two-bedroom apartment for \$750, in Jersey City, which is where I live. My landlord has many buildings that are empty where he is supposed to make condos. We have a 10-family building right next to us which is completely empty and boarded up. Meanwhile, you have people sleeping on the street. I'm sure soon, unless you have mercy on us today, we will be among the people sleeping on the street.

I am not a very good talker, but I am a very good parent. I provide for my children the best I can. I go to work every night. I don't know. Who can I talk to? I called The Jersey Journal on a number of occasions. On one occasion, our building, and the next-door building that he owns, were on

the front page of The Jersey Journal. He has received a number of violations. What's happening? I don't know. We talk; we call; we talk. The front door to our building does not lock. Anyone can come in there at any time during the night, and do whatever they want to that building. I work nights. I don't know if any of you have children, but I really think a lot at nighttime about my children and my wife. I love them dearly. Like I said before, I do my best. I am only making \$330 a week. How can I afford a \$60,000 condo, at their inside price?

Now, once you pay that \$60,000, you have to bring the electric up-to-date -- up to code; bring the plumbing up to code, and what have you -- the other work. So now you're talking about well over \$100,000. I am making just about \$22,000 a year. I can't see myself doing that. I would love -- the American dream, like the gentleman said before -- I would love to have a house. My daughter and my son, my wife and I went out the other day to the mall. They had these ponds -- I'm sure you have all seen them in the malls, where the water comes out of them -- and my daughter asked us for a penny. She threw the penny in, and she came back over to us, and she said, "Daddy, Mommy, do you know what I wished for?" We said, "What, Jen?" She said, "I wished for a house so I could have my own bedroom."

Now, that hurts. When I go to sleep in the morning-- I lay my head down, but I can't go to sleep properly. I cannot go to sleep like this person who is getting clearance for a condo, to put me in the street, and my family. It hurts. What am I supposed to do? If I go out there fighting-- Suicide? You wonder why suicide is up? That's why suicides are up. Here comes the holidays. November 25 is Thanksgiving. November 27 I am supposed to be out of my apartment, with my two children and my wife. Christmas is right around the corner from then. What do we do? Can someone give me an answer? What do I tell my daughter? What do I tell my son? What do I

tell my wife? Should I take our children and put them somewhere, so that she can work one job and I can work two jobs, and then they have no parents? They would be out on the street doing things that we are trying -- that we are supposed to be trying to stop. They could get mixed up with the drug addicts and what have you, and the criminals. That is eventually what happens if you let a child go astray. You can't do it.

I have worked since I was 14 years old. I brought myself up. Now I am in a situation here-- I have never asked anybody for anything, but I am in a situation now where I am asking you, please, today, please help us. Help other families like mine. I know I am not the only one here. I know there are many families. I'm sure this whole floor -- from that corner to this corner -- wouldn't hold them all if they all came, but how many of them are scared to speak? Many of them. I'm nervous up here; I'm very nervous, believe me. But I had to say something, because if I didn't come up here and say something, you wouldn't know who Frank O'Brien or Jennifer or Eddie O'Brien were.

What do I tell them? What do I tell them when we are supposed to sit down at our Thanksgiving table to eat our Thanksgiving dinner? Or, what about the Christmas tree that is supposed to be up in the corner? You go to the landlord and you tell him that you have mice in your building. He does nothing. You have your daughter jumping up on the couch in the middle of the night, because you are running around the house killing mice. Meanwhile, they don't give two damns about you -- nothing. You are just a speck of dust to them. They get you out; they get a vacant apartment. In my building I have seen it on a number of occasions for the last three years. Someone moves out because they are scared of the condo conversion, and what happens? That person who was paying \$300 a month when he moved out-- The new person moves in, and is

now paying \$550, for a shack that they do nothing about -- absolutely nothing. They could go in there with a quart of paint and put some paint on the walls. Nothing; they don't offer you no paint. If any one of you would only please take the time out to take a ride to Jersey City. I live in Apartment 3. You would wonder how I live like that. I am embarrassed to have people in my house. I am embarrassed. My son cannot bring his friends in. My daughter-- I don't want her to bring her little friends in. We're embarrassed. You're sitting at the table talking to people, and you have roaches crawling around. There is only so much we can do. We can buy spray and what have you, but what can we do? We call the landlord, and nothing happens.

It's incredible. Where do we go? You want to try to send your children to college. Someone before said something about saving \$10 a week to send children to college. I worked at Stevens Tech for 13 years. I put away \$25 a week for savings bonds. Now it is coming to the point where my wife and I were talking about maybe trying to cash in the savings bonds to see if we can afford a \$600 a month apartment. But, who are we kidding? On \$330 a week, can we afford a \$600 a month apartment? I don't think so. I think that would be committing suicide; I really do. I think that would be taking away from the children, most definitely.

I would appreciate it if you could help us; I really would. Thank you for the time to talk. If anyone wants to ask me anything, I would be glad to answer to the best of my ability.

ASSEMBLYMAN HENDRICKSON: Are there any questions from the Committee?

ASSEMBLYMAN IMPREVEDUTO: We've got some people out there who own apartment houses. Does anyone have an apartment for this guy? I'm serious.

R O G E R L E V Y: (speaking from audience) I'm sorry, I didn't hear what you said.

ASSEMBLYMAN IMPREVEDUTO: I said, we have a man here who needs an apartment.

MR. LEVY: I have one. (dialogue here between Assemblyman Impreveduto and Mr. Levy; inaudible to hearing reporter)

ASSEMBLYMAN HENDRICKSON: Wait, let's hear it from the Committee, then we can discuss it, because we're leaving at three o'clock, and I know someone is going to chastise us because they haven't had time to testify.

ASSEMBLYMAN IMPREVEDUTO: Frank, you see me after this meeting is over.

MR. O'BRIEN: I'll do that, okay.

ASSEMBLYMAN HENDRICKSON: With all due respect, we thank you. I think you made a real good point. (applause)

Roger Levy?

MR. LEVY: That's me. Just a moment, please.

ASSEMBLYMAN HENDRICKSON: Mr. Levy is an apartment owner.

MR. LEVY: To correct the record, sir, I am not an apartment owner. I am a professional Realtor. I am a certified property manager, and I manage property for other people.

ASSEMBLYMAN HENDRICKSON: Thank you.

MR. LEVY: My office is in Hoboken, and has been for the last 21 years. Among the properties that I manage are subsidized buildings, conventional market rate buildings, co-ops, condos--

ASSEMBLYMAN HENDRICKSON: Excuse me, Roger. Could you take your business outside into the hall so we can hear Mr. Levy? (speaking to people in the audience) Thank you.

MR. LEVY: As I said, I manage all types of rental housing, cooperatives, and condominiums. As I said, I have

been in this business a couple of days now, and I have to take exception with the eminent Senator who spoke earlier that the pendulum is swinging in favor of the tenants. The fact of the matter is, the pendulum has swung, and is still swinging the other way.

I can cite any number of court decisions of recent date -- within the past year or so -- that have created case law unfavorable to landlords, not the least of which is the recent United States Supreme Court decision in a California case, where the local municipality has the right to deny a rent increase to a landlord, based on the tenant's ability to pay.

Our government, at all levels, has abdicated its obligation to provide for the good of the people in the housing field, and has put the entire burden on the private sector; that is increasingly more so. Additionally, you have passed legislation -- all of it very commendable, by the way, such as the new fire code which was introduced by the late Senator Caufield-- You have made reevaluation mandatory, but all these factors have added to the costs of operating housing. In the case of the small property owners, who were spoken about by the representative of the Property Owners Association, it has made their position totally untenable as far as running their buildings for profit. Many of these people purchased these buildings as an investment for their old age, so they would have a place to fall back on.

I have observed the erosion of this pension fund, going way back to the '40s and '50s, in the City of New York, where I used to operate in the same capacity, and now in the State of New Jersey, where I have been for the last 30-odd years. Nonprofit housing for the Episcopal Archdiocese of Newark-- The taxes on that building have doubled. We are currently renting apartments with two bedrooms for \$309 a month. Very frankly, if this were not a nonprofit-motivated organization, they could sell these apartments, very

conservatively, for \$40,000 apiece, and walk out of there, instead of struggling to meet their bills and meet their tax obligations. The rents are regulated by HUD. We have had to ask for increases almost every year, just to keep nonprofit, rather than becoming -- going into the red.

Additionally, the type of legislation that you are considering today has caused panic among property owners. I know a client of mine who has prefiled for condo conversion because of this type of legislation. He does not really plan to convert, but he has prefiled because he doesn't want to be caught in the squeeze, if he should ever decide to go that route. Right now, he doesn't find it necessary, because he was fortunate to make a very favorable purchase. But by and large, the landlords are forced into conversion by the economic situation.

Of course, the basic reason for conversions in the first place, is the need for rent control in the first place. There is a lack of affordable housing that in my memory-- It has been at least 10 years since the State of New Jersey has talked about providing affordable housing, but nobody has done anything except, as Assemblyman Kenny stated earlier, talk about it. I think it is time to stop the words, and start the action. Create more affordable housing, and the problem will solve itself.

You can have affordable housing in a very short time. In the City of East Orange, a number of buildings -- apartment buildings -- have been abandoned over the years, and have become the property of the city. The city has sold them to developers but, as is very often the case with government, their contracts are short-sighted. They did not put a performance requirement in their contract of sale, so the same purchasers are now sitting looking to make a fast buck on the sale of the empty buildings, without ever doing anything about creating rental, condo, or any other kind of housing. They are

just good, solid shells. The structures are very solid, but they have been stripped and are sitting there vacant. There is not one, but many like that in East Orange, in Newark, in Jersey City, everywhere that I have traveled in this State, and I have traveled very far and wide in my endeavors.

In conclusion, I will simply urge you to attack the problem that really exists; namely the lack of affordable housing, and not try to put the burden of providing housing on the private sector.

Thank you.

ASSEMBLYMAN HENDRICKSON: Thank you very much, Mr. Levy. Are there any questions of Mr. Levy from the Committee? (no response)

All right, I will call next, Maril McFaul.

M A R I L M c F A U L: Thank you very much, because I want to review what Mr. Levy said.

ASSEMBLYMAN HENDRICKSON: Well, this is not the time or place to get into an argument with Mr. Levy. We are trying to listen here, and we have been here since 10:30.

MS. McFAUL: All right. Thank you for calling on me, because I called long distance twice. What I wanted to say was, I don't think it is a landlord issue; I think it is a political problem. I don't know if this thing is turned on or not. (referring to microphone)

ASSEMBLYMAN HENDRICKSON: Just hit the button, and the light will come on.

MS. McFAUL: Oh, working, okay. It is a political problem in the State. Actually, these hearings have been going on now for two years, because nobody really understands what the numbers are -- what the statistics are. The State has not set up the infrastructure to get the numbers, to get the research as to what is going on.

In my opinion, what is going on is, the State of New Jersey has a political infrastructure that is what capitalism

used to be. It is nationalism. Today, it is international capitalism. We have these international mega-blocks. What has happened is-- In Hudson County, we are the most ethnically diverse, foreign-born county in the United States of America. The people buying, and the people being evicted are often foreign-born. Therefore, we have foreign money coming in, and we have foreign immigration both.

This is a situation where no one knows where it is going. You can buy any book. Any political scientist will say, "God knows where we are going. Who knows what is going to happen?" The numbers today-- If you break down the numbers on what is happening in the capitalist system-- God knows what the future will be.

But the bottom line is, we have a condo conversion law that was geared to the '70s and to the '60s, and in the '80s, we need a stronger law. Therefore, I would like to suggest that they put in amendments -- may God have mercy on our souls -- that they amend it to a period of two or three years, until the time that the research department of the State of New Jersey investigates to find out what is going on with the economy in New Jersey.

There are three things wrong, basically, with our current law: First, if you go condo, you cannot sue, because, unlike New York, the converter controls the property until 75% to 95% of the units are sold. They don't have to get out, and you cannot sue.

Secondly, there are no building codes. My only daughter lives in a turn-of-the-century building. They tried to fix the ceiling. It didn't work. It either falls down, or it leaks. It is a mess, because there are no building codes for the conversion process.

Thirdly, there are no quotas on the number of units in each area to prevent mass evacuation of the poor.

I appreciate your time. I will type the information up and send it to you. I don't think it is a landlord issue. It is a problem of the political infrastructure of the State of New Jersey. Thank you very much.

ASSEMBLYMAN HENDRICKSON: Thank you.

The Committee has consented to stay a little while longer. The next person I will call is Holly Gilroy, Marcus Group. (no response) Do we have Abraham Gnessin? (no response) Michael Pesce? (affirmative response)

M I C H A E L P E S C E, E S Q.: Thank you, Mr. Chairman and members of the Committee. My name is Mike Pesce. I am with the Cirkus Real Estate Group in Clifton. We are involved in condominium conversions from several different perspectives. We are converters ourselves. We have now been involved in the conversion -- the successful conversion -- of approximately 70 complexes. As Realtors, we sell approximately 100 units per month, and as a management company, we manage now approximately 5000 units, most of which we have converted over time.

I would like to address the bill specifically, and the four components of it as briefly as I can, and it will be brief. There have been many suggestions that all this bill will do is perhaps slow down the pace of conversions, or make conversions a little less profitable. In our judgment, looking at it from the perspective that we have to, as operators and converters, in our judgment this will not slow it down. This will not, in fact, make it less profitable. It will stop it. So, if your goal is to stop conversions -- and I suppose a lot of people in this room would like that -- this bill will do it. I submit to you, though, that there are many benefits from conversions, and that is hardly a justifiable or laudable goal.

I would like to address the four components of the bill briefly. Retroactivity: Not only is this a non-conversion bill, but it also says, "Let's change the rules

in the middle of the game," so that the person who bought a unit two years ago, understanding that when he bought this unit -- and let's assume for the moment he bought it for investment purposes, with a tenant in place-- He bought it with the assumption that he was going to have to live with negative cash flow for some limited period of time, either three -- more likely four years -- but then he would have the opportunity to dispose of the property, or do with it as he wished. You just changed those rules.

Now this man has a property where he is going to live with a negative cash flow for basically the entire time that he continues to own it. So, I think in terms of fundamental fairness, that is just not fair.

The next component of the bill is home rule. Home rule, as I understand it, is, "Let's now give every municipality the right to supplement the New Jersey restrictions on condominiums," which already are some of the most stringent in the United States. I think it makes an already difficult process that much more difficult, and now it makes the potential success or failure of a conversion project basically rise or fall on the changing political winds of local politics. I guess I apologize in advance for many of you who perhaps are, or were involved in local politics, but it is certainly nothing in my experience where you can bank on any given consistency. You know, nothing is any more consistent than the next election, and that, certainly, is not something that banks are prepared to rely upon when they are looking at a potential investment, and in lending on a potential conversion project.

Next is a provision that says that we are going to bring every building, when it is converted, up to today's codes. I think that is just a simple impossibility.

And lastly, the non-eviction component in general. Again, this is something where, in the event there was really a

need out there, I might feel differently. We have been bandying about the concept here of protected seniors. The numbers today-- I saw them; they just came out. The protected senior income levels now are, in fact, at a low in Hudson County, and I believe Gloucester, which were raised to the \$50,000 minimum. They rise as high as \$86,000 in Somerset County. Now, that is more money than I make, I can assure you of that. We seem to have a focus on Hudson County here. Our organization has never converted a building in Hudson County. This is a bill that affects an entire State. Let's not-- In the entire audience, I don't know that we have heard from a tenant from a county other than Hudson County. Hudson County may have its unique problems--

ASSEMBLYMAN HENDRICKSON: That is kind of my fault, the way I am calling the witnesses.

MR. PESCE: Well, it's not your fault, because that is who are here.

ASSEMBLYMAN HENDRICKSON: No, there are more people here.

MR. PESCE: There is nobody else.

ASSEMBLYMAN HENDRICKSON: Yes there is.

MR. PESCE: I can tell you, we have converted buildings in many of the other counties in the State, and those people are not here. I would submit to you that we can't paint with such a broad brush that we cure problems that don't exist.

A real quick comment on the concept of, "If it works in New York, why doesn't it work here?" This example I have given to you before, so I won't say it in a long-winded fashion. But the simple fact of the matter is, New York's selling prices are so dramatically higher than they are here when a building is converted, that that landlord has a great deal more room and flexibility to adjust his prices to convince a tenant under no legal compulsion to ever leave, to buy.

We don't have that flexibility in our buildings, and our judgment is, if you make a bill that says, "Everybody can stay here forever," we are never going to be able to buy the building in the first instance to ever convert it, because we won't be able to get a bank to lend us the money.

Lastly, but not leastly, please understand, when you are looking at all of these numbers about registration-- Everybody is talking as if the figures of units registered means that that is how many people have been displaced. It's not. That number includes people who have purchased their apartments; tenants who bought, about whom I don't think we have to worry about displacement. They now own. If they want to move, that is their decision. It includes protected seniors, who are protected for their lives so long as they satisfy the income requirements. And it also includes units that have been registered, but not, in fact, sold. So, I think they also are misleading figures.

Certainly the industry that I have been in -- and it has been called many names here today-- I sit here proudly to tell you that I am not at all ashamed of what I do for a living. I think we bring many more benefits to communities than we bring problems. I think it would be a major mistake for you, as a Committee, and for the Assembly as a whole, to pass this legislation.

Thank you.

ASSEMBLYMAN HENDRICKSON: Would you make any comment on what we have heard all day on the excess profits and how rich everybody is getting on condo conversions?

MR. PESCE: Well, I can tell you this: Particularly in this bad market, we have some we do very well on; we have some that we don't make any money on. You know, we wish we made a lot of money on all of them. The market as it is today has made it a very problematic thing. And understand, too, everybody talks about this "quick buck." I can tell you, it's

anything but a quick buck. The people who got into it for the quick buck, are the people who are struggling today. It is the Chapter 13 people you heard about before.

It is an industry where the profits are in the back years. It is an industry where you are sitting, even in the most successful conversion, with a good number of the tenants with protection, either for three or four years or, in some communities with large segments of seniors, for 40 years. Eventually those people move, yes, and that is where you make the money, but it is hardly tomorrow's profit.

ASSEMBLYMAN IMPREVEDUTO: Just one fast question: Were you here for the testimony of the gentleman -- the guy with the two kids, who is being evicted?

MR. PESCE: Yes.

ASSEMBLYMAN HENDRICKSON: Mr. O'Brien.

ASSEMBLYMAN IMPREVEDUTO: Where is there room for a man like that to go?

MR. PESCE: The problem I've got, in all honesty-- I am probably not the right one to ask, because we are not in the business of renting--

ASSEMBLYMAN IMPREVEDUTO: No, no, I am not talking about you getting him an apartment. What I'm saying to you is, take the building he now lives in, with all of its detractions.

MR. PESCE: I'll say this to you--

ASSEMBLYMAN IMPREVEDUTO: And you are going to convert it. Where does a guy -- and I don't have the answer--

MR. PESCE: Yes?

ASSEMBLYMAN IMPREVEDUTO: Where does a guy who makes 330 bucks go?

MR. PESCE: The only thing I can tell you is, we have never physically had to send the constable out to lock anyone out of an apartment that we have converted. Certainly we have sent out three-year eviction notices, like everybody else. Everybody eventually moves, and I never get a notice to,

"Please send my security deposit to the corner of Elm and Vine." They are going somewhere. They are finding places to live.

I honestly don't know exactly where that is. I can tell you that when I talk to landlords, they are running vacancy rates now. This is not a strong rental market. The concept that every unit is rented-- By the way, when you talk about North Bergen-- Someone said, "There is nothing for rent on my street." I am not convinced that somebody has the right to live on that street forever. I think there has to be some flexibility on the tenant end as well. My experience is that they must be exercising that flexibility, because they are finding places to go.

ASSEMBLYMAN IMPREVEDUTO: Thank you.

MR. PESCE: One last comment I neglected to mention--

ASSEMBLYMAN IMPREVEDUTO: We are trying to bring some other people up, and we've only got a few minutes left.

MR. PESCE: Yeah, I'll just say this real quick: The comments made by Mr. Sheridan before, on his Option A and Option B plan through Mr. Ginsberg-- I would like to make clear that that is not a proposal that we endorse at all.

Thank you.

ASSEMBLYMAN IMPREVEDUTO: Fine.

ASSEMBLYMAN HENDRICKSON: That's fine. Thank you very much.

I am going to call -- and I would hope that he would be brief -- Geoffrey Berne, from Mercer County. I know you have your boy here with you, and you have been sitting--

ASSEMBLYMAN IMPREVEDUTO: I want to congratulate that little boy, because that boy has sat for almost seven hours, and I'll tell you, that kid hasn't moved.

G E O F F R E Y B E R N E: I will try to be brief, because the day has been long for me, too -- for us, too.

What I'll do, is speak quickly, in order to cover a couple of points that I hope are coming through.

ASSEMBLYMAN HENDRICKSON: If the light on the mike is lit, you should be coming through.

MR. BERNE: Okay. I think I am somebody you could draw some conclusions about, because I've been -- we've been, my family has been caught up in the conversion process. We reached the end of our deadline, and we were evicted from our apartment, where we lived for nine years, which was all of this child's life at that time. We were forced to move this December. We found, very fortunately, another place, for one-third more of the rent that we had been paying. I guess I am one of those people who is hiding all kinds of money, because I am one of these apartment tenants who could, like Donald Trump, buy a yacht, buy a house, drive a Mercedes-Benz. But unfortunately, I just happen to drive a 1978 Plymouth station wagon, with a 166,000 miles on it. I guess I could be spending all this money, but I am saving it for something. That is the implication; that there are a lot of people like myself who, somehow or other, wish to willfully occupy apartments so we can save some money. We are the profiteers, not the people who are throwing us out of our apartments; but we, the tenants, are the ones who are profiteering. We have money that we could somehow or other spend and buy a house, if we really wanted to.

Well, if we can, I am here to be that kind of a person, and I would welcome your questions. I would just like to state what our experience has been, because I look upon the co-op experiment that we have experienced as a dismal failure for all the people who have been involved. I would just like to try to summarize this as quickly as I can.

We live in Hightstown. We are in Mercer County; we are not in Hudson County. We have gone through the co-op of a unit called Northgate Apartments, which had 350 units, and we

were forced to move. Okay. There are a number of those units in Mercer County; a number of those units in Hightstown.

We moved into another tiny apartment last December, after being forced to move out of an apartment in East Windsor Complex, which converted to co-op in 1984. I brought my son, Ethan -- 10 years old -- to these hearings today, because I have been unable to answer his questions regarding how in American people like ourselves can be driven from their homes, and turned into refugees in danger of having, as we felt we were for many months, no roof over our heads whatsoever.

I have explained to him that this happens because legislators have made laws allowing it to happen, and that the only hope for people like us is that legislators will make better laws, forbidding the throwing of children out on the streets, in order to turn their family dwellings over to people who can pay more money for them.

I want very much for him to learn a lesson from these hearings, that just because you have money you are not entitled to bully or dehumanize the existence of persons less well off than yourself. I am here to call on you legislators to recognize your duty to teach him that lesson.

I appear before this Committee as a victim of co-op conversion; a person who has rented, and still rents, because he needs to; who has never had any money to buy, and would not have the money to make a down payment, and will not get credit to do so, not for a good many years. It would seem firsthand that far from helping people enjoy a piece of the American dream, the co-op process brings nothing but social problems, unfulfilled promises of profits and other economic benefits to the buyers of units that never come to those buyers, and personal and family tragedies to the lower- and moderate-income communities of this country in which this takes root.

Co-op is an idea which is losing momentum; a terminally ill approach to housing, especially after the stock

market crash of 1987. While representatives of co-op developers here today try to cast supporters of bill A-2653 as enemies of progress standing in the way of a rising tide of ownership hunger that is felt universally in New Jersey, and in this country, I believe my own experience as a victim of the co-op process proves the contrary.

The co-op developers say that ownership of apartment units is the only solution to the crisis in housing; that converting apartments from rental to ownership is the only way to give Americans what they want at an affordable level. Yet, my former apartment complex -- please listen to these statistics -- Northgate Apartments, now renamed the Orchard of East Windsor, after four years of saturation marketing and advertising, has still been unable to sell 68 units out of 350 -- almost 20%. Having exhausted their four-year grace period, tenants such as myself who are-- We moved out two months early, but the rest of the tenants are on the verge of being evicted, as of -- what is today, the 25th, 26th? The 25th was the end of the four-year grace period at Northgate Apartments.

What happened is, they are actually now being invited to stay on and continue renting. After terrorizing people such as myself, forcing us to move out -- you know, hundreds of units vacated -- all of a sudden they can't sell, so they allow 68 units to continue renting: "Well, we couldn't sell it, unfortunately, so we'll let you stay here for a while." At first, the co-op developers made an offer to these lingering tenants. They could stay on for another year, but at an increased rental. They would have to pay, instead of \$400 a month, or \$300 a month, \$600 a month. They would have to pay the prevailing market rate.

When I heard about these offers, having been moved out and seeing what was going on at the place where I used to live, I wondered why I should have had to move out six months before the expiration of the deadline, in fear of not finding any

rental housing at all, if the landlords could then turn around, once I moved out, and decide not to convert the units to co-op after all. According to State rent law, you are not allowed to force people out of their homes on the pretext of making it a co-op, or for using it for your own personal use, if you then continue renting the apartments at higher rents once a tenant has been evicted. This is a violation of rent control, as I understand it.

I complained to the East Windsor Township Manager, Marge Behrens, who, after consultation with township attorneys, has demanded that the landlords roll back their rent increases and maintain rent control in the 68 unsold units.

With 68 units still unsold, where is this market they are talking about for co-ops? Where are the hoards of young couples who are craving a real estate version of the American dream? Where are they? Is ownership of a superficially remodeled old piece of real estate a viable way for Americans to realize their dreams? Must ownership be the only way for Americans to find housing?

I previously testified on two occasions before the Senate Community Affairs and Urban Development Committee, which warmly received my report on the failure of the co-op process in East Windsor. On both occasions, I warned of the consequences of homeownership being allowed to absolutely and totally replace rental housing. I called on that Committee, and I call on you today, to reject the myth created by the real estate industry of an American dream being equated with homeownership, on grounds that not everybody can, should, or even wants to own a home. I argue that not all Americans dream of owning a home, and with massive parts of the population unable to buy, the option of not owning must be kept open for people who are unable to buy, or unwilling to sacrifice more cherished goals for the sake of ownership.

I offer myself as an example of persons who have priorities that do not include owning a home. In my case, I spend whatever money I have on music lessons. My son plays the violin; he plays the saxophone, and that costs money. I am very proud of that. I don't want to spend that money on a mortgage and, therefore, I drive an old car and I live in an old apartment.

I am summarizing, I promise. May I please bring to your attention what has happened in the community of Northgate Apartments, now called the Orchard at East Windsor? I will be as brief as I can. I am on the last page and a half. My own family's experience was somewhat happy. We found another place; a small apartment. We were due to have a third child. We were going to put three children into a two-bedroom apartment. My son is not too happy about this. He would like to have a little more room, but we are squeezing into a two-bedroom apartment -- a tiny two-bedroom apartment.

However, take the case of what happened to the other people who moved away. Let me just quickly try to pinpoint: Mr. and Mrs. K.F., our former downstairs neighbors, who went into partnership with another couple to buy and renovate an ancient, decrepit, two-family house in Hightstown -- they were our downstairs neighbors; they moved away -- only to find themselves targeted by relentless borough building inspectors ordering such massive repairs to roof, wiring, walls, exterior painting, floors, and plumbing, that after one year, our friends, the K.F.s, and two young children, moved into his father's house.

Or consider -- this is a family with two children -- Mr. and Mrs. P.M., the parents of my son's close friend, who doubled their rent by taking a newer condominium sublet, in order to stay in East Windsor. While living in the Northgate Apartments the wife earned enough to supplement her husband's income from her own home-based business. Now she maintains

that business and, in addition, works in an office job -- two jobs -- where previously one job sufficed. Now she is in emotional counseling as well, attempting to cope with the massive stress.

Then there is our downstairs neighbor, S. -- whose last name I never knew -- a single parent who lived next-door with her two young daughters; a mature young mother with a job in East Windsor. She did not have the money for her own telephone. Eventually, she despaired of ever being able to keep up with the cost of living in New Jersey. Her parents drove all the way from the West Coast, packed up her and her two daughters, and moved them back with them to Oregon.

May I also cite the case of J.G., a mother of two girls, who left Northgate Apartments when she married a local Hightstown man, and with him bought her mother's house and converted it to a two-family dwelling, renting one unit to her mother. When her husband became alcoholic and abusive, she resorted to court orders for his removal, and now finds herself unable to meet mortgages on her office-worker salary.

The developers of co-op complexes claim to be performing a public service by offering the opportunity of homeownership to people such as the above. Yet, only 15% of former Northgate Apartment tenants were reported to have bought their apartments. What kind of people, then, do move in once the rental tenants move out? The purchasers of our downstairs apartment in our building were New Yorkers -- Mr. and Mrs. G.A. I am on the last page, I promise. Only six months after moving in, they found that the costs of living in a co-op over their heads. They separated. After a bitter custody battle over their young son, they were divorced.

A few months later, another woman and her two children moved in with Mr. A. Both Mr. A. and his new companion worked in New York, so the children were left at home, sometimes with a young babysitter, but most of the time on their own. The

children fought with each other so violently, that our second floor apartment shook, and our children were kept in the house rather than go out to play in the presence of what turned out to be the seriously disturbed and abused boy and girl downstairs. Shortly before he moved out of the old Northgate Apartments, the woman and her children hastily moved out and went back to New York. The young boy had been expelled from a East Windsor school for violent behavior, absenting himself from school in the middle of the day, and urinating on school property. Just before this group moved out, the police arrived with dogs, clearing our children out of our courtyard, and making them wait in the parking lot while the police sought entry to our downstairs neighbors' apartment in search of a stolen car.

ASSEMBLYMAN HENDRICKSON: Would you stay with the pertinent facts on your problem?

MR. BERNE: My point is, this is the world of the co-op, and the American dream.

ASSEMBLYMAN HENDRICKSON: We have extended you the privilege because of your boy. Just stay with the basic problem, rather than with the school, please. Thank you.

MR. BERNE: Fine. I'll get to my last paragraph. Co-op ownership is not the answer to the crisis in American housing. For those who want to buy an apartment, let opportunities exist, but not at the expense of our needed rental housing. What I tried to do was show you what happens when a co-op comes; what happens to the community; what happens to the people involved when a co-op comes. We are told that co-ops are a vital, needed service to the people, because it gives them a chance to own. What, in fact, happens is, speculative landlords come in and buy these units, turning them over to people such as I have tried to describe, and the whole social environment is in a state of pathology -- I don't know what you'd call it. It is a disintegration, as opposed to the

stable community that existed there for 10 years -- all the time we lived there before this happened.

That is simply the point of all of this illustrative material. Let's not only hold on to the rental housing we have through protective legislation, but let the passage of these bills signal that America's most densely populated urban State, New Jersey, will take the lead in reviving the idea of rental housing, expanding rather than destroying the pool of rental units, and assuring that American citizens may have the right to live a decent life, without being forced under threat of homelessness into the ownership of property.

Thank you very much. Sorry to have taken so long.

ASSEMBLYMAN HENDRICKSON: I assure you that this Committee is doing everything it can to create more rental housing. That's our job. Thank you very much. Any questions? (no response)

MR. BERNE: Thank you very much.

ASSEMBLYMAN HENDRICKSON: We have overstayed our-- Can the Committee stay for one more speaker? (affirmative response) (Chairman talking back and forth here with two or three people in the audience; indiscernible to transcriber)

Are you Mark Rosen, Solomon Group, or Richard Falkin?

D O N A L D L E G O W, E S Q.: I'm Don Legow, New Jersey Council of the Multi-Housing Industry.

ASSEMBLYMAN HENDRICKSON: All right, come on up, Don. We're taking one on one.

MR. LEGOW: My name is Donald Legow. I am an apartment owner and operator, and the immediate past President of the New Jersey Council of the Multi-Housing Industry, which is the largest trade association representing the apartment industry in New Jersey. We are a statewide organization. I have been here since 10:30 also, and I have been here on any number of occasions in the past dealing with the subject matter.

I am a little different than everybody else. I have been an attorney since 1960, and I practice virtually exclusively in the landlord/tenant courts. That's all I do. I own and manage, as I said, approximately 3000 apartments in: Saddle Brook, Randolph, Caldwell, Elizabeth, Woodbridge, Hamilton Township, here in Mercer County, Bordentown, Haddon Township, in Camden County, Lindenwold, and Stratford. So, I have been over this State extensively over the last 30 years. I also, by virtue of my position, have talked about, and am very familiar with what has happened throughout the State of New Jersey. I have also appeared before Rent Control Boards on issues of hardships, on increases, on capital improvements, and the like. I have never represented other people. I really represent the system in my own interest.

I guess everybody has gotten the horror stories, and I once testified down here on the pet bill. I was asked to testify. I once had an apartment in Randolph Township, where a dog had destroyed 28 running feet of sheet rock; ripped it off the wall. We all have those horror stories. The problem is, this body has to pass on legislation and submit it to the Assembly, and the Assembly then has to pass on legislation dealing with the entire State.

I think that what I have heard here today is that there is maybe a very difficult situation that exists in, at least as far as I have heard, only one county. By the way, I left out the fact that I have four apartment complexes also in Brielle, Point Pleasant, and Belmar also. So I am even in Monmouth and Ocean Counties. I point that out, by the way, because I have been to every one of those counties and have seen what happens when you go before the landlord/tenant courts -- the special civil part. It used to be the District Court. I am really familiar with it.

What bothers me is when people get up there and say we are in a crisis. Now, saying that we are in a crisis doesn't

make it so. Saying that landlords are making excessive profits doesn't make it so. We can make any of these statements, and say there are 90,000 people about to be thrown out into the street. But Mr. Pesce, representing, probably, the single largest converter in the State, the Cirkus Group -- and I talked to the Solomon Organization, the other major converter-- Between them, they have never, ever had a constable come and lock a person out -- put them on the street.

I think what there is, is a perceived problem that everybody is addressing here of homelessness and affordability, none of which has anything to do with conversions. In fact, conversions, if they are going to do anything, are going to create a segment of ownership at around \$40,000 to \$105,000. That is a segment of our industry that isn't being served any other way. You can't build to sell for \$100,000. In Newark, where Hovnanian was virtually giving the property, I believe they are at \$99,000. They can't sell, and they're beautiful. They are really terrific looking jobs.

Now, I think a healthy industry is very important to this State. We are probably, outside of maybe education, the biggest single industry in this State, and we have to be healthy, in order for us to perform our function, which is to provide rental housing.

Why are we concerned? We are concerned because conversions-- I have only converted one job. It was in Fort Lee, and I bought it for the purpose of converting it. I was brought into the job with other people. After experiencing the three-and-a-half years of working with rent control at 2%, when the CPI was 10%, after dealing with the tenants, the inspections, and everything else, my hat is off to the converter. When you say a man buys something for a million and sells it for two million, and he realized a million dollars, you are forgetting the time he took in order to do it. If you started to pay him by the hour, that amount of money he is realizing would be significantly reduced.

I am also aware of the fact-- We want a good healthy industry, but I know that very good owners -- and this was brought out to me yesterday by probably the largest broker in the State -- are going into other aspects of real estate. They are going into shopping centers, because they can no longer deal with the administrative nightmare of running apartments.

In the apartments I run, about nine or ten of those municipalities are under rent control. As I say, I do not want to convert; I am not about to convert. When an apartment converts, frequently we may even get some tenants from them. Let me just say this to you: On an average, I am probably running 5% vacancy on my apartments, and my apartments are among some of the better apartments in the State of New Jersey. If you have ever been to Brielle, I own two of the most magnificent apartment complexes in Brielle, called Brandywine de Brielle. For a period there of four or five months, I had three or four vacancies in a 60-unit job, and it is one of the nicest you will ever see, reasonably priced, I believe, for what is being given.

There are plenty of apartments out there. I am running, currently, 10 miles from here, 16% vacancies in one of my jobs. What do they look like? They're very nice. They are among the nicest apartments I have. It is a two-bedroom apartment that will run -- that will give you about 1000 square feet; a one-bedroom apartment, about 850 square feet. They come with heat, everything, pool, and I can't get enough people to fill that up.

ASSEMBLYMAN HENDRICKSON: How long have they been vacant, and what is the rent?

MR. LEGOW: The rent is \$600 and \$750. They include heat, hot water, cooking gas, a pool, and a marvelous location just, as I say, off of Route 206. These are terrific apartments. It was well-maintained before. We believe we are still maintaining it well. I think what has happened -- and I

know it; I have seen it for myself -- is that people say, "You can't operate on 2%." I know everybody tells me, "Well, the law provides that you can get a hardship." Let me recount one of my horror stories: I was talking about a situation where I was entitled to a 4% increase. I went in, and they gave me a 2% increase. Thirteen months later, the Superior Court of New Jersey reversed it, saying there was no earthly reason for doing it. It cost me \$24,000 in legal fees to get to that point, and then the councilman said to me, "Well, of course, you're not going to ask for the back rent these people should have been paying you." I said, "I just spent \$24,000, and you want me to waive another \$16,000 that you refused to give me, because you thought the tenants were paying too much?" This is what happens.

When you say there is a way to go, that you can get her out, you have to understand what's happening to the apartment owners right now. They are faced with extraordinary utility charges. In Camden County, where I operate 1000 apartments, they have introduced-- The Camden County Municipal Utility Authority-- The Clean Water Act required them to put in an areawide sewage disposal system. That is costing \$22.88 a month, per apartment, to me. It was up to us to try to pass it on. In one case, we went to the town -- or, to the Rent Control, and in another case, the town, realizing the impact it was going to have, adopted an ordinance, at our request, to allow us to pass that on.

We provide health insurance for all of our employees. That health insurance went from \$36,000 a year to \$80,000 a year. We picked it up, and all of our employees, about 70 or so, are covered by health insurance. We couldn't get health insurance anywhere else. No one else would take us, because I had too many old people working for me.

Now, I think that if there is a problem, and I have yet to see somebody-- With all the testimony I have heard, and

I have been here five or six times, no one has ever said, "This person was evicted and was put out on the street." I have never seen it. I told that to Byron Baer when I was here the last time, and he said he would check it out. But I have never seen it, and the two biggest people have said that they have never done it. So this crisis is-- I'm telling you that there is no crisis.

I think we have to realize that you have to treat a problem, if it really exists. I haven't seen it. There are places for people to go, and in a three-year period, people can find an apartment. I must say one thing: They've got to look. To wait three-and-a-half years and then start looking, is madness. I have 800 apartments within 15 miles of the Northgate Apartments; 834, to be exact. I am currently running about a 6% vacancy in those Hamilton Township apartments. They are three of the best complexes in Hamilton Township. I will wager that no one ever stopped in to see them, because I am looking for people like that, gentlemen. We are not trying to keep apartments vacant. We are trying to rent them, and we are having one devil of a time renting them in this area.

I think the ordinance is being handled on a blunderbuss approach. They are just going to blast us out, and say, "We are going to take care of everybody in the State," when it really isn't necessary. I think there should be a trigger--

ASSEMBLYMAN HENDRICKSON: Excuse me. Let me thank very much Assemblywoman Ogden for taking the time to sit in today, in order to allow this hearing to go on. Thank you.

ASSEMBLYWOMAN OGDEN: Thank you.

MR. LEGOW: I'll try to close this up. I have heard a lot of people talk about some of the problems that have existed in their apartments -- the so-called horror stories. I think you have to understand that there are laws on the books. People have to take advantage of them, and they have to be

enforced. If your ceiling is falling down -- and I have been in the courts in this State often enough -- you go in, you put your money in escrow, and you ask for a hearing. You can get a hearing, and you can get a reduction in rent. Every tenant in the State of New Jersey must be given the Truth in Renting Statement. All of that information is very clearly set forth under "repair and deduct," or "deduct and go to court." There are laws but, you know, you can't sit there and say, "The ceiling is falling down. I have ants, I have roaches, I have this, I have that," and do nothing, and say that the landlord didn't do anything.

I once had someone say to me, "Why didn't you fix this lady's apartment?" I said, "Because I didn't know there was anything wrong with it." The only way I can know, really, is that every once in a while I get a five-year inspection. At that time, every apartment has to be gotten into. I can't get into a third of my apartments. People put their own locks on. I know it is a violation of the lease, but they do it. Let's face facts: I am not about to antagonize people, when I am sitting on a 6% vacancy.

I think you have to understand what's happening. There are fire codes we are now going to come up against; things we are going to have to put in. I mean, eight years ago I put in a smoke alarm system. Seven years ago it was approved. Five years later, after a State inspection, it was approved again. I just had occasion to be inspected for another reason, and it has now been decided that whatever I did was wrong, and I had to put in another \$30,000 to fix it. I already had approval to do it, but the person who gave me the approval made a mistake. It doesn't make any difference.

These are the problems of running a building. I think everybody seems to think that landlords are sitting here just raking in money and doing nothing. There is a law that just went into effect on providing rooms around all of your

elevators in all of your high-rises. We estimate -- and I have five elevator buildings -- that within the next year, we will have to spend \$2 million to comply with that -- \$2 million. That represents 1000 apartments, and I've got to spend \$2 million, because of that new law that went into effect.

Now, what's happening is, these rents in the market -- free market -- will go up, but you are in a rent control situation, by and large. You can't do this on 2%. You can't do it on 5%. When the CPI is 5-1/2%, how on earth does a municipality put 2% in? But, that is what they are doing, and that is what has been done, and I'll provide you with the municipalities for this. We went from 4% down to 2%, because I had the audacity to file an appeal from the decision which was ultimately reversed. "I'll fix your wagon." That is the concept of a great many Rent Control Boards. Can you blame somebody who says, "Look, a guy is going to give me a buck. Let me get out and forget about it"? You've got all of these problems.

Let me point out a couple of things that I think you must consider: We're talking about affordable housing. A couple of things that this body can recommend: One, let's take all of these dollars where your conversions are going in, with all the tremendous tax increases -- I think it was \$2.5 million or something, in Hudson County-- The towns are capturing all of this money by way of increased taxes. Let's take that additional money and require that they put at least half of it toward affordable housing. If this body is going to be really honest, and say, "Look, we have to do something. We are going to stop these conversions and say what it is," say what you are doing. "We are taking somebody's property." You will stop the conversions. If, in fact, you are going to take it, and you want to keep the rents low, then let's do what the law allows you to do and what the law asks you to do. Where there is a legitimate public purpose to be served, go out and condemn the

property. Use your right of eminent domain, take it over, and run it at the rates that these people can afford to pay.

When somebody tells me on Boulevard East that they are paying \$400, and they can look across at one of the greatest skyline views in the world, that apartment, had it been allowed to rise naturally, without a restrictive rent control for these last 10 years, would probably be at \$650 or \$700, or more, and there would be no conversion. I can think of no greater example of how important and how disastrous rent control has been, other than the case of the Seville. I was here the last time, and the person who said he negotiated that came in. I don't know who he was -- some politician from Jersey City. He said he got these sides together, he gave the landlord more money, and the landlord said, "Fine. As long as I am making a buck, I am not going to convert." But I think that is the problem.

Now, I think that if you are prepared to say, "I am going to take away one of the major rights of ownership in this United States under the Constitution" -- as I last read it -- "I am now going to take away the right to sell your property--" At that point I would suggest one thing: Let it go back to market rents. You can't take everything away from somebody. At that point, the Supreme Court of the United States, in a recent case, said, "You, then, have to take it over. You have condemned it." We may be looking at a significant number of inverse condemnation procedures. You can't take everything. You've got to leave the guy something -- the safety outlet, as one of the prior people talked about.

One of the things I think you could do which would ameliorate this enormously, is to go to a statewide vacancy decontrol. Say that no ordinance shall provide -- shall not have -- or, should exist without having a vacancy decontrol provision. It doesn't hurt the existing tenants; they are going to stay there. But at least when somebody moves out, you

can go to the higher rent. A great number of towns, including Elizabeth, doesn't have a provision like that. It's a tremendous restriction. You're trying to spend money, upgrade your property, fix it up and get a couple more bucks for it, but if there is no provision for vacancy decontrol, it is a very difficult thing to do.

I think that should be kept in mind, if you really want to-- Say what you will do. "I am going to do this because I feel it is necessary. I can't find affordable housing any other way. I am going to make you provide the affordable housing. However, I am going to give you something. I'll let you go to market rents. I am not going to let you sell, but at least I will let you go to market rents."

Evidence has shown, and that tenant-oriented person came in here and said, "It works, if you get more money." It will stop. I think you are getting a very distorted view, and I guess that is the nature of a democracy, when a guy comes up here and tells you a terrible story. I never want it to happen to me again, but I once evicted a 75-year-old woman who was ruining our apartment because she had Alzheimer's and no one to take care of her. I called the Welfare Department in Mercer County, and they came out. I called them because there was nobody doing anything. I called them up and said, "Please, this lady is going to be evicted. Go there." We all have our horror stories. I never, ever want to have to do anything like that again. No responsible landlord that I know of ever wants to have that in their memory bank, that they ever had to do a thing like that.

We are responsible people. We have been put into a very bad situation because of an ill-conceived rent control situation.

Let me end at that point. I know I talked a great deal longer than I wanted to.

ASSEMBLYMAN HENDRICKSON: We wanted to try to go at three o'clock, and I put one gentleman on. Believe me, it has been a long day. There is no way--

ASSEMBLYMAN MATTISON: I have to leave very shortly.

ASSEMBLYMAN HENDRICKSON: I have one more person back there. I only have one more slip here. What's your name?

S T E V E F I N N: Steve Finn.

ASSEMBLYMAN HENDRICKSON: Oh, okay. Can you make it very quick? (no response)

Thank you very much, Mr. Legow. You have been very interesting.

MR. LEGOW: Thank you.

ASSEMBLYMAN HENDRICKSON: Mr. Finn, please cut it down. We've really got to get out of here now.

ASSEMBLYMAN MATTISON: At four o'clock, I'm leaving.

MR. FINN: You should have cut that guy about 10 minutes ago.

ASSEMBLYMAN HENDRICKSON: We didn't cut anybody else off.

MR. FINN: Okay. I am here to represent Glenn Cunningham, who is President of the City Council of Jersey City. I would like to thank this Committee for the opportunity to address you on this proposed legislation that would protect tenants from displacement due to condominium conversions.

Council President Cunningham, along with Mayor Cucci and the majority of the elected officials of Jersey City, have long expressed their concern about the condominium conversion problem in Jersey City. Condominium conversions are rampant. The issue is not whether condominiums are a good or bad form of property ownership. The issue is the social cost of conversions which result in the displacement of lower-income tenants.

Currently in Jersey City, we are witnessing the impact of what happens when the existing three-year tenant protections

come to an end. The St. John's apartment complex, containing more than 1000 rental apartments, began its conversion to condominiums in 1985. Now, tenants are receiving eviction notices.

You cannot imagine the social toll. Older and disabled tenants who just missed qualifying for senior citizen protected tenancy are facing imminent displacement. Younger families who cannot afford the condominium units or alternative accommodations in this tight housing market are fretting over their lack of options.

In strictly housing terms, condominium conversions in Jersey City place excessive burdens on our low-, moderate-, and middle-income populations. Research from the Jersey City Department of Housing and Economic Development showed that in 1987, affordable rental units averaging \$365 per month were converted to condominiums which would require 75% of a moderate-income family's income, and 125% of a low-income family's income to afford. With today's condominium price increases, you can increase these cost burdens even further.

I will just note that the State, when it is putting together affordable housing programs, uses 30% of someone's income as the benchmark for affordability.

Are tenants protected from condominium conversions today? Only a few. According to the State, 78% of condominium conversions in Hudson County involved occupied rental apartments. Recent information from the Jersey City Department of Housing and Economic Development looking at conversions from 1983 through March of 1989, show that only 16.66% of tenants in condominium conversions have been protected from conversions through the Senior Citizen and Disabled Persons Protected Tenancy Act. That means more than four out of every five tenant households face being out on the street after their three-year condominium conversion protection notice ends.

Can evicted tenants easily find replacement housing? Not in a tight housing market like Jersey City. Despite the aggressive efforts of the current municipal administration to develop affordable housing, with a pipe line of almost 2000 affordable units under way, the vacancy rate for multi-family units, according to a 1987 survey by the Federal Home Loan Bank Board, was 1.3% for existing multi-family structures, and 0.3% for newly constructed multi-family buildings. If you try to imagine the vacancy rates for affordable multi-family rental units, you can be sure it isn't even that high. Please note that any vacancy rate of less than 5% is considered to be very tight.

Are condominium conversions in Jersey City and Hudson County a problem? The latest information from the U.S. Department of Housing and Urban Development, in a report dated February 1, 1989, gives us an appreciation of how much of the housing stock of this region has been converted. HUD says that in 1980, there were 3716 condominium units in Hudson County. Between 1980 and 1989, construction permits were issued for 5550 new condominium units. HUD says that the New Jersey Department of Community Affairs acknowledges applications to convert 17,500 apartments from rental to condominium between 1980 and 1988. Note that DCA doesn't even count conversions of less than 10 units, so DCA's numbers are a gross undercount.

What does this add up to? HUD estimates that with a possible 20% of potential condominium conversions not going through to completion, that still 9.2% of the rental housing stock of Hudson County has been converted to condominiums. HUD admits that the removal of tens of thousands of units from the rental inventory creates increased demand in an already tight housing market. The losers are tenants who cannot afford condominiums selling for \$150,000 and upwards.

The converters aren't concerned about a potential oversupply of condominium units. They are concerned about

getting lower income tenants out. Even after condo units are sold, many are then rerented, but at exorbitant rents that the previous tenants, should they be findable after having been displaced, cannot have possibly afforded.

Council President Cunningham, joined by Mayor Cucci, finds this situation deplorable. It is truly a housing crisis that cannot be left to the vicissitudes of the private real estate market. Government must step in to protect those who are most harmed by this process. That means, in part, passing the necessary legislation to halt tenant evictions for condominium conversions.

Let me just also note that for many of the real estate people and landlords who spoke here today -- who talked about the situation in Hudson County -- there has been declared a housing emergency in Jersey City. The City Council is on record. They passed an ordinance that would put a moratorium on condominium conversions and establish price controls. That was defeated by the courts. Now it is on appeal, because the courts are claiming that only the State has the right to make that determination.

So, Council President Cunningham asks this Committee to vote to pass this bill. It is desperately needed in Jersey City, Hudson County, and throughout the State of New Jersey.

Thank you.

ASSEMBLYMAN HENDRICKSON: Just one quick question. We all want to leave here. Again -- and we discussed this a short time ago with Mr. Shapiro -- we keep hearing from everybody in Jersey City about the crisis and the people. What about the people who are in there with \$70,000, \$80,000, and \$90,000 earned income a year, living in those rental apartments? How does the Council feel? Do they feel that is fair to the homeowners who are making less than that -- to be in rent controlled housing?

MR. FINN: Again, the Council has passed an ordinance that would establish price controls. I believe that ordinance was tied into the State's affordability levels. So, on the issue of people who are making more than \$70,000, I mean, I don't know how many people in Jersey City make that kind of an income. The median income for a family of four in Hudson County is something like \$26,000 a year. So, where they are coming up with the fact that there are many people making \$70,000 a year, I don't know.

Somebody also testified that they never had to send anyone's security deposit to some street corner. Well -- if I may speak for myself for a moment -- I also work as the Homeless Coordinator for the City of Jersey City, and we have had people in the shelter who were displaced due to condominium conversions. But there are also many more people who are the hidden homeless; people who were doubled up. According to--

ASSEMBLYMAN HENDRICKSON: If I may-- There is a big difference between the homeless and what we are doing right now.

MR. FINN: But what we are talking about is the potential situation for increasing amounts of people to become homeless. Homeless is not just people who live in a shelter, but people who are also doubled up with other people. According to census data from 1985, there are almost 1800 families listed as doubled up with other families. So, the housing market is extremely tight. This kind of legislation is needed, or else in a couple of years, when three- and four-year protections run out, you will start to see more people on street corners and in shelters, if they can't find other families to take them in.

ASSEMBLYMAN MATTISON: May I ask a question, Mr. Chairman, just one?

ASSEMBLYMAN HENDRICKSON: Sure.

ASSEMBLYMAN MATTISON: You were here before when the other gentleman spoke about the ceiling falling down in his

bathroom and the place being overrun by vermin. I have a hard time understanding where the Health Department is.

MR. FINN: Yes.

ASSEMBLYMAN HENDRICKSON: And the fire inspector.

ASSEMBLYMAN MATTISON: I mean, obviously the guy said he has called the city. It is beyond me.

MR. FINN: I can't speak on that particular case. I don't know the details of it. But certainly there is code enforcement the city is required to--

ASSEMBLYMAN MATTISON: On the other hand, where is the State and its five-year inspection?

ASSEMBLYMAN HENDRICKSON: They might have been in-between. They're in there someplace, but you don't know whether the ceiling came down six months, a year, two years behind the inspection. I don't know about that.

MR. FINN: Right. But the issue we are talking about is affordability, and that is the issue that also strikes at the homeless problem as well.

ASSEMBLYMAN HENDRICKSON: I wanted to give you as much time as I could, all right?

MR. FINN: Okay, I appreciate it.

ASSEMBLYMAN HENDRICKSON: I think we have been very good and patient. We thank you for your testimony.

MR. FINN: Thank you.

ASSEMBLYMAN HENDRICKSON: This particular meeting is adjourned. Thank you very much.

(MEETING CONCLUDED)

APPENDIX

**Testimony of
Matthew B. Shapiro
First Vice-President
New Jersey Tenants Organization
389 Main Street
Hackensack, New Jersey 07601
May 25, 1989**

Converters and the people they hire will tell you that conversions actually create affordable housing by providing home buying opportunities for some people who might not otherwise be able to buy a home.

This is probably the biggest and most vicious perversion of the truth on any subject in the last decade.

1. Conversions do not create housing at all. The building is still the same building after conversion.
2. The total (monthly) cost of living in an apartment after it has been converted is typically from **two to five times the pre-conversion rent**. The total post-conversion cost includes mortgage, lost interest on down-payment, taxes, (common) maintenance fees, and interior and exterior maintenance costs not covered by common charges.

So, the same apartment becomes much much more expensive. And somehow this is supposed to mean that the apartment has suddenly become affordable.

Any fair minded unprejudiced person would say there is something terribly wrong with this reasoning.

Let's examine it more closely. Before the conversion, a tenant family lived in the apartment and paid, let's say, 25% of their income in rent. Most observers would judge this to be an example of affordable housing. After the conversion, either the tenant family buys their own apartment, or, eventually, someone else does.

Let's say the tenant family does find a way to buy (in general, if they can find a way, they will do so to save their home, since comparable housing is almost never available). If their monthly housing cost merely doubles, then they end up paying 50% of their income for housing. Is the apartment still affordable? Some would say yes-- after all, they are still paying or "affording" the cost. If we accept this explanation then the concept of affordable housing becomes meaningless. Clearly this housing, with its doubled cost, has become much **less affordable** to this family, even if it is still **possible** for them. So housing affordability today is only meaningful in comparison to what it was yesterday if the same people live there.

But what if the same people don't live there. The new occupant has voluntarily entered the situation and is paying the new housing cost, which happens to be twice (or 3 or 4 times) the pre-conversion rent. Isn't this new cost "affordable" to this new occupant. In truth we don't know how affordable the new cost is to the new occupant-- only that it is possible. But let's assume that the new occupant has twice the income of the tenant family that left. The degree of affordability would appear to be the same to the new people as to the tenant

family-- about 25% of income. So, isn't the apartment just as affordable as it was before? Again, for the concept of affordability to have any meaning, the answer must be no. The affordability level to the tenant family was reduced to zero (or impossible) before it became available as a suddenly "affordable" apartment to the twice as wealthy family. Which is more important in judging the affordability of this apartment-- its total lack of affordability to the tenant family (actually causing their displacement) or its affordability to the twice as rich replacement occupants. The answer is obvious. The zero affordability to the displaced poorer family is far more important.

But what about the fact that the new occupants will actually own the apartment. Doesn't this make their affordability somehow more important? Isn't affordable **home ownership** what we mean by affordable housing? The answer is **NO**. The affordability of a housing unit relates to the ability of its occupants to pay the cost of living there each month, whether the cost is in the form of rent or mortgage, maintenance, taxes, and lost interest. The name on a deed or stock certificate is irrelevant. The only reason to consider affordability for home owners to be more important than for tenants is **prejudice**-- pure and simple. There is nothing about owning a home that makes a person a better human being or someone whose right to an affordable home is more important. **It is time for the prejudice against tenants to end!**

So, we can safely conclude that conversions reduce the availability of affordable housing. But how serious a problem is it?

The seriousness of the problem is directly proportional to the number of rental units converted, and that number is astronomical. The chart which accompanies this testimony shows the number of units registered as converted year by year and county by county from mid-1979, when the Department of Community Affairs first began maintaining conversion statistics, through the end of 1988. It is based on information published by DCA for each registered project, and upon my personal examination of the 1988 conversion application files.

From 1979 to 1988, nearly 8% of New Jersey's rental housing, 75,230 apartments housing about 188,075 people, were converted and effectively removed from the category of affordable housing. Considering that the London bombings of World War II resulted in the loss of 2% of its rental housing and its worst housing crisis, New Jersey's 8% loss is almost unprecedented.

The devastating effects of condomania have reached nearly every part of the State, affecting 19 of the 21 counties, 17 of which have lost more than 2% of their rental housing. The hardest hit counties so far have been Atlantic, Cape May, Bergen, Hudson, Monmouth, and Ocean, in that order, having lost 23%, 18%, 16%, 11%, 9%, and 8%, respectively, of their rental housing since 1979. In terms of the number of units converted, the disaster order becomes Hudson (16,244), Bergen (16,140), Essex (7,710), Atlantic (5,994), Monmouth (4,716), and Middlesex (3,519).

What is most obvious from the chart is that the current rate of conversions is much higher. 1986, with 7,212 units converted, was higher than the four preceding years. 1987 almost doubled that figure, producing 13,569 converted apartments, more than any prior year. And 1988 has seen 15,209 families undergo conversion of their homes from affordability to impossibility.

What is not obvious from these figures but is nonetheless true is that the typical conversion is no longer the high rent upper middle income building turning into a millionaires only abode. Today's conversions are normally in low, moderate, and middle income buildings

with rents of 200 to 400 a month and purchase prices over \$100,000. We know this from the direct contact our office has with people all over the State living in converting buildings and from my perusal of the 1987 and 1988 conversion applications. What this means is that very few of the current tenants can find a way to buy and pay the tripled housing cost. In many buildings, no one at all can buy. This is how today's conversion "creates" affordable housing.

If we add the 1986, 1987, and 1988 figures, we get about 36,000 families or 90,000 individual tenants who are currently facing the prospect of displacement because they can no longer afford their homes due to conversion. In 1988, at 15,209 units or 38,023 people per year, this came to over 100 people each day or one person every 14 minutes added to the pool of potential evictees.

How many of the conversion displaced families will end up homeless on the streets of New Jersey is uncertain. Many will. Those who do not become homeless will pay more for less adequate housing, or leave New Jersey or double and triple up on already overcrowded apartments. And when the condo displaces pay more for less (which is almost guaranteed by the prevalence of vacancy decontrol in over half of our rent controlled communities) they will end up forcing others onto the street by competing successfully for the few remaining rental apartments. It is common knowledge that today's homelessness is caused largely by high rents that the tenants could not continue to pay.

So this is the societal "good" performed by conversions-- double to quintuple housing cost, massive displacement, increased cost for the remaining rental housing, homelessness-- all at an alarmingly increasing rate.

For the last three years, we have been trying to get some legislation passed that would ameliorate the deleterious effects of conversions while still permitting them to occur. A year and a half ago a bill that would have required a majority of tenants to agree to purchase prior to registering a conversion (commonly called the 50+1 bill) was defeated in the Assembly. Its detractors said that it would have been too great an intrusion into the private marketplace to give the majority of the tenants such power, and they feared that very few conversions would occur. At the time, the convertors said many times that they could live with a non-eviction bill, but not with the majority rule bill.

So we gave them what they said they could live with, S-2107 and A-2653, the No-Eviction bill, and now it too is considered anathema by the powerful conversion lobby. This bill is a major compromise, since it does relatively little to preserve the long term affordability of the housing that is being converted. The experience in New York, where converters get to choose between majority rule and non-eviction methods, is that conversions are rampant, and they are practically all non-eviction conversions. The converters simply wait out the tenants-- eventually enough of them will die or leave to make the conversion extremely profitable. This bill will not hurt convertors.

What the bill will do is preserve the short term affordability of the housing for the people that live there as tenants, and it will eliminate a reason for eviction that was never intended by the legislature when it passed the Eviction For Just Cause Law. When the legislature first passed this law conversion was not listed as a cause for eviction, but an erroneous court interpretation inserted it, and since then the State has enacted a couple of laws that limit this immoral "right" to evict to a very small degree (3 year notice and some senior citizen protection). The eviction law was only intended to allow the eviction of tenants who "broke the rules" (non-payment of rent, destruction of property, violation of substantial lease terms, etc.). Clearly, given the conversion crisis we now face, and the lack of available alternative affordable housing, it is long past time that we return to the

Legislature's original intention, and eliminate conversions as a cause for eviction. At least the courts would stop putting families out of their homes for the sole reason that some wealthy converter wants to make a great deal of money. Greed should not be a justification for eviction. Further, in the faint hope that some municipalities might want to do more to preserve the long term affordability of their housing, this bill would give them that power.

The Senate has done its part. They passed S-2107 in a bi-partisan vote, and its fate now rests in the hands of this Assembly Committee on Community Affairs and Urban Development, along with that of its sister bill A-2653. You will decide the fate of the 90,000 tenants facing the prospect of eviction. Will you allow them to be forced out of their homes to satisfy the greed of others, or will you act to insure that they can continue to afford to live in their homes without these threats of eviction.

Please release the No-Eviction bill from your committee intact with no amendments to weaken it in any way. It is already as much of a compromise as the tenants of New Jersey should be forced to accept.

Why not limit this protection to low and moderate income people?

First of all, middle income families should not be economically ruined because some converter wants to make a few million dollars. If you think that tripling the housing cost of a middle income family will not be disastrous to them, then your not living in the real world.

OK, you say, but what about the very wealthiest people? It would not necessarily spell disaster to someone who earns a million dollars a year to have to pay 3 or 4 times as much for housing.

True, but what purpose will be served by evicting the very wealthy? How much will it cost the State to find them? And what will be the side effects on the rest of the population? The purpose is still to satisfy the greed of converters. The cost of the bureaucracy necessary to perform a means test on every tenant in every conversion in the State would be astounding and wasteful. It would probably cost the State less to just buy the apartments of those few wealthy tenants that would be found. And the side effects are definitely harmful. Anyone who is evicted ends up competing in a housing market with practically no vacancies, forcing rental prices up and eventually forcing other people lower on the economic totem pole out of their homes. Furthermore, and even more important, the process of enforcing a means test, with its cumbersome application, hearing, and appeal process, guarantees the legal and sanctioned harassment of tenants. How many times do you think tenants will be called upon to prove that they are still not too rich to keep their protection?

And when it comes down to it, why in the world would a converter need the eviction threat to convince the wealthiest people to buy their apartments? These are the most likely people to buy in the first place. And if the purchase is anywhere near the fantastic investment they say it is, a very wealthy person would certainly take advantage of the opportunity. If, on the other hand, it's a rip off, the State should certainly not be a party to forcing it on anyone, no matter how wealthy they are.

County	New Jersey Conversions Number of Apartment Units Registered										% of Rental Units Converted		Total # Rental Units 1980 Census
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	79-88	79-88	
Atlantic	347	1537	2130	145	126	183	448	168	514	396	5994	23.12	25924
Bergen	1048	2875	3448	2443	875	989	1518	436	1053	1455	16140	15.52	103988
Burlington	0	0	48	0	0	0	0	0	250	68	366	1.21	30335
Camden	0	633	338	553	0	300	28	196	0	1140	3188	6.38	49932
Cape May	0	169	58	82	36	322	156	213	214	316	1566	17.86	8768
Cumberland	0	0	0	0	130	0	60	0	0	34	224	1.55	14441
Essex	275	259	918	687	564	577	212	949	1659	1610	7710	4.39	175784
Gloucester	0	0	0	0	0	0	0	0	0	0	0	0	15293
Hudson	0	106	666	622	620	461	1377	2344	5072	4976	16244	11.12	146105
Hunterdon	0	0	348	0	0	0	0	0	0	0	348	5.46	6370
Mercer	0	52	397	0	0	618	12	467	182	240	1968	5.22	37679
Middlesex	0	0	623	139	125	654	103	161	361	1353	3519	5.41	65086
Monmouth	30	561	198	690	339	178	136	421	1053	1110	4716	9.03	52245
Morris	0	0	75	102	582	130	58	554	789	199	2489	7.11	34999
Ocean	25	12	140	146	132	280	36	84	624	275	1754	8.01	21896
Passaic	0	150	0	256	567	0	122	373	690	1062	3220	4.48	71879
Salem	0	0	0	0	0	0	0	0	0	0	0	0	6252
Somerset	0	0	0	396	0	24	16	438	50	0	924	5.66	18272
Sussex	0	0	44	0	0	0	0	0	0	288	332	4.71	7046
Union	0	248	0	207	315	268	241	70	812	635	2796	4.15	67325
Warren	0	0	0	0	0	0	0	0	197	0	197	2.15	9148
Unknown	0	342	469	166	0	0	119	338	49	52	1535		
TOTAL	1725	6944	9900	6634	4411	4984	4642	7212	13569	15209	75230	7.8	968767

Compiled by the New Jersey Tenants Organization, 389 Main St., Hackensack, NJ 07601 (201) 342-3775
Based on raw data supplied by the New Jersey Department of Community Affairs

NOTES:

1. To approximate the number of tenants (human beings) represented by a given number of apartment units, multiply by an average family size of 2.5. For example, the total number of "units" registered for conversion between 1979 and July, 1988 translates from 75,230 units into 188,075 people.

2. The extent of the conversion problem is extraordinary, with 7.8% of the State's (affordable) rental housing already lost, and is accelerating faster than ever before. 1988 will have seen more conversions than any preceding year-- 15,209 units or 38,023 people.

3. To get an estimate of the number of people currently facing the eventuality of condo (i.e., greed) eviction, just add the figures from 1986 to 1988 and multiply by 2.5, since most of the pre-1986 tenants have probably already been evicted. Statewide, this comes to 35,990 families, or 89,975 human beings.

4. The figures clearly demonstrate that the problem is Statewide in its impact. Only 2 of the 21 counties have not been affected, and of the remaining 19 counties, 17 have been severely affected, having lost more than 2% of their rental housing. The hardest hit counties so far have been Atlantic, Cape May, Bergen, Hudson, Monmouth and Ocean, in that order, having lost 23%, 18%, 16%, 11%, 9% and 8%, respectively, of their rental housing since 1979, when the State began to "register" conversions. In terms of the number of units converted, the disaster order becomes Hudson (16,244), Bergen (16,140), Essex (7,710), Atlantic (5,994), Monmouth (4,716) and Middlesex (3,519).

5. The first and foremost thing that the State must do is to stop these immoral evictions, wherever they occur. To put a family out on the street purely for greed is barbaric. Such cruelty has no place in a civilized country. When the Legislature originally passed the Eviction for Just Cause Law, conversion (greed) was not listed as a cause for eviction, nor was it intended to be. An erroneous court interpretation inserted it, and since then the State has enacted a couple of laws that limit this immoral "right" to evict to a very small degree (3 year notice and some senior citizen protection). Clearly, it is time to return to the Legislature's original intention, and remove conversions as a cause for eviction. That's exactly what S-2107 and A-2653 would do. Although the long range loss of affordable housing would still occur, since conversions would still occur as they do in New York, at least the courts would stop putting families out of their homes because of conversion greed. And municipalities would be given the power to do more to save their affordable housing if they deemed it necessary.

STATEMENT OF NICHOLAS MARTINI
IN OPPOSITION TO ADOPTION OF
S2107 and A2653

Honorable Chairman Hendrickson and
Members of the Assembly Community
Development and Urban Affairs Committee:

Before making my statement and by way of introduction, I wish to state that I have been a member of the New Jersey Council of Multi-housing Industry of New Jersey; the New Jersey Property Owners Association and the Montclair Apartment Owners Association for more than ten years last past. I was elected Mayor and City Commissioner of the City of Passaic for 20 years; I was a Passaic County Freeholder for six years and County Counsel of Passaic County for 18 years. I have been an active practitioner of Law in the State of New Jersey for over 50 years.

I have been an investor and representative of owners of multiple housing properties and tenants in the State of New Jersey for the past 35 years.

I am making this statement to you today to express my strong opposition to Senate Bill S2107 and Assembly Bill A2653 which propose to ban all further condominium conversions as well as prohibit the eviction of preconversion tenants permanently.

S2107 was passed by the State Senate at the behest of the New Jersey Tenants Organization on the basis of much incorrect information and misinformation.

First, it did not consider the right of the overwhelming number of tenants who at least should have the option to buy their own homes and change their status from rent paying tenants to homeowners.

Second, this legislation would eliminate all remaining rights of ownership in multiple housing for owners who still own multiple rental housing -- just to appease a relatively few tenants who cannot or do not wish to purchase their own home, but still have a statutorily mandated right to remain in their apartment for three years while looking for another apartment!

The protection for disabled persons and senior citizens is complete and comprehensive under the present condominium conversion law. It is most favorable since all disabled persons and senior citizens who are 62 years of age or over, earning less than \$55,000 a year and in possession for over two years, can remain in their apartments for 40 years without fear of eviction. In most cases this means for their lifetime!!! What more does the New Jersey Tenants Organization which represents only a small percentage of rental tenants, want?

This legislation would literally kill the conversion market which has made thousands of new homes available to tenants, thereby greatly increasing the number of homeowners paying real estate taxes in New Jersey!

Passage of these Bills would depreciate values of existing rental housing, drastically reduce real estate tax rates for municipalities, thereby increasing taxes for other homeowners, businesses and industry in New Jersey.

It would discourage private investment in existing rental properties and the construction of new multiple rental housing.

In my considered judgment this legislation would definitely decrease if not destroy the possibility of increasing the supply of affordable housing in New Jersey.

The Committee should not overlook the fact that thousands of tenants have become homeowners by buying their own apartments under favorable terms in New Jersey and many have made handsome profits on their investments over the last five years. This can be seen by reading the classified ads every day where condos are being offered for rent or sale by tenants who previously bought them.

There has been much misinformation on the effect of condo conversions, such as the alleged effect on the homeless,

causing the Homeless Prevention Program to be enacted. This is totally incorrect. The Homeless Prevention Program was passed primarily to help people on welfare and others unable to pay their rent because of temporary financial and/or family problems. It was not passed because of any condominium conversions. Its main purpose was to help tenants on welfare and in subsidized housing projects who are temporarily unable to pay their rent and in need of temporary assistance to prevent them from becoming homeless.

The Tenants Organization has mistakenly claimed that tenants who are not senior citizens or disabled cannot find other apartments after looking for another apartment for three years.

The fact is our newspapers, daily and Sunday, carry long lists of classified ads of condo and other rental units and apartment rentals.

The Newark Star-Ledger, Asbury Park Press and Bergen Records carry hundreds of For Rent classified ads daily of both condo and apartment rentals of over 1,500 units each day.

I have brought with me a number of tear sheets of the Star Ledger and Asbury Park Press. The ads list apartment rentals in a range from \$415, \$450, \$475, \$500, etc. monthly to higher levels, with heat, hot water and cooking gas supplied-- all in good areas.

As a matter of fact, some ads in the Sunday Star-Ledger and Asbury Park Press offer one month's free rent in an effort to get vacant apartments rented, which has become increasingly difficult.

My own experience has shown, and I have personal knowledge of the fact that there are many vacancies of apartments throughout the State. In some areas vacancies range from 10 to 18%. There is no merit, therefore, to the claim that preconversion tenants cannot find another apartment within the three years they are allowed.

The Committee should know why new rental housing has not been constructed. Some of the reasons are high construction and labor costs; high interest rates; high financing costs; higher and higher taxes; higher land costs; higher management costs, and the astronomical increases in insurance premiums for property and fire insurance and particularly for public liability coverage. The risks and exposures to loss are just too high for new privately financed and owned rental housing in this State. Investors and financial institutions have been shying away from such projects in increasing numbers.

Had it not been for new condominiums and conversions, which have been very popular and well-received, there would be much less affordable and desirable housing in New Jersey today.

Strict rent controls in some areas of the State have had a discouraging effect on privately-owned multiple-rental properties. Many owners of privately financed rental properties have been compelled to abandon their properties or sell them at sacrifice prices because they could no longer carry the heavy financial burdens with low or no returns.

Condo conversions have had a beneficial effect on every City and Town where they have taken place. First of all they increased ratables and local tax revenues. They have provided a ready market for homes desired not only by tenants who lived in the apartments being converted, but also from outsiders and tenants in other buildings who wanted to buy their own home instead of continuing to pay rent. These far outnumber the small percentage of tenants who do not wish to buy their own apartments and do have three years within which to find another apartment!

Adoption of this ill-advised legislation will not only deny to thousands of existing tenants the opportunity and option of buying their own apartments at a substantial discount, but will in effect destroy and confiscate the remaining private multi housing rental industry to satisfy the whims of the Tenants Organization which speaks for only a relatively few tenants who are already amply protected by the three-year moratorium against possible eviction.

For all of the foregoing reasons, I respectfully urge you not to adopt this unfair and unjust legislation which will seriously, irreversibly and detrimentally affect both the State's private rental multiple housing industry and the State's general economy as well.

Thank you for giving me this opportunity to be heard on this important issue.

Trenton, New Jersey
May 25, 1989.

Joel Horwitz

The only affordable housing available to many people is the apartment they live in right now. Thousands of working people could not afford an apartment if they had to find one today. The Real Estate industry's "market rate" often forces people to pay 40%-60% of their income on housing; lowering their standard of living considerably.

We have 50,000 homeless people in New Jersey already. The homeless not seen on the street, and not documented are doubling up with other people, overcrowding their homes. 50,000 women, men, and Kids living in crime-infested hotels, shelters, in the street, or doubling up with friends or relatives. Again, our country's standard of living, for these people, is tragically dropping; and it's deplorable because this kind of greed in housing is not what our country should be all about. We have a Crisis. Federal housing projects built in the future will probably not help the majority of homeless people we have right now, and the growing number of homeless between now and when that housing is built. We have to at least stem this Crisis by keeping people who still have a home, in their home.

The Condo-Conversion process is not fairly explained to regular people, many of whom cannot afford a lawyer, and many who don't know the English language well, or at all, being immigrants (like most of our ancestors were at one time). There are not enough public resources where people can ask questions about their rights under a conversion, and there is too much grey area in the law itself that lawyers can't even get a sure understanding of.

Condo-Conversion, in instances I have seen, has created an incentive to intimidate tenants, and not repair buildings while they're still inhabited by pre-conversion tenants. People pay alot of money for buildings in great need of repair, depending completely on conversion-value and Eviction to make the investment logical. There is no incentive to make repairs on the building while it is still inhabited, and

no enforcement of local laws that actually get repairs done (fines are a fraction of repair costs). The 3 to 4 years supposedly "guaranteed" to pre-conversion tenants before their eviction, becomes in reality, how long someone can stand living in horrendous conditions.

Please, vote S-2107/A-2653 out of Committee as is, with no amendments or changes, today, and vote for it when it reaches the Assembly Floor. Other states have non-eviction condo-conversion laws that work fine. Someone made the mistake of allowing condo-conversion as one of our state's Just Causes For Eviction. We can't allow this mistake to take away the thousands of people's apartments that have begun the conversion process in the last 4 years. Allowing the eviction of law-abiding tenants, during an affordable housing shortage and a homelessness crisis is Un-American and Criminal.

Joel Horwitz
Member-Hoboken Campaign For
Housing Justice

114 Jefferson St
Hoboken N.J.
656 4238

c.c: The Star Ledger
The New York Times
The Hoboken Reporter
The Jersey Journal
The Hudson Dispatch

President Bush

North Bergen Tenants Organizing Committee
P.O. Box 9134 North Bergen, N.J. 07047

The North Bergen Tenants Organizing Committee (NBTOC) is a non-partisan, single-issue organization. Our purpose is the protection of our members from evictions which occur as a result of condominium and cooperative conversions. We offer to support any candidate or candidates who bring about the passage of Assembly Bill A2653 and Senate Bill S2107 into law. We are an affiliate of New Jersey Tenants Organization.

When the eviction for just cause law was passed, it was intended to provide protection to tenants against improper pressures from unreasonable landlords. Conversion was not listed as a cause for eviction nor was it so intended by the Legislature.

Since 1979 over 70,000 rental apartments in New Jersey have been lost as a result of conversions. For three years---from 1983 to 1985--- an average of 4,679 apartments were converted. In 1986 7,212 were converted; in 1987, 13,569; in the first seven months of 1988, 9,933. The situation has worsened in the last two and a half years.

The frightening fact is that over 100,000 tenants are now facing eviction. The only reason for conversion is greed. Quick profits of from 50- to 500% are sought by these converters. A building, 8900 Boulevard East in North Bergen, assessed at one million dollars (based on the best information we can get), was sold for five or six million dollars. This building is a cooperative. The converters are attempting to sell fourteen million dollars' worth of shares.

Arguments are made by the converters that the American Dream is to own your home and that gentrification gives everyone an opportunity to do so. These arguments are false. Young people, who wish to own their own home, have a dream of saving enough money to buy a house in the suburbs, a house with a bit of land in a place where they can raise children in a safe environment. Their desire is not to be trapped in an overpriced, roach-infested tenement from which they will never be able to escape. Those tenants, now paying approximately \$500 in rent, would find themselves paying the monthly mortgage, maintenance fees and taxes. Now their rent would be upped to approximately \$1,500 a month. Young people, earning between \$400 and \$700, even \$800 per week, could never afford the prices being demanded by the realtors.

Senior citizens, with incomes exceeding \$50,000, are not protected. The assumption that they wish to buy and that it is in their interest to buy is incorrect. Senior citizens, living in rental units, are there either because they never desired to be homeowners or, if they had been homeowners at one time, now find that, once their children are grown, they have no use for a big house.

How inhumane it is to force those in their twilight years to take their life savings and purchase a home or apartment at highly inflated prices! It has always been our belief, and still is, that one of the prime functions of the Legislature is the protection of society against the unprincipled attacks of a greedy and ruthless minority. The Federal Government, curtailing the abuses of robber barons, passed legislation to protect its citizens. Isn't it a fact that corporations have a social responsibility to society, superseding their proclivity to make a fast buck at the expense of the general public?

The Senior Citizens and Disabled Protected Tenancy Act was designed to protect senior citizens from eviction. The realtors have interpreted something that was never intended, and, as a result, the Senior Citizens and Disabled Protected Tenancy Act becomes the tenants' eviction law. In a study we are now conducting we find that New Jersey is the only State that has legislation which orders the courts to evict tenants from converted buildings. Last year when we proposed the 50 Plus 1 Bill---which would have given the necessary protection to tenants---the realtors argued that the bill prevented conversions and that the landlords would be unable to sell the units, thus subjecting them to huge losses. At this time the real estate interests indicated that they could live with a non-eviction law. A2653 represents a major compromise. Under this law, (a) landlords can no longer evict a tenant because of conversion; (b) in order to convert the building he would have to meet all municipal and state maintenance, health and safety codes; (c) the state grants the municipality the right to enact additional methods that a municipality might find to be necessary.

A2653 is a fair bill for the realtor. It permits the realtor to sell apartments, when vacant, and enables him to continue collecting rent from units that have not been vacated. One example: At 8900 Boulevard East, North Bergen, there has been a 10% attrition rate in the past year. The landlord is able to sell units and collect rent simultaneously. A2653 is also fair to the tenant. It provides the tenant, young and old, with the security he or she had before the Senior Citizens and Disabled Protected Tenancy Act existed. A2653 restores the eviction for just cause law to its original intent.

A2653 and S2107 would solve a major problem for many municipalities in the State. Some rental units are disappearing because, rather than rent, apartments are being warehoused with the expectation of selling. The aforementioned bills would eliminate the need for warehousing apartments and immediately open hundreds of rental units that are now unavailable. A study of the effects of the Non-Eviction Bill will demonstrate that conversions are possible, new buildings can be constructed and there is no necessity for the catastrophic act of putting people out into the street. In New York where there is a choice between 50 Plus 1 and no eviction, landlords overwhelmingly choose no eviction.

What effect would conversions have on the municipality generally? Residents, living a lifetime in their community, would be evicted. These people, who are driven out into the street, are the very same people who helped to build the community. They are the tax payers, the voters, small merchants and church goers. They are now being replaced by strangers who have no real interest in the municipality and who make marginal or no investment in their new surroundings.

In conclusion, we urge the passage of A2653, unamended. This bill extends protection against eviction to everyone, instead of protection to some. Once more, I reiterate: The bill restores the law to its original, legislative purpose.



NEW JERSEY ASSOCIATION OF REALTORS®

EXECUTIVE OFFICE: 295 PIERSON AVENUE (201) 494-5616
MAILING ADDRESS: P.O. BOX 2098, EDISON, N.J. 08818

MEMO TO: Members of the Assembly Community
Development and Urban Affairs Committee

FROM: Susan Covais, Director
Government Affairs

DATE: May 25, 1989

SUBJECT: Senate Bill 2107 and Assembly Bill 2653:

Prevents the eviction of tenants for condominium or
cooperative conversion

The 47,000 member New Jersey Association of REALTORS strongly
opposes S-2107 and A-2653 which would prohibit the eviction
of tenants when a residential rental unit is converted to
condominium, cooperative or fee simple ownership.

Listed below are NJAR's major concerns:

1. S-2107 and A-2653 do not allow a property owner to
legally evict tenants regardless of their age or
financial status.

The Protected Tenancy Act was created to aid the
low-income senior citizen and disabled tenant. By
extending these protections to all tenants, the state
would be protecting those who won't move as opposed to
those who can't.

We believe that the problem of affordable housing can
only be solved if the public and private sector work
together. This legislation would penalize the private
sector and make future property owners caretakers in
perpetuity for a new class of protected tenants. It
is the wrong approach to solving the affordable
housing crisis.

2. This legislation allows municipalities to enact
stronger condominium conversion laws that would
supersede the state's authority.

NJAR believes the state's condominium conversion law
should supersede all local ordinances. The state

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should retain authority through the Planned Real Estate Development Act and not leave the regulation of condominiums up to a local government that faces immense pressure from people that will not welcome the conversion of rental units under any circumstance.

3. S-2107 and A-2653 do not permit owners to increase rents because of expenses incurred during a condominium conversion.

Is it the intention of this bill to prohibit any pass-throughs of rent increases to a tenant? At what point is an improvement considered to be "a result of a conversion"? Even under rent control in many municipalities, improvements to a building, tax increases, etc. are allowed to be passed through to a tenant. Does this bill take away a property owners legitimate right to rent increases due to needed improvements and increased operating costs?

4. These bills require a building to comply with all applicable state and municipal codes.

Will the DCA require the same standards for an 80 year old building as it does for a 10 year old building? If a building was safe enough to receive a Certificate of Occupancy for tenants to live there, should stricter standards apply to a tenant's unit in a converted building?

We believe the DCA should develop reasonable standards to insure safe and sanitary conditions in older buildings, not require that they be rebuilt to 1989 standards. However, if the intent of this provision is to stop condominium conversions from occurring, then it should be stated as such.

5. S-2107 and A-2653 are retroactive.

Any tenant that has not received a judgement for eviction will be a protected tenant. This means that condominium conversion projects that have registered with DCA and expended large amounts of capital will have to contend with a new group of protected tenants. What will happen to the person who has purchased a converted unit expecting to occupy it only to find out that the tenant living there is now protected from eviction for life? The results will be disastrous to the property owner and the potential unit owners. It will also create chaos for financial institutions that are backing the conversion and underwriting mortgages for the prospective unit owners.

NJAR has always been ready to work with the Legislature on this critical issue. However, we must first overcome the rhetoric and look at the adverse effects of S-2107 and A-2653. This legislation does not provide new housing. It removes incentives for people to create rental housing while penalizing property owners, present and future. It removes the opportunity for a tenant to become a homeowner. Finally, it achieves a perceived public need, prevention of tenant evictions and retention of affordable rental units, at the expense of the private property owners.

For these reasons, we urge you not to release S-2107 and A-2653, and allow a more viable solution to develop, one that respects the rights of property owners, tenants and future homeowners in our state.

10 AM May 26th, 1989

Testimony given to Assembly Committee re.
bill H-2653 in Trenton by Marshall McFarland:
I think H-2653 should be released but
amended to include a time limit to rewrite
an inadequate conversion law. Since this bill
was written in 1972 the conflict between our
local pol. politics & international capitalism has
created a chaotic housing market. To stabilize
the market the code law should be rewritten
to include the following: first, a cap
on taxation which are today confiscatory;
second, a quota on # of units in each area
to prevent mass evacuation of the poor;
& third, building codes to guar. adequate
plumbing & wiring in 22x older buildings.

The Cutler Agency, Inc.

MAY 17 1989

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Phone 687-9000

May 16, 1989

Ms. Jacque Eaker
Executive Vice President
The New Jersey Council Of
The Multi-Housing Industry
197 Route 18, Suite 101
East Brunswick, NJ 08816

Re: Condo Conversion Senate Bill 2107 and
Assembly Bill 2653

Dear Ms. Eaker,

As a concerned real estate broker and condominium owner, I am writing this letter to express my opposition to the above bills.

In the way of introducing myself, I am a past president of the Union County Board of Realtors, previously on the Executive Committee of the State Association of Realtors. Additionally, I spent 12 years in the building industry and have, for the past 25 years, been actively involved in the acquisition, rental and sale of multi-family property.

It is important to note that the various tenant organizations and others who presume to be experts in the field, always express their opposition to anything regarding rental increases, apartment conversions, and especially the construction of new apartment houses in vital urban areas as well as the more rural. This is done without any regard for the plight of the property owners. Although the the tenant groups are not entirely to blame, the environmental impact on land improvement is really a major factor for the lack of new rental housing units. Therefore, the alternative is obviously condominium and/or cooperative conversions of existing rental properties.

Again, I am an owner of a condominium and I can assure you that the benefits derived from it far out way any rental unit that I have ever lived in over the past 40 years. The advantages are obvious. One charge for utilities and the security is invaluable with the knowledge that you can come and go freely without fear. Most importantly is the appreciation factor. I am sure that any condominium owner will readily attest to the fact that their way of life is not only more satisfying, but also more profitable.

23X

Ms. Jacque Eaker
May 16, 1989
Page 2

It is my feeling that unless land becomes more available for construction of new rental housing vis a vis the easing of municipal guidelines for land use and less rigid restrictions imposed by the DEP, it is highly improbable that rental properties will become available in the near future. Therefore, the perfect alternative is condominium conversion.

Please oppose this Bill.

Very truly yours,

THE CUTLER AGENCY, INC.


Stanford Cutler

SC:ls

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MAY 17 1989

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Please Reply to:
P.O. Box 196
Livingston, NJ 07039

May 15, 1989

MEMBERS- ASSEMBLY COMMUNITY DEVELOPMENT AND URBAN AFFAIRS COMMITTEE

RE: CONDOMINIUM CONVERSION BILL - A-2653

GENTLEMEN:

Before voting on the above referred to piece of legislation, please re-read this letter. It should give you good cause to vote against the bill.

In many ways my organization epitomizes "AFFORDABLE HOUSING" in New Jersey. We have managed inner city housing (mostly Hudson and Essex Counties) since 1972. We have owned rental units since 1976. We have undertaken condominium conversion of a small apartment building in Hudson County, not fully converted at this time. We have recently completed an historic restoration of an old mansion in Trenton, converting it into moderate income rental housing. We own inner city land which is well suited for housing. We were directly involved in the construction and financing of the first new housing in East Orange in the past 25 years- constructing and selling 42 townhouse units. We have done it all.

I am proud of our credentials and our participation in the housing industry. I am well qualified to voice an informed opinion on the Condominium Conversion Bill, and the potential disaster which it represents.

BASIS FOR CONCERN

1) I have learned to live with rent control. Since most of our properties have been owned by us for more than 8 years (at lower prices and smaller mortgages) I am able to make a moderate return on my investment. I WILL NOT PURCHASE ANY RENTAL PROPERTY IN NEW JERSEY AT THIS TIME. I have been offered numerous properties to purchase which on the surface look

Jrx

attractive. Since we normally make significant improvements to our properties, it would be a very positive act were we to make the acquisitions. Instead, I am negotiating on rental units in Allentown, Pa., and Delaware. My money and expertise will not benefit New Jersey as it has in the past.

2) I commence the conversion of a small building to condominium ownership in 1986. A significant capital expenditure was made which has benefitted the existing tenants as well as those that purchased their units. This was truly "affordable housing". If A-2653 becomes law there is no way for me to recoup my sizable investment. What is worse is that I will not have the opportunity of providing home ownership to those interest in buying, since I will be prohibited from evicting those tenants who have received their 3 year statutory notices. I am waiting for someone to explain to me why a tenant paying rent that is 35% below the market is entitled to a "life estate" in the apartment, when there are prospective purchasers eagerly seeking an opportunity to buy their own homes. THERE IS NEITHER NECESSITY NOR LOGIC BEHIND THIS ASPECT OF THE LEGISLATION.

3) In 1988-1989, we completed a "Certified Historical Restoration" of an old mansion in Trenton. The costs of the project were well in excess of what would normally have been spent to make a standard rental housing project. This was done in the reliance on the existing law in the belief that the rental units would be converted to condominium ownership at some future date. IF THIS BILL BECOMES LAW I WILL NEVER EVER BE ABLE TO MAKE A FAIR RETURN ON MY INVESTMENT. As a rental project I will be fortunate to receive 5% annual return on my investment. How can I (or any investor) be expected to spend the time, effort and money in creating affordable housing with that type of return?

4) The general climate for ownership of rental property in New Jersey is PUTRID- I use the word advisedly. Between rent control, high real estate taxes, unbelievably high water and sewer charges (which cannot be passed on to the tenants), an extremely pro tenant statutory approach, and the very real prospect of A-2653 becoming law, it makes no sense for me to get involved with housing. Instead of developing a land parcel in East Orange that could accommodate 18-24 affordable rental units, which had been my original intent, I have purchased a tract of land which will become commercial/warehouse space. It makes no sense for me to put my funds into the East Orange site. I AM NOT A CHARITABLE INSTITUTION. I HAVE TO INVEST WHERE IT MAKES ECONOMIC SENSE. When will the legislature realize these facts of life? You cannot beat up on an industry and then expect it to solve the serious problems which exist.

I could expound further on this subject and the problems which are inherent in the industry. Suffice it to say that I have personalized this letter to make a point. If I as a modest owner/ investor/ developer with low overhead, and very

close controls of operating costs and not willing to put fresh capital into the New Jersey housing market, you have good reason to understand why the larger investors are taking the same position.

If it is the intent of the legislature to make the housing industry into a "regulated industry" (ie. Utilities) then you should say so and make the appropriate political and economic decisions inherent in such a policy. If you truly support the concept of affordable housing provided by private capital than you must kill A-2653. If you pass this legislation you will kill affordable housing. I know from whence I speak.

RESPECTFULLY,

T.R.C. GROUP

by: 

THEODORE R. COHN

TRC:cr

