
Committee Meeting

of

STATE LEASING AND SPACE UTILIZATION COMMITTEE

LOCATION: Committee Room 14
State House Annex
Trenton, New Jersey

DATE: March 21, 2011
11:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Nicholas P. Scutari, Chair
Assemblyman Albert Coutinho
Robert Romano

ALSO PRESENT:

Carl T. Costantino
Office of Legislative Services
Committee Aide

Sonia Das
Senate Majority
Committee Aide

Gary A. Kotler
Counsel



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SENATOR NICHOLAS P. SCUTARI (Chair): Welcome, everyone, to the Space Utilization Committee meeting. Today is March 21, 2011.

And roll call.

MR. COSTANTINO (Committee Aide): Chairman Scutari.

SENATOR SCUTARI: Here.

MR. COSTANTINO: Assemblyman Coutinho.

ASSEMBLYMAN COUTINHO: Here.

MR. COSTANTINO: Deputy Treasurer Romano.

DEPUTY TREASURER ROMANO: Here.

MR. COSTANTINO: Mr. Chairman, you have a quorum.

SENATOR SCUTARI: Thank you.

First is the reading of the Open Public Meetings Act.

MR. COSTANTINO: Chairman, notice of this meeting of the State Leasing and Space Utilization Committee meeting was provided to the Secretary of State, the Trenton *Times*, and the State House Press on March 17, 2011, in accordance with the Open Public Meetings Act.

Our next order of business is to select a Chairman for 2011.

ASSEMBLYMAN COUTINHO: Yes, I move that Senator Scutari be our Chairman for 2011.

DEPUTY TREASURER ROMANO: Second.

SENATOR SCUTARI: Thank you.

MR. COSTANTINO: On the motion-- That was a second by Mr. Romano.

DEPUTY TREASURER ROMANO: Sure, yes.

MR. COSTANTINO: And Mr. Coutinho.

Roll call.

Assemblyman Coutinho.

ASSEMBLYMAN COUTINHO: Yes.

MR. COSTANTINO: Deputy Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. COSTANTINO: And Senator Scutari.

SENATOR SCUTARI: Yes.

MR. COSTANTINO: The motion carries.

SENATOR SCUTARI: Thank you.

Okay, the next order of business is the approval of the June 24, 2010, meeting minutes, which have been sent to the members.

Any questions or concerns regarding the minutes? (no response)

If not, I'll entertain a motion.

ASSEMBLYMAN COUTINHO: So moved.

MR. COSTANTINO: Special note on that: I obtained Assemblyman Prieto's approval of those minutes, so we have his approval, and then we'll need--

Senator Scutari.

SENATOR SCUTARI: Yes.

MR. COSTANTINO: Assemblyman Coutinho, you'll have to abstain.

ASSEMBLYMAN COUTINHO: No, I believe you were-- I was at the last meeting; I wasn't at the previous--

MR. COSTANTINO: This is the June 24 meeting.

SENATOR SCUTARI: We have both.

MR. COSTANTINO: We have both; we have both on this agenda today.

ASSEMBLYMAN COUTINHO: Oh, you have both. Okay, I abstain then; I abstain then.

MR. COSTANTINO: So we have Deputy Treasurer Romano.

DEPUTY TREASURER ROMANO: Sure, yes.

MR. COSTANTINO: And we have Assemblyman Prieto's.

Okay, moving on, we have the December 9, 2010, minutes.

We need a motion to approve.

ASSEMBLYMAN COUTINHO: So moved.

DEPUTY TREASURER ROMANO: Second.

SENATOR SCUTARI: I think everyone was at that meeting.

ASSEMBLYMAN COUTINHO: Yes.

MR. COSTANTINO: Correct, and those were distributed.

DEPUTY TREASURER ROMANO: Okay, so we're all here.

MR. COSTANTINO: Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. COSTANTINO: Assemblyman Coutinho.

ASSEMBLYMAN COUTINHO: Yes.

MR. COSTANTINO: Deputy Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. COSTANTINO: The motion carries.

SENATOR SCUTARI: Okay.

MR. COSTANTINO: Real quick -- a little, small housekeeping matter: There's a correction to the agenda that was sent out. Group B agenda title should read "Real Estate Leaseback from New Jersey Building

Authority to Treasury,” not “DPMC to New Jersey Building Authority.” I just wanted to make that correction.

So we're ready for presentations.

SENATOR SCUTARI: Okay, all right.

The first NPL, by Mr. Sutkin.

S T E V E N M. S U T K I N: Yes, the first NP-- Both of the-- Just by way of general background: Both of these are debt service-related leases. The first is New Jersey Economic Development Authority, and the second involves the New Jersey Building Authority. I'll be speaking to the New Jersey Economic Development Authority-related lease, which involves the purchase of five State Police barracks -- facilities; and we have representatives in the Executive Director and Bond Counsel who will speak to the lease -- the debt service lease related to the New Jersey Building Authority.

So with that said, the first Notice of Proposed Lease which we bring for your consideration involves the purchase of five State Police facilities that are in different locations in the state: one in Bellmawr, one in Upper Deerfield, one in Hope, one in Perryville, and the last in Frankford. These are currently leased facilities. We entered into negotiations with the existing lessor for the purchase. We did cost-benefit analysis; we did an engineering evaluation of the facilities to see what was needed for the improvement of the facilities. We compared the cost to own compared to the cost to lease. We asked the Office of the Attorney General and the Colonel of the New Jersey State Police whether they had a long-term interest in remaining in the facilities. And based on all these inquiries it made sense to pursue financing the construction -- the purchase and

minimal construction associated with these facilities. And we present that for your approval.

SENATOR SCUTARI: Assemblyman Coutinho.

ASSEMBLYMAN COUTINHO: Yes, actually-- Okay, given all you said, I think you eliminated most of the questions I had. So basically, the State doesn't currently own these; it leases them from an outside agency? And so now we're making a decision to purchase the property. It's going to be purchased in EDA's name, and leased out to DPMC. That's correct?

MR. SUTKIN: Yes, the State.

ASSEMBLYMAN COUTINHO: All right. Because my concern is whether or not this was just, really, a budget thing -- but okay. So we are actually following the intent of this body, which is when we have a long-term interest, to buy property. And even though it is going to be in a different arm of the State, it is under the State. So that being the case, Mr. Chairman, our brief conversation before is-- I was under the-- I thought that maybe this was already owned by one segment of the State, and we were-- It was just, really, a budget item. But that doesn't appear to be the case. So actually, I have no further questions.

SENATOR SCUTARI: Well, yes; I have a question or two, and I understand that. We don't currently own the five State Trooper barrack locations, but we are, currently, occupying those five locations -- is that correct?

MR. SUTKIN: Yes.

SENATOR SCUTARI: Explain to me, very simply, what we're doing here. We're going to lease these, and then we're going to buy them at the end of the lease; it's a lease-to-buy-- Just go over it real quick.

MR. SUTKIN: EDA is purchasing the facilities on the State's behalf. EDA purchases them, and the mechanism for payment of the debt service is a lease, with the State as tenant to EDA as the owner. The bond-- The payments under the lease equate, I believe, exactly to what the debt service is for the principal and interest, and after 15 years and the payment of \$1, and all those lease payments, title goes from EDA to the State.

SENATOR SCUTARI: And the lease payment gross amount is how much?

MR. SUTKIN: Eight hundred and sixty-two thousand times 15.

CRAIG BRUCH: It's--

SENATOR SCUTARI: Eight hundred sixty-two thousand for the five facilities?

MR. SUTKIN: For the five facilities.

SENATOR SCUTARI: Eight hundred and sixty-two thousand per year for five police barracks.

MR. SUTKIN: Right.

SENATOR SCUTARI: And then--

MR. SUTKIN: The total purchase--

SENATOR SCUTARI: --times 15 years.

MR. SUTKIN: Correct.

SENATOR SCUTARI: And-- Okay. Is there--

MR. SUTKIN: It's \$5.6 million -- the purchase price for the five facilities -- plus the debt service, the architecture, engineer, and construction, financing costs, and other fees associated -- Bond Counsel -- with that cost.

SENATOR SCUTARI: I think there was approximately \$1.3 million to rehab the buildings up front?

MR. SUTKIN: The five buildings, yes.

SENATOR SCUTARI: The five buildings. And the purchase price is \$5 million you said?

MR. SUTKIN: Five-point-six million.

SENATOR SCUTARI: So you're talking about a purchase price of about \$7 million?

MR. SUTKIN: Well, a purchase price--

SENATOR SCUTARI: Let's just say we have more money than we know what to do with. We could write a check for \$8 million, and that would rehab the five facilities and buy them, correct?

MR. SUTKIN: Yes.

SENATOR SCUTARI: But in this instance, we're not going to do that. We're going-- The EDA is going to purchase it--

MR. SUTKIN: Yes.

SENATOR SCUTARI: --and then there's going to be a lease plan to repay the bonds.

MR. SUTKIN: Yes.

SENATOR SCUTARI: So it's like a mortgage, essentially.

MR. SUTKIN: Exactly.

SENATOR SCUTARI: And then that's going to cost us about -- I guess about \$17 million over the years. It's just like buying-- Because my mother bought her house for \$38,000; over the years it probably cost her \$100,000 to pay it off.

MR. SUTKIN: I think the number it came out to was about \$13 million.

UNIDENTIFIED MEMBER OF AUDIENCE: Twelve-point-nine.

MR. SUTKIN: Twelve-point-nine.

SENATOR SCUTARI: Twelve-point-nine. And that's the-- As you said, the cost of the bonds, the interest, principal, the work, and the--

MR. SUTKIN: Over the 15 years. But it does result in a savings in year one compared to leasing, and it results in a savings across the entire 15 years as well. So right out of the box there's a savings, in addition to long-term savings.

SENATOR SCUTARI: Okay, all right; I'm satisfied with that.

ASSEMBLYMAN COUTINHO: Okay, yes -- I'm satisfied. I mean, again, in a perfect world if we could buy it outright, you know, the State Police buy it directly; but given everything that we're on I think it makes sense.

SENATOR SCUTARI: We just don't have the capital money to say, "Here's a check for \$8 million" -- correct?

MR. SUTKIN: Correct.

SENATOR SCUTARI: I mean, that's the reason we go through the EDA?

MR. SUTKIN: Yes.

SENATOR SCUTARI: Hold on a second.

Yes, I did have that question. What's the interest rate on the bonds, anyway? Or do we not know that yet?

MR. SUTKIN: Five-point-five percent.

SENATOR SCUTARI: Okay.

DEPUTY TREASURER ROMANO: Well, it's estimated. It's estimated, right?

MR. BRUCH: Estimated.

MR. SUTKIN: Estimated.

SENATOR SCUTARI: Estimated, based on the fact that we have to go out to bondholders to take them on? We don't know that yet?

UNIDENTIFIED MEMBER OF AUDIENCE: (off mike)
Correct.

SENATOR SCUTARI: Right, okay.

All right, I'll entertain a motion on those.

ASSEMBLYMAN COUTINHO: So moved, Mr. Chairman.

DEPUTY TREASURER ROMANO: Second.

SENATOR SCUTARI: Roll call on the matter.

MR. COSTANTINO: On the motion to approve NPL 3643, 3705, 3790, 3793, and 3841 -- Assemblyman Coutinho.

ASSEMBLYMAN COUTINHO: Yes.

MR. COSTANTINO: Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. COSTANTINO: And Deputy Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. COSTANTINO: You have three votes in the affirmative, Mr. Chairman. The motion carries.

SENATOR SCUTARI: Okay, thank you.

The next--

MR. SUTKIN: The next item is another debt service lease, but it's an amendment; and it's New Jersey Building Authority rather than the Economic Development Authority. There currently is already an existing lease for the construction going on at the West Trenton Campus, which involves the new Health Lab being built. There's supposed to be a Security Command Center built associated with that debt service. And in lieu of the Security Command Center being constructed, New Jersey Building Authority is going to purchase, on the State's behalf, five acres of property with an existing facility right next door. There already is a debt service lease associated with that facility, but because of the nature of debt financing we have to amend the lease -- which is the vehicle for payment back to the principal and interest -- to include the purchase of a piece of ground and a building, rather than building a new building. And because of that, we need to come back to this Committee and get approval for the amendment of that lease.

If there are specific questions, or questions associated with that, I have Mr. Arcario here as Executive Director of the New Jersey Building Authority and Bond Counsel. But with that, we submit it for your approval, unless there are questions.

SENATOR SCUTARI: You know, I have some related questions.

What's going on with our building down here, in downtown Trenton -- the Health Building, and the Lab, and-- Is that mothballed at this point, or is it still being utilized?

MR. SUTKIN: Well, it's likely that the Health Lab is going to be mothballed. It's specifically--

SENATOR SCUTARI: That's the round building, correct?

MR. SUTKIN: That's the round building. The square building is under consideration. In DPMC we've developed potential options for mothballing that facility and relocating people into existing vacant space. But we're also still considering the option of continuing to keep that facility open, and take some of the vacant space in Trenton and relocate people from other existing locations and leases, and bringing them into downtown Trenton to fill the vacant space. So it's still under evaluation.

SENATOR SCUTARI: We had a long discussion about this, I think, a year ago, right?

MR. SUTKIN: We did. I think there were more robust discussions going on back then about property and development in Trenton, and there hasn't been a lot of discussion about that lately. So in view of that we're evaluating all of our options.

SENATOR SCUTARI: Okay.

Assemblyman?

ASSEMBLYMAN COUTINHO: No questions, Mr. Chairman.

SENATOR SCUTARI: All right. I'll entertain a motion.

ASSEMBLYMAN COUTINHO: So moved.

DEPUTY TREASURER ROMANO: Second.

SENATOR SCUTARI: Roll call.

MR. COSTANTINO: On the motion to approve NPL 3796.
Assemblyman Coutinho.

ASSEMBLYMAN COUTINHO: Yes.

MR. COSTANTINO: Chairman Scutari.

SENATOR SCUTARI: Yes.

MR. COSTANTINO: Deputy Treasurer Romano.

DEPUTY TREASURER ROMANO: Yes.

MR. COSTANTINO: Mr. Chairman, you have three votes in
the affirmative, none in the negative. The motion carries.

SENATOR SCUTARI: Thank you.

Other than that, I'll ask for a motion to adjourn.

DEPUTY TREASURER ROMANO: So moved.

ASSEMBLYMAN COUTINHO: Is there not-- I'm sorry --
second. But a question, Mr. Chairman: Is there not a No. 7 on the-- Do
we have another presentation, or-- That was the presentation?

SENATOR SCUTARI: That was it.

MR. COSTANTINO: That was it.

SENATOR SCUTARI: Those were the NPLs.

ASSEMBLYMAN COUTINHO: A very thorough presentation.
Thank you, Mr. Sutkin. (laughter)

Second the motion for adjournment.

SENATOR SCUTARI: All in favor?

ALL: Aye.

SENATOR SCUTARI: Okay, the meeting's adjourned.

(MEETING CONCLUDED)