

974.90
H 842
1982e

PUBLIC HEARING

before

ASSEMBLY INDEPENDENT AUTHORITIES AND COMMISSIONS COMMITTEE

on

THE CIRCUMSTANCES SURROUNDING THE 50% RENT INCREASE AT
UNION GARDENS APARTMENTS IN MONTCLAIR AND THE PRACTICES OF THE
NEW JERSEY HOUSING FINANCE AGENCY IN GRANTING SUCH INCREASES

Held:
July 13, 1982
Montclair Town Hall
Montclair, New Jersey

New Jersey State Library

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Buddy Fortunato, Chairman

ALSO PRESENT:

Wayne L. Bockelman, Team Supervisor
Office of Legislative Services
Aide, Assembly Independent Authorities
and Commissions Committee

* * * * *

I N D E X

	<u>Page</u>
Louella Foote, President Tenants' Association Union Gardens Apartments	1
Bert Kendall Montclair Township Manager	8
Barbara Battista Erie Lackawanna Tenants' Association	10
Verdie Walker Erie Lackawanna Tenants' Association	11
Dolores B. Reilly Councilwoman Montclair Township Council	12
Richard Bennett Executive Director Union County Legal Services Corporation	15
Judy Silvera, Secretary Tenants' Association Union Gardens Apartments	18
Wally Choice Member Montclair Housing Advisory Committee	20
Richard T. Druid Vice President Crico Management Corporation	23
Joseph Chieppa New Jersey Housing Finance Agency	32
Anthony Cupano New Jersey Housing Finance Agency	38
Sara Corum Tenant	39



ASSEMBLYMAN BUDDY FORTUNATO (CHAIRMAN): Opens hearing.

Transcription begins with testimony by Louella Foote, President Union Gardens Tenants' Association.

LOUELLA FOOTE: Union Gardens' tenants received a letter from management on March 22 (dated March 19), stating a rent increase was proposed. The tenants wrote a letter stating that this letter was distributed by management placing it in their mailboxes, keys to which are in the possession of the U. S. Post Office. The tenants did not receive the notice nor the materials to substantiate the proposed increase until March 22.

The Housing Finance Agency sent a letter stating that it did not matter how the tenants received the notice, and they granted the tenants an additional four days to respond.

The Postmaster General of Montclair Township Council was informed of Crico's practice of placing notices in tenants' mailboxes. A bill was sent to management for back postage, and the Tenants' Association was notified that if management continued this practice, they should notify the post office.

In the evening, someone went around from management and passed out the rent increase. We were upset because we had been ignored. Many letters went from residents, including ours. We were ignored. I then got on the phone and I called Mr. Bomwell and Mr. Santa down at HUD, Gateway 1, and I said, "How can you ignore our letters and put forth this increase?" Mr. Bomwell at that time informed me that they did not have to consider our letters. As a matter of fact, the reason they had gone ahead and okayed the increase was because they had no tenant comments. I said, "What do you mean you had no tenant comments?" He then proceeded to forward a letter to me from Mr. Mauro DeBari stating that there had been no tenant comments. I asked him, "How could they say this when we not only had comments, but we got answers?" He then proceeded to tell me that, "Miss Foote, I'm telling you what we have here. This letter says that there were no tenant comments."

In the meantime, I called the Housing Finance Agency, and it was almost impossible for the secretary or me to get in touch with anyone at that point. The letter so states, mind you the date -- March 22, 1982. However, we had been given to the 23rd. This letter was dated the 22nd. According to Mr. Bomwell at Gateway 1, they received the letter on the 29th, and the letter proceeded to say: "Mr. Ronald Santa, Department of Housing and Urban Development, Management Division, 1 Gateway, Raymond Plaza. Dear Mr. Santa: Re: The Union Gardens Rent Increase. Please be informed that the agency has not received any tenant complaint letters during the comment period. This information is to be included as part of our 20% rent increase request forwarded to you on February 19, 1982. As noted in that letter, if we can receive your approval by March 30, 1982, we will be able to implement this increase effective May 1, 1982. We will await your approval. If you need any additional information, please advise. Sincerely, New Jersey Housing Finance Agency, Mauro DeBari, Acting Director of Management."

Attached to this letter dated March 22, was an attestation, as follows: "Dear Mr. Santa: This is to attest the fact that the notice required by Paragraph 401.2 of Notice HM75-61 was given pursuant to the required provision of the section, that the New Jersey Housing Finance Agency has taken reasonable steps to assure that the substance of the notice has been conveyed to each resident household and, in cases where the notice was posted, that the required notices

were maintained intact, and in legible form for the specified 30 days; that the copies of the materials submitted in support of the proposed increase were located in a place reasonably convenient to tenants in the project during normal business hours; that by request, tenants to inspect such materials as provided for in the notice where honored; that copies of all comments received from the tenants were considered, and transmitted to HUD, together with the certification; note -- no comments were received from tenants -- that under the penalties and provisions of Title 18, United States Code Section 1001, the statements contained in this application and its attachments have been examined by me and, to the best of my knowledge and belief, are true, correct and complete. Yours very truly, New Jersey Housing Finance Agency, Mauro DeBari, Acting Director of Management."

At this point, I would say, is where it really started because our fight was, first of all, falsified information had been given by HFA and sworn and attested to to HUD concerning the rent increase and, calling back and forth with HUD and HFA; I found out that tenant comments were not to be considered. It was a formality. Even if they had received a comment from us, or not, it did not matter. HFA was superior; they knew better; they were better informed; and, they were not to be touched in their authority.

We then proceeded to write Congressmen and anyone else who we thought would listen. HFA at this point has no interest in talking to us, in seeing us -- we have gone down to Trenton and attempted to see -- just anyone. There was no one in. Starting with the fact that if we write Mr. Mauro DeBari or Mr. Raftree, whom we have written on many occasions -- the secretary will bring that forward, because she has all that information -- they were not interested. You write to people in charge of the people and you always wind up with the bottom man. If you want to get Mr. Chieppa on the bottom of the Executive Committee, you write Miss O'Connor, or Mr. Raftree. If you want to get Mr. Brienza who is just the liaison between the building and HFA, you will then get -- you have to write Mr. DeBari, who will ignore you.

We have no comments from them, and we found at that time -- we went to the town and we approached Mr. Kendall and the Town Council and the Housing Commission because of our plight, urging them to seek access to HFA. We had meetings upon meetings. We had a meeting at the building with Mr. Kendall, Pat Koechlin, Councilwoman for that Ward, and Bobby Reilly, the Councilwoman for Ward 4. That night we were told that there would be some effort put forward for us to meet with the Town Housing Committee and something would be taken from there. We met with the Housing Committee a few months ago and at that time there was a subcommittee formed to study this budget that we were complaining about. At that time, many of our concerns were supported. We questioned a charge that just didn't exist; we questioned services that do not exist; we questioned a theft of services, where during hours that they are being paid to work for us they are out acquiring self gain. Equipment that the buildings are being charged for is being used for private enterprise. When we are charged for extra maintenance costs, all of it is not for our building. After 5:00 p.m., we are paying a full-time superintendent for a free apartment -- after 5:00 p.m. and on weekends, you need not bother to look for that type of service.

There are many complaints, but I don't want to tie up your time with them because we have them documented. I will say concerning the meeting that HFA refused with us -- when I went to Gateway 1 to see Mr. Santa and Mr. Bomwell, they

at that time felt like -- and the secretary will, of course, go through those letters with you -- at that time they called HFA and asked them to go back and do it over. I said, "Well, you okayed it. If you take back your O.K., it is automatically frozen because you have false information." They refused to do this. Their claim was that HFA wants us just to sign the checks and turn our heads. They feel that they are better qualified at housing than we are.

I then went over to Mr. Dressler at the Law Institute at Rutgers and he proceeded to draft a letter to them, and he was also on an extension listening when I spoke to him about what he had promised me. However, a few days later the promise was not kept. It was not kept. They did not draft a letter to HFA; they tried to do it by phone. He said that Mr. Hutton, Chief of Management at HFA, was not interested in taking back any rent increase. At that time, we proceeded to have more meetings uptown, with the town, trying to come to some understanding about this increase.

Mr. Dressler then went on vacation and we were not back in touch with him. We complained to the Division of Citizen Complaints in Trenton, Mr. Murtha. We have also been down to see Mr. Murtha. We have been trying to get the Public Advocate in on this, and Mr. Murtha said he would have to investigate first to see if he would care to handle it.

At this point, I would like to say here that I do not understand how a State agency, which is the people -- any government, either at the state or U.S. level, is the people -- can have no control. There is no one that you can go to about HFA. We have spoken to lawyers who have told us -- many lawyers to our face -- "There is no need of going before a judge with HFA," and she has one letter from an attorney -- "they will always decide in favor of HFA, whether they are right or wrong, because they feel they know best." I don't understand that. We're dealing with human beings, not gods, and I feel there should be some laws or some guidelines that at least watchdog this agency. I'm quite aware that all of you have read -- even in 1982 I have an article from the New York Times concerning HFA and its activities. The same problems exist with us. This is what we are fighting. Last year there was a 25% increase from HFA for the same building. They fought the same people; the same Board at Union Gardens fought the same agency. The only thing that is new is that I am the President here and that HFA replaced Bruce Coe and Pagano with Mauro DeBari and Raftree, but you still have the same strokes -- just different folks.

What I would like to know is, how is it that HFA or any building corporation can go into any town and say to innocent people, "We are concerned about your poor and your needy," and then turn right around and say, "We want to build housing for you," and get churches and nonprofit organizations to raise these monies and put them forth, and innocent people who are good-hearted citizens give their monies, and then within less than two years, turn it around for profiteering, when in the meantime, 99% to 100% of the people who put the first monies in until today are just finding out how their monies were handled? If there were going to be profits made, why weren't these people given first priority? Why weren't they notified? And this was instituted from day one; it's not something that just happened. HFA gets these buildings; they control the budgets; they control the management. If you want someone fired, you call HFA and say they are giving you a problem. They are the ones that hire and fire. So, if they are

experts in this field, and all the buildings that they have down to the last one they bought, I cannot understand how, if they are such experts, within two years they force a building into a deficit. All of their buildings are suffering financially. This does not seem like expertise to me.

When I come to you for money and I give you one explanation for that money, and I am not giving it for the right cause, then that is false pretense. I would like to say today that I am asking that you consider one more item -- and I am going to let the secretary bring the rest of what she needs to because of the fact that she has written materials that I want her to present. The HFA refused to meet us at the last meeting because they said we ignored a meeting with Crico. Crico, as of April 8 -- Michael Brienza sent a letter -- was sent a letter by George Hutton, Chief of Management, attention of Union Gardens Tenants' Association. They addressed it to the Union Gardens Association; I never received a copy. However, when I did find out about it -- Congressman Minish's office sent me a copy of the letter, and it says, "Please be advised that we have instructed Crico Management Corporation to set a date for a meeting with your organization concerning our letter of March 20. Crico Management has expressed full agreement and cooperation, and will set a date in the near future." Now, mind you, the rent increase was due for May 1; this was April 8 -- "in the near future." I told Mr. Kendall about the meeting and I went home and I talked to Mr. Druid, and I waited for the meeting. He was going to be out of town and would have to get back to me. I then proceeded to have my meeting anyway, and at that time I invited Mr. Kendall, Bobby Reilly and Pat Koechlin to this meeting. That was the original meeting where Mr. Druid was supposed to meet with us. That was April 8. On April 13, they sent a letter -- Mr. Druid sent a letter to me: "Dear Miss Foote: Pursuant to the attached correspondence from George Hutton of HFA instructing Crico Management to attend a meeting with the residents of Union Gardens, I am hereby requesting you to set a date in time in order that I may comply with the agency's request." That's April 13 -- five days later. However, I still couldn't catch Mr. Druid. The rent increase was due May 1.

April 27 -- from George Hutton to Mr. Druid: "Dear Mr. Druid: This letter is to confirm our conversation of this date, setting up a meeting with the tenants of Union Gardens on May 6, 1982. Very truly yours, New Jersey Housing Finance Agency." In the meantime, the same day, April 27, the tenants received this notice: "All residents of Union Gardens Apartments - Richard T. Druid, Vice President - Meeting May 6, 1982. Please be advised there will be a meeting in the Community Room located at 50 Greenwood Avenue, Montclair, New Jersey, on Thursday, May 6, 1982, at 7:30 p.m. The meeting will be held for the residents of Union Gardens only, to discuss and answer any questions regarding the 1982 budget submitted to the New Jersey Housing Finance Agency in support of Crico's application for a 20% increase." Now, first of all, the meeting was of no consequence. The rent increase was due May 1 -- this was May 6, an entire month after he was told to meet with us. As you can see from these letters, the date was not set by me, nor to be set by me, it was to be set by HFA to tell Crico when they could meet after the fact. At that time, I was going over the budget, and the budget could not be substantiated. The Housing Committee found fault with the budget. Mr. Druid then told the Housing Committee that he was going to -- "don't bother with that budget, I'm giving you a new budget." So, at that point I saw no

need to meet because our original meeting was with HFA. Crico meeting with us was just for them to explain to us why we had to pay it. We wanted to meet with HFA to tell them the problems we were having with management.

In the meantime, that night, we simply said to -- we did not tell people not to meet with Mr. Druid. The tenants met with us whenever we called a meeting. We did not want the tenants to think this was our meeting and that we were in support of Mr. Druid's budget. This is the letter we wrote: "Dear Neighbors: The meeting scheduled by management for Thursday, May 6, 1982, to discuss the budget is not sanctioned by the Executive Committee of the Tenants' Association for the following reasons: (a) Communications with HUD have shown that since the approval process was not in accordance with Federal guidelines, the New Jersey Housing Finance Agency should review the procedure and resubmit the budget; (b) The Reverend Richard Druid has informed the Township Council of Montclair that a new budget is forthcoming and to disregard the old one. The Executive Committee feels that under these circumstances there is no need to discuss this budget. Reminder: Tenants should pay their rent, but withhold the increase as it is illegal. All tenants on subsidy should pay their rent as per notices received last month."

I am just saying to this Committee -- here we have tenants who have been harassed. I have had my apartment broken into under false pretenses since then -- that water was dripping downstairs. My secretary lives under me and the treasurer under her, and they never saw any water. We have had apartment searches -- just a notice that they were coming in to inspect apartments yearly, only sometimes they went in and turned right around asking if we had a problem with the apartment, and the rest of them pulled open refrigerators and everything else.

Members of my Board have been harassed. We also have one very, very strong point I would like to make concerning monies coming into the apartments and going into private pockets. I have a letter here concerning the fact that my daughter was locked out. She was 14 at the time. And, if you are eight or 80, and you are accidentally locked out of your apartment with a full-time superintendent living on the first floor, and a business office on the first floor from nine to five, regardless of what time of day it is, you must pay to get your door opened.

I called downtown and I asked HFA, and I have spoken to Mr. Bomwell and Mr. Santa, and they do not seem to understand or be aware -- of course, that is debatable -- as to what is going on with this type of procedure. My daughter came home one day from school and she came outside of the apartment to see if she could see me coming up in the elevator. However, at the time, the door slammed behind her -- and I'm looking for that. When I came home, she was squatting down in the doorway barefooted and half dressed. She was crying. I said, "Honey, what are you doing sitting out here in the hallway?" She said, "Mommy, I'm locked out." She said, "I was looking out to see if I could see you, and the door slammed." She said, "and the maintenance man coming past, with a passkey -- I asked Mr. Richardson if he would let me in and he said I would have to go to the office." She went down to the office and, at that time, the secretary proceeded to tell her that in order to get in she would have to pay \$4.00. She said, "I can't afford it." So, when I came back, the child was still sitting, squatting in the hallway. They then proceeded to draft a letter to me in regard to this, and the fact that they

could not let her in without this charge. From what I gather from people who are charged this fee of \$4.00 during the day and \$7.00 in the evening, it goes into the person's pocket who opens the door for you.

This is a letter dated December 7, 1981: "To All Residents from Dorothy C. Johnson, Manager, Re: Emergency Numbers. Please be advised in case of an emergency after 5:00 p.m., the number to call is 746-9055. If there is no response, call Miss Johnson at 744-8460." Now, mind you, we have a two-bedroom apartment we are giving away downstairs to have a superintendent on the premises. This is an answering service she gave. The firemen have come to us and they have had to force them to take the firebox out of the superintendent's apartment because every time they have come there they had no access to that apartment to get to the firebox, whether it was a weekday, in the evening, or on the weekend. They just could not get to the firebox.

There are other things that will be stipulated with that, which I am sure will be gotten into.

This is the letter I want to read to you -- to Dorothy C. Johnson from Liz Greenley, dated May 24, 1982, re: Incident with Ava Foote of Apartment D-11. "On May 24, 1982 at 3:35 p.m., Ava Foote ran into the office without her shoes on and asked to borrow a key to get into her apartment. I told Ava I did not have a key and I would have to beep the maintenance man to let her in, and there is a \$4.00 fee for lockouts. Her reply was, 'Never mind because I cannot afford \$4.00 to borrow a key.' Mr. Richardson then entered the office stating that Ava had also approached him in the hallway and asked to borrow a key, and he told her she had to follow the policy and enter the office. This memo is to inform the office of the incident should anything arise regarding it in the future. Liz Greenley and Benjamin Richardson."

I just feel like, not only with Union Gardens' records of what is happening with that building, the rents that are being paid, free apartments that are being given out -- and there are more than one -- subsidies that are being given out, not according to priority but because of favoritism, and because HFA has turned a deaf ear -- like Mr. Cupano from HFA said to me -- he told Mr. Druid "as long as the budget was not overly padded." He also said that he had the right to authorize or approve any increases for HUD, which was surprising to me since he is a State employee.

I also have the records here on HFA stationery which are supposed to be the approval by Mr. James Loftus, Director of the Housing Division of HUD, and signed by all HUD people, Bomwell, Santa and Johnson, but it is on New Jersey Housing Finance Agency stationery. I also have the U.S. Department of Housing and Urban Development's own stationery, where the approval signatures are also affixed, but the signatures are different -- same names, but different handwriting. I also have here this approval dated March 22, Mr. Mauro DeBari for Union Gardens: "In reference to your February 19, 1982 letter in connection with the 20% rent increase for the above-captioned matter, based on the Housing Management Division review of your Exhibits "A" and "B" this office does not have any objection to the proposed rent increase." And on the bottom we have the signatures. They said it was okayed on the 22nd, but on the bottom it shows that Mr. Bomwell okayed it on March 4. Down here I have it where Mr. Santa okayed it on March 4, and Mr. Johnson okayed it on March 5. For Erie Lackawanna -- I have their O.K.s, which were March 3, 4 and 5, almost a month prior to the time.

ASSEMBLYMAN FORTUNATO: Ms. Foote, I have a couple of questions. During that 30-day period when you responded, what was the response to your organization concerning the rent increase?

MS. FOOTE: Do you mean after we wrote our letters with all our -- we were ignored.

ASSEMBLYMAN FORTUNATO: There was no response --

MS. FOOTE: No.

ASSEMBLYMAN FORTUNATO: -- concerning your objections?

MS. FOOTE: No.

ASSEMBLYMAN FORTUNATO: How about the services you indicate that you do not receive and yet you are charged for -- what are they?

MS. FOOTE: I can give you part of them, and I am sure the secretary will give you the rest of them. We were charged for sewage charges for which they never paid the town. We were charged for social services. I don't know what that is, but that is what the manager does. She comes over and holds Tupperware parties in our Community Room, you know, for personal gain, and cosmetic parties.

ASSEMBLYMAN FORTUNATO: You're saying that that is what she does?

MS. FOOTE: Yes, and I have some of the literature. Also, with regard to social services -- we have no social services. We are charged for what they call "subscriptions." I guess -- subscriptions to what I don't know. If she is getting magazines or whatever, they are not for the tenants.

We are charged for air conditioning. Now, mind you, the buildings are refrigeration chambers in the wintertime, and in the summertime, right now, there are two rooms in my house that I wouldn't dare go into and stay all day. In the mid-afternoon, they are just unbearable; you cannot breathe. What we are finding out is that we are being charged for air conditioning for a sleeve that is in the living room and a sleeve that is in a bedroom, in a two-bedroom apartment. You are told that you have your own air conditioner, and you put your own air conditioner in -- you install it, and it's yours. But, however, you pay \$13.00 for two air conditioners to use them during the summer, when also included in our rent is our electricity. You have maybe June, July and August -- maybe three good months out of the year you use it, but that fee is charged 12 months a year as long as you live there. In zero weather, or subzero weather in February you are paying \$13.00 for using that sleeve -- for renting that sleeve.

ASSEMBLYMAN FORTUNATO: You are charged \$13.00 a month for --

MS. FOOTE: -- renting the sleeve.

ASSEMBLYMAN FORTUNATO: -- renting an air conditioner?

MS. FOOTE: No, it is your air conditioner.

ASSEMBLYMAN FORTUNATO: It's your air conditioner.

MS. FOOTE: You may install it, but there is a sleeve that it goes into, and the mere fact that you put an air conditioner in there -- you pay \$13.00 for the two, year-round, 12 months a year, for the two sleeves. We are also charged for air-conditioning repairs, and whatever. They are our air conditioners.

ASSEMBLYMAN FORTUNATO: When you raised that objection, and I am sure you did, what was the response you received?

MS. FOOTE: Who are you going to raise the objection to? HFA will not meet with us. This is what Crico Management is doing to us. How can you meet with Crico Management about what Crico Management is doing to you?

This is another thing. We are charged for snow removal. Twenty and Eighty Glen Ridge Avenue buildings own the jeep. The jeep is used to clear snow. We slip and slide to get through the snow, but the "Y" keeps a very clean lot, which is done by our superintendent and his personal services, with this jeep. Twenty and Eighty are charged for snow removal during the day. That is their jeep, their equipment, their maintenance material, and their maintenance men during the removal, who are getting a salary and a free apartment -- but they are charged for the removal. And landscaping -- the bushes that were planted around Union Gardens, the ones that you see, have never been cut. They have never been cleared or taken care of. They just grow wildly, as you can see. However, if you look at the "Y", as of a couple of weeks ago, theirs are thoroughly cleared, by our equipment and by our men. Okay -- theft of services.

ASSEMBLYMAN FORTUNATO: Thank you. If we could hear from Mr. Kendall, Montclair Township Manager.

BERT KENDALL: Thank you for coming to Montclair, and for listening. I know many of the tenants have requested this. It has been requested by the Township Council, and I am glad to have this opportunity.

I would like to make just three brief points. Before that, in the way of background, I was asked to represent the Township to look at the budgets of the two projects, 20-80 Glen Ridge Avenue and 50 Greenwood, accompanied by Gary Young, who is a local attorney, on behalf of the Housing and Community Improvement Committee. So, we were a small committee of two to look at the budget, meet with Crico Management, and ask questions.

Apparently, both the New Jersey Housing Finance Agency and Crico thought we were satisfied with the budget because we did not make any protests after our meeting, which I believe was on June 18. They did give some reasonable answers to many of the questions, but they have not attempted to cut the budget. Since both projects are in such poor financial shape, why not cut out all unnecessary expenses until the project is in better financial condition? For example -- some of these were mentioned by Ms. Foote -- why not eliminate uniforms and beepers for maintenance personnel? Obviously they can function without them; they did so before. The two projects contain three buildings, one at 50 Greenwood and the split buildings 20 and 80 Glen Ridge Avenue. Could one administrator run both projects? I don't know, but perhaps that could be looked into. If so, a salary could be saved.

There is a new charge in the budget for a computer terminal, I believe. It is about \$1,500 for each building budget. Is that absolutely necessary at this time, when the projects are not self-sufficient? From looking at the budget, there has long been a landscape contract at 20-80. There is now going to be a landscape contract at Union Gardens. Is this necessary at this time? Could that be delayed?

We have had conflicting reports on prompt rental vacancies. We have heard from the Board that vacancies are promptly rented. We have heard from tenants that they are not. So, there is some dispute on that, and obviously the faster you rent vacancies, the more income the project receives.

The New Jersey Housing Finance Agency has told us that, by their regulations, each project gets a free apartment for the use of the superintendent. Since they both share a superintendent, could one of those apartments be rented? Now the assistant superintendent lives at the other one. In other words, the bottom line of the budget is, regardless of how much money could be found, even

if it is only a small amount, \$5,000 to \$8,000 per year, the tenants would feel that they are trying to keep rents low. Now they have the feeling that they are not.

The second point is the New Jersey Housing Finance Agency meeting with tenants. I have been told that NJHFA regulations no longer require meetings with tenants. At some point they did in the past. Every time a rent increase was requested, they had to come up and meet with tenants. In more recent years, this is no longer a requirement. However, since tenants know that the New Jersey Housing Finance Agency will not meet with them, why is the New Jersey Housing Finance Agency willing to meet with Crico at Crico's offices? Now, I will give you this analogy. If New Jersey Bell is asking for a rate increase, the meeting takes place at the Public Utilities Commission headquarters in Newark. It does not take place at New Jersey Bell headquarters. The New Jersey Housing Finance Agency is supposed to regulate projects and management agents. We are aware that Crico was highly recommended by NJHFA to be management agents. I think they should have an arm's length relationship, but now it appears to be more of an embrace. I'm not talking about any type of impropriety or illegality that I am aware of. It is just that the tenants have a feeling that the New Jersey Housing Finance Agency is on the side of management solely. If they are supposed to be regulating them, why doesn't each side get a fair shake? They seem to be willing to meet with management, go to Crico's office in East Orange at the drop of a hat, but they do not have that same regard for tenants, in my opinion.

Third, and last, the current financial conditions at subsidized housing such as 50 Greenwood and 20-80 Glen Ridge Avenue seem to throw out the philosophy for which they were built, which is low and moderate-income housing for residents of Montclair. There are a number of questions that have been brought up at the various meetings that I have attended which perhaps would interest you. First, should municipalities like Montclair continue tax abatements if projects no longer serve the low and moderate-income housing? And I think as of July 1, most are in agreement that these are no longer low-income projects. They probably serve moderate-income, but if there is a -- for example -- at 20-80 a 50% increase July 1, and management informed us at the June 18 meeting that there might be another 25% increase next January, obviously that is no longer a low-income project.

Should the New Jersey Housing Finance Agency have a blanket 7% management fee for all projects? Now, I was always told that that was a regulation -- the blanket 7% fee. This morning I learned that this is not so. Someone, perhaps one of the aides in research, said that it does not have to be 7%, but my understanding was that it was set by the State -- 7% for all projects. Those in good financial shape and those in poor financial shape obviously, in my opinion, should not have the same management fee. How about a sliding scale to reward management for keeping rents low? In other words, give them a higher fee, and in projects in poor financial shape, such as these, perhaps it should be lower. Obviously, the higher the rents, the higher the management fee. So what incentive is there to keep rents low? If the income of the project goes up, the management fee goes up. That doesn't seem to make sense. America was raised, I suppose, on Mom and Pop grocery stores. In years when the business was going well, people took a vacation and earned some money from their business. In times of depression, they couldn't take any money out of the business -- times were tough. This seems to be that type of time for these projects. Why then is there the set fee?

A personal opinion now, and this has been discussed. There are many elderly people in both projects. They were accepted, many of them on subsidies. They have a fixed income; they have burned their bridges. In other words, if they lived in a small home in Montclair or an apartment, they can no longer go back to those. They gave those up. They are now prisoners, if you will, in these buildings. They have no other place. We have calls all the time, particularly for senior citizens, and our most glaring need is for affordable housing. So people in these buildings who are elderly and have nowhere to go -- they're stuck. If the rents go up beyond their fixed incomes -- we received a call, for example, from County Welfare about a woman whose total income now is less than her monthly rent. Now, I don't know what a person like that can do, but it seems to me that collectively we have to have some responsibility. I mean government, in terms of Federal, State, and even local perhaps, because they have nowhere to go. Whether we need more Section 8, whether we need some type of new subsidy, I don't know. But the people, particularly those who are elderly and on a fixed income, are in very bad shape. Obviously, it is different for a new tenant because they know what they are getting into. They know they are having higher rent increases, and I do not have that same sympathy for a new tenant who would walk into the building today because they would have to expect large rent increases in the future. But it has to be very difficult for the elderly in these buildings.

Two other comments on what Ms. Foote said. The gentlemen from the Public Advocate have been involved. She mentioned that she had contacted them, and I know they have had budget meetings with the New Jersey Housing Finance Agency and they have asked many questions. Perhaps, if they are here, it would be good to hear from them.

Secondly, there was a statement read at the Council Meeting by the President of the nonprofit Board that you should read because it answers many of the questions. This was by Matthew Carter, President of the Union Gardens -- it's the Union Development Corporation. This was given at our Council Meeting Tuesday, and we can give you a copy of that statement. Thank you.

ASSEMBLYMAN FORTUNATO: I appreciate your comments, Mr. Kendall, and I know that you have a very urgent meeting in New York that you have to go to. Barbara Battista, who is representing the Erie Lackawanna Tenants' Association. B A R B A R A B A T T I S T A: I live at 20 Glen Ridge Avenue. I was transferred from 50 Greenwood Avenue; I was on Section 8. They told me I had to move down because I had three girls in one room. I needed another bedroom. I moved down there when Mr. South was there. I don't know what happened to the subsidy because everything seemed to fall apart when I was down there. I couldn't get in to management; you couldn't see him. You couldn't get into the office to pay your rent. If you asked the superintendent, he didn't know anything. Crico Management took over, and my subsidy was lost somewhere. I have been trying to pay my rent ever since, and it's very hard, because I wouldn't have moved out of 50 Greenwood for \$85.00 a month, everything supplied, to \$299.00 and you supply your own utilities.

I'm still struggling; I get \$414.00 a month. I have to pay my utilities and take care of my children. I can't afford the rent hike. There seem to be no subsidies down there to help the people who are on fixed incomes. I don't know, you know, I'm just a tenant there, and I'm struggling. When I find a place,

I have to buy a refrigerator, which I sold to move to 50 Greenwood Avenue, a stove -- I have none of these appliances. So, it's hard, it really is hard.

ASSEMBLYMAN FORTUNATO: Do you find that there are other people in your building who are in similar circumstances?

MS. BATTISTA: That are on fixed incomes, yes. Some of them are like I am, have even a lower income than I have, and it is hard for them too.

ASSEMBLYMAN FORTUNATO: Has management tried to understand your situation -- to communicate with the tenants?

MS. BATTISTA: I think so, but it's just somehow there is no word on any kind of help, you know, from HFA, or HUD, or whatever -- subsidized in there. I don't know what is going on with the subsidies to help some of these people that are in there. Some people in there can afford the rent hike, and some people can't because there are a lot of women there who are just alone with their children. I don't understand, you know, some of it I don't understand. It's just that it is very difficult as a tenant there, and I can't find rooms anywhere. It's hard; I can't handle it. It's very hard for me, and for some of the other people too. It really is.

ASSEMBLYMAN FORTUNATO: Thank you. Jackie Hobson, Erie Lackawanna Tenants' Association -- would you like to speak before the Committee?

J A C K I E H O B S O N: No, I would not.

ASSEMBLYMAN FORTUNATO: Your name had been submitted to the Committee Aide, and that is why your name was on the list. Lynn Morton, Erie Lackawanna Tenants' Association? (no response) Verdie Walker, representing the Erie Lackawanna Tenants' Association.

V E R D I E W A L K E R: I would first of all like to read you the accountant's report for Union-Montclair Housing Development, I think it is -- I think that is the correct name of the development. This is the report from J. H. Corn and Company, their financial report as of March 12, 1981. This is their 1980 financial report. It says: "To the Partners Union-Montclair Housing Associates, a Limited Partnership. We have examined the balance sheet of Union-Montclair Housing Associates, a Limited Partnership, as of December 30, 1980, and the related statement of operation, net partners capital deficiency and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests to the accounting records, and such other auditing procedures as we considered necessary in the circumstances. As more fully described in Note 5 to the financial statement, a construction period bank account with a cash balance of approximately \$132,000 is not recorded in the accounts of the partnership, and an uncertainty exists with respect to whether or not this cash balance is an asset of the partnership."

My question is, I have not seen the 1981 financial statement, and I would like to know if they replied to this \$132,000?

ASSEMBLYMAN FORTUNATO: Could you repeat that? In other words, there was \$132,000 which shows up in that financial statement?

MS. WALKER: Yes, that is not recorded as cash, and an uncertainty exists with respect to whether or not this cash balance is an asset of the partnership.

ASSEMBLYMAN FORTUNATO: I see.

MS. WALKER: And I would like to state in my behalf, as a tenant of the Erie Lackawanna Plaza, that I moved into the complex July, 1981. I moved in with an income that I felt was comfortable to meet the monthly rent. I did not receive a 50% salary increase, and this would be a hardship for me, to come a year later with a 50% increase, and I feel that other people in the complex feel the same, identical way.

ASSEMBLYMAN FORTUNATO: Thank you. Councilwoman Dolores B. Reilly?
D O L O R E S B. R E I L L Y: Since the earliest dawn of human history when our primeval ancestors sought the shelter of caves as refuge from the giant animal predators of our prehistoric past, shelter has meant protection. The protection of something that covers, such as a roof, or other structure that shields one from the elements of rain or snow. Therefore, the very word itself creates an image of one of mankind's intrinsic needs. Just as much as food and water, so is it necessary for mankind to have the shelter of a roof over its head. Today, more so than ever. Today, the vital word "housing" is so often preceded by modifiers such as "affordable," "low, moderate and/or middle-income," "elderly and handicapped," "mobile," and "vacation." Descriptive adjectives that frequently obscure the very simple and basic reality that people always have needed to have a roof over their heads. From the teepees of the Indians to the igloos of the Eskimos, the adobe huts of the American desert to the tents of Omar on the sands of the Sahara or the majesty of the Taj Mahal in India, from the domed thatched rooftops of the kraals of the Zulus in Southern Africa to the soaring grandeur of the pyramids of Northern Africa, mankind has always had a varied socio-economic mix of housing accommodations. So, it still remains.

The New Jersey Housing Finance Agency was created by P.L. 1967, c. 81, as amended by N.J.S.A. 55:14J-1 et seq. The Act was intended to increase the number of safe and sanitary dwelling units which moderate-income families could afford, thereby rectifying a statewide general housing shortage for families in that income bracket.

I have attended meetings with tenants, members of the Montclair Council's Advisory Committee on Housing and Community Improvement, Crico Management staff and members of the New Jersey Housing Finance Agency, as well as members of the Board of Directors of the Union Development Corporation. As a result of these meetings, I urge this Committee to thoroughly investigate the circumstances of the rent increases at Union Gardens and Erie Lackawanna Housing Developments.

These units were built under the provisions of the New Jersey State statutes previously cited by me and they were intended to satisfy the housing needs of specific citizens of the State of New Jersey -- citizens who believed they had the protection and shelter of affordable housing and who are now being callously and cruelly told by Crico Management that they will be put out on the streets of Montclair if they cannot afford to pay these unconscionable rent increases. There are three questions that I would like the Committee to explore:

- (1) What enabling legislation could be passed by the State to help local municipalities help their citizens when they are trapped by similar situations?

On Page 21 of the March, 1981 Series A Bond Series issue of the New Jersey Housing Finance Agency, there is a requirement that the agency places on a municipality for support for each project. Such evidence includes among other things, the adoption, by the governing body of the municipality, of a resolution of need for moderate-income

housing and granting of zoning approval, building permits, and real estate tax abatement. Therefore, I feel it is essential that if indeed it is necessary for the municipal government to do these things, then it is also necessary somewhere along the line for the municipal government to have some enabling legislation that will allow us to remedy something that comes along -- when the people of our town are not being threatened to be put on the streets of Trenton, but on the streets of Montclair.

- (2) Who is ultimately responsible for the hostile, specious and threatening behavior of the management staff on a NJHFA-financed project?

The Crico manager and I have been told horror stories about how they treat the people, how threatened the people feel. Montclair is a town people move to. They do not move from Montclair; they move very reluctantly from Montclair. They would rather live in a house that may be substandard -- where are they going to move? We have less than a 1% apartment vacancy in our town. So, here sits a project on land which a town cooperated with to build housing for low and moderate-income people, and the people are going to be put out on the streets of that very municipality.

I think that someone should be responsible. I don't think a management agency should come into a place that was financed through the issuance of bonds, for which people will not even have to pay tax on the interest -- I don't think that a management company should come in and talk to people anyway they want to, and do anything they want to, and a State agency does not have any way of governing the conduct of that particular management organization.

- (3) What kinds of relief can the State give to tenants residing -- the tenants themselves residing in similar housing developments financed by the New Jersey Housing Finance Agency, when something of this type occurs, as their rents might skyrocket?

I believe -- what is it called, Trent Center West? -- had a similar situation, and they were picketing the State House. There was too much surplus and they wanted the surplus used to write down the cost. Because it is entirely a senior citizen complex, I think some consideration was given to the possibility of using funds from casino revenues, specifically directed to helping seniors in this project.

Now, there are also data that I feel would benefit your Committee, Assemblyman Fortunato. In 1979, the New Jersey Housing Finance Agency established a Special Projects Task Force. That is on Page 24 of this document. This task force was specifically organized to address the fiscal and physical problems of troubled projects. Now, on Page 23, and I won't bother to read it to you because I have other copies of this, there were 65 projects subsidized under Section 236. The agency's Special Projects Task Force identified and studied 19 delinquent Section 236 projects. I think it would be of interest to this Committee which projects they were, what was the determination, or whatever resolutions came about from this report, as well as the fact that, during this investigation, a letter is supposed to be sent to all of the tenants soliciting their input on physical and social problems at that project. Now, I would like to know if indeed these two projects fall under that task force report. Were the tenants of these projects given this opportunity to express their -- to have input on the physical and social

problems inherent in their developments? Also, I think it would be of interest and of benefit to the Committee to find the documentation supporting the rationale for the New Jersey Housing Finance Agency's adoption in May, 1980 of new rent increase procedures in unassisted projects. What was the rationale from going, I think from -- it used to be, over 6% you had to go before an administrative law judge. They changed that in 1980. Why? What was the rationale?

What is the current policy and procedures for rent increases in assisted projects? Although these are assisted projects, I also think you should find out what is the procedure in unassisted projects. Why did they change their procedure?

Also, I have seen in here frequent references, and I would like a definition from NJHFA and HUD on what are: "...contributions from limited dividend sponsors." Are they financial, are they in kind, what are they? I would like to know exactly what they are and how they apply.

Now, on Page A-17 of this document -- "(g) funds held in trust for mortgagor. Funds held by the agency for its projects include proceeds from conversion projects from nonprofit to limited dividend status in the form of development costs and community development escrows. These funds are available to absorb initial operating deficits and construction overruns and to provide additional amenities to the project." I would like to know how does this apply, when this project went over to limited -- I want to know how that applies.

Also, on Page A-18 it indicates that the agency has developed programs designed to provide adequate cash flow for these projects, meaning projects that have not been generating sufficient cash flow. That is also in this document.

There are many more aspects and facets of the problem of meeting the housing promises of yesterday with the economic philosophy of those people who control the fiscal pocketbooks of today, people who could care less about providing "affordable housing" for people who they consider "discardable." But those of us who believe in the future, recognize the problems of today and we will keep the promises of the past. Thank you.

ASSEMBLYMAN FORTUNATO: Thank you. I can assure you of this --

MS. REILLY: You want to ask me some questions?

ASSEMBLYMAN FORTUNATO: No, I just want to make a comment. I appreciate your points; they were well taken. But I would like to let you know that as a result of the meeting that you and I attended, there has been a drafting of a bill, a potential bill, that will create a sliding scale for the management fee. Now, you raised some points that are very interesting, and which could also be incorporated in that. As I indicated earlier in my opening remarks, this is fact finding by the Committee surrounding the circumstances of the 50% increase. But I also am as curious as you, and possibly most people in the audience, as to some of the behavior by the management company, by the Board of Trustees of the projects and, also, by the New Jersey Housing Finance Agency. I hope that as a result of this Committee hearing and some of the testimony we will learn some answers to questions you and I both have. I also hope to correct some of the problems that I think exist in this overall process, and look at some of the policies that currently exist in the bureaucracy. I have always felt that, as an elected official, and you possibly will agree with me, that we are held accountable for some areas that we really have no control over.

I want to look into this area. The title of the Committee of which I am Chairman would indicate that we do have some oversight in this area, so we are going to be looking into the area very enthusiastically.

MS. REILLY: At the meeting I attended in the Crico Management offices I think there were three representatives, Michael Brienza, Tony Cupano and Charles Corrado from HFA. I was just simply amazed, you know, I mentioned to them the fact that the people of New Jersey paid their salaries, and I just felt this total -- almost being left completely out. Everything that Crico said, HFA said, "Oh yes, that's right. Oh, this is fine." In other words, the people imagine that the tenants are dreaming up these problems. In other words, they are just so satisfied. How can they be satisfied? They are an agency of the State, how can they be satisfied that citizens of the State are threatened with being put out on the street? We still have to develop that huge urban renewal area. Now, what kind of credibility do you have in the eyes of people when housing that was supposed to help them is now going to be used to provide housing for richer people who can afford it?

I don't think it is right, and with the new federalism coming down and all the emphasis being put on State and local -- I mean in the Town of Montclair the Administration gave them a tax abatement. It is supposed to be legal, but is it legal? Maybe it is legal, but it sounds immoral to me.

ASSEMBLYMAN FORTUNATO: Your point is well taken. Thank you. Mr. Richard Bennett, Executive Director, Union County Legal Services Corporation. R I C H A R D B E N N E T T: First of all, I certainly thank the Committee for inviting me here today. As stated, my name is Richard Bennett and I am the Executive Director of the Union County Legal Services Corporation. Prior to this position, I was legal counsel to the then Commissioner of the Department of Human Services, Ann Klein, so large organizations and the State bureaucracy are not necessarily new to me.

As a legal services office, working with tenant groups is routine. Working with tenants organizing to oppose rent increases is also routine. Our office in Union County was established in 1967 and, modestly, we thought we had a fairly decent record for our clients. That was, until this spring, until we met up with the New Jersey Housing Finance Agency. In March, the Union County Division on Aging referred to me the inquiries of the chairperson of the Cedarbrook Park Tenants' Association. Cedarbrook Park Apartments is located in Plainfield, New Jersey. It is a ten-story high-rise located across the street from Muhlenberg Hospital on Park Avenue in Plainfield. The entire population consists of senior citizens who live there on fixed incomes, some of whom have rent subsidy arrangements, while others pay their own rent.

The building itself is subsidized by both the Federal government and the New Jersey Housing Finance Agency. HUD's only involvement is interest on the mortgage, save 1%, so that for all other purposes this building is financed and financially supported by NJHFA. The inquiries made to us were concerning the validity of a 7% increase in May, 1981 and an 8% increase in September, 1981. The President of the Tenants' Association felt that 15% over this period was excessive. Before completion of fact-finding and legal research, tenants received a notice of intention to raise rent 20% by June 1, 1982. This notice was filed by the California landlords, a consortium with the New Jersey Housing Finance Agency.

Needless to say, the residents were upset. A petition was circulated seeking a meeting with the New Jersey Housing Finance Agency and the landlords to address grievances associated with the building and the rent. The New Jersey Housing Finance Agency responded to the petition with a promise to meet on all issues within ten days. The landlords flew in from California and responded to us, pointing out that they could respond to all of the other non-rent issues.

A meeting was held on April 19, 1982. At that meeting, the Tenants' Association and I sat down and went over with the California representative all our non-rent grievances. The tenants and I were surprised that an agency located 60 miles down Route 1 was not there, that is, the New Jersey Housing Finance Agency. After the meeting was concluded, the landlord representative told me that the New Jersey Housing Finance Agency did approve the proposed increase for 20% on June 1. That was prior to holding any meeting with them, prior to having a meeting to receive our evidence, and even after they had agreed to meet with us -- a promise they did not keep -- even after they had, if not specifically represented they would be there on April 19, certainly created that impression in the minds of the tenants.

Needless to say, such news was received by these seniors with shock and outrage. No representative of the New Jersey Housing Finance Agency at the meeting; no response to the petition; no notice of the decision by the New Jersey Housing Finance Agency. How could this happen? I would add, that the day after the meeting, NJHFA called my office to ask me, quite innocently, what transpired at the meeting on April 19. I was, at this point, as frustrated as my clients at the seeming total insensitivity of the New Jersey Housing Finance Agency.

At this point, I would like to digress a minute. In my practice I have become somewhat familiar with rent control. Apartments subsidized by NJHFA are exempt from such controls, rightly or wrongly is an argument for a different forum. But, gentlemen, here there are no mechanisms to challenge decisions of the New Jersey Housing Finance Agency. There is no hearing, no administrative law judge, no semblance of impartiality. In fact, the very agency holding the mortgage and protecting its investment for its bondholders, makes the decision on the propriety of a rent increase. In our case at Cedar Brook Park, tenants made their initial request for a meeting to present their facts well within New Jersey's 30-day notice period. But, they were ignored, and left with no real alternative to obtain satisfaction that this proposed increase was excessive.

The month of May was spent in much letter writing, all futile, in an effort to gain a fair hearing. Finally, through the intervention of local, State and county officials, a meeting was held on May 28, 1982, approximately 48 hours before the previously-approved June 1 rent increase was to be effective. Needless to say, despite our evidence that the proposed budgets were excessive, no change was made.

I believe this matter is best summarized by Assemblywoman Angela Perun, who wrote the following letter to the New Jersey Housing Finance Agency: "Dear Mr. Hutton: I am extremely disappointed, nay outraged, that after specifically and respectfully requesting a hearing for this tenants' group in my letter of April 30, only the most minimum, cursory attention was given to their problem. In this age when people are striving to survive, not living high on the hog, I am appalled that your agency gave short shrift to the Cedar Brook Park Apartment

tenants. I find it unconscionable that you gave all of several minutes to what was to be a hearing. Mindful of the fact that you may have heard similar complaints, nonetheless, it is incumbent upon public servants -- in which class you all fall, as I do too -- to do more than give preemptory attention to people on whom great anxieties have been visited. People are fighting for their lives. They have asked to see reports that purport to justify the 20% increase. Is that asking too much? I would appreciate a reply without delay."

Now, if I may, I have no comment, really, as to whether or not the 20% increase was excessive, was justified, wasn't justified, and as an attorney representing my clients, I certainly argued that it was excessive. But, personally speaking, I think that in this day and age, the very least State government can do for its citizens is to afford to them the notion of a day in court -- a procedure whereby they have a realistic perception that they are going to be listened to, that their evidence will make some difference and does count, and this, if I may, was totally lacking in my dealings with the New Jersey Housing Finance Agency.

I came down here today to convey that to you on behalf of some clients who were, I think, made victims of this procedure. Assemblywoman Perun sent me that letter and, if I may, I would just like to read you my response to her: "Dear Assemblywoman Perun: With respect to your letter of June 25, I very much want to bring you up to date as to what has transpired concerning Cedar Brook Park Apartments. I believe I contacted your office in late May to indicate that the tenants of Cedar Brook Park would be commencing a rent-withholding action concerning the amount of the 20% rent increase to be effective June 1.

"Shortly following June 1, the landlord sent each tenant who had not paid their June rent a letter indicating that, unless rents were paid within 72 hours, eviction proceedings would be commenced. This letter effectively caused all tenants who had withheld to pay the amount of the increase. Some of the tenants called my office and indicated that, whereas they did not have the funds to pay the amount of the rent increase, children, grandchildren, and other family members felt that they would pay the money rather than have the relatives go through the cumbersome and lengthy judicial proceedings.

"It was in light of these facts that Cedar Brook Park Tenants' Association effectively acquiesced in its demand to reduce this increase. I would, however, share with you my thinking with respect to this matter. First, this 20% rent increase was the third such rent increase in the year commencing May 1, 1981 through June 1, 1982. The total rent increase for that year amounts to 35%. Needless to say, all such increases had been previously approved by NJHFA.

"On the 28th day of May, the New Jersey Housing Finance Agency finally agreed to meet with the President of the Cedar Brook Park Tenants' Association and myself to go over the landlord's application. Please note that such a meeting was not a hearing, and was scheduled a mere 48 hours prior to the previously-approved rent increase going into effect. I was not optimistic concerning the outcome of this meeting. It is my feeling that the fact that such a meeting was held some 48 hours before the rent increase was to go into effect was totally consistent with the heavy-handed conduct of NJHFA throughout this matter.

I find it very difficult to understand how landlords can travel from Los Angeles, California, to Plainfield, New Jersey, to meet with the Tenants' Association in April, but NJHFA could not manage the same 60 miles on Route 1, and then only very late did they see fit even to meet with us.

In any event, I would very much like to thank you for the cooperation we received from your office throughout this ordeal, and for the opportunity to mention this meeting to you.

That concludes my remarks, Mr. Chairman. If there are any specific questions you have, I will gladly answer them.

ASSEMBLYMAN FORTUNATO: Mr. Bennett, would you agree that there should be some type of hearing provision regarding any increases in rent?

MR. BENNETT: I would think that that is a pretty effective starting point. I think that in addition to the town Administrator, what you have here is a situation where NJHFA, by virtue of its financing and its legislative mandate, is pretty much a party in interest here, and that is what I do not understand about the current administrative practices of this agency.

ASSEMBLYMAN FORTUNATO: I am a little befuddled myself. I appreciate your comments, thank you. Emily Adams? (no response) Judy Silvera? Ms. Silvera is the Secretary of the Tenants' Association at Union Gardens.

JUDY SILVERA: I know that everybody is tired. As you can see, I have a volume here, 1981 through today, of correspondence between management, elected officials, NJHFA, HUD, concerned citizens, and other groups -- housing advisory committees, etc. I was going to try to give you some kind of time frame. I understand, Assemblyman Fortunato, that you have some of this information available to you, and I don't want to tie up everyone's time with that.

I do want to say that according to, I believe it is 24-CFR, Part 401.2, that NJHFA is not required to have a hearing with us, tenants that is, or any representatives of tenants. However, it does state that they are responsible for evaluating tenant comments and forwarding this evaluation to HUD, when asking HUD's approval of any increases. I should have prefaced my statement by asking -- by trying to clarify that Union Gardens Apartments, 50 Greenwood Avenue, is being blessed with a 20% increase. We had a 25% increase less than ten months prior to this request. The Erie Lackawanna Plaza Apartments at 20-80 Glen Ridge Avenue, respectively, have been granted a 50% increase. So, it is two separate locations that they tell us have nothing to do with one another; however, we share the same management, the same manager, the same superintendent, the same secretarial and clerical staff, the same maintenance/janitorial staff -- but they do not have anything to do with each other.

What we have asked, as tenants of Union Gardens and Erie Lackawanna, is when we responded with our comments, based on the information available which included for Union Gardens -- I speak for -- an audit, a combined 1979-1980 audit, in which the auditing company says that -- it is not really a good audit, but based on the information that they had available, this is the best they could do. We have not been privy to a 1981 audit, which I understand the budget is based on. We had several months' worth of utility -- water, electric, gas, fuel oil -- bills. We had several computer printouts of monthly statements. I do not really like to use the word statements because it did not say, "Joe Jones, check for \$20.00 for keys," or whatever. It was kind of lumped, maintenance, salaries, that kind of thing. This is a computer printout. We were not privy to any other information in order to base our comments. Now, we are lay people. We are not legal people; we are not auditors or accountants. We may have some bookkeepers in our realm that have helped us -- tenants that are bookkeepers.

I feel that we should ask the New Jersey Housing Finance Agency, in your investigation, what kinds of information should be available to tenants in looking at an increase or a budget for a proposed increase. If you do not have the whole picture, how can you decide? If you don't know what you spent last year, how can you say what you are going to spend next year? If it cost you \$25.00 to maintain one tree, and you have four trees, next year there may be some inflation or maybe it went up, but how do you know that if you do not know you spent \$25.00 last year for a tree?

We were told, Union Gardens that is, at one tenant meeting, by the management, that a committee would be formed and asked to sit down with management -- we live there, management doesn't live there -- to give our input into this budget. It happened to be a new management corporation. They don't know anything about Union Gardens and if, according to the audit the information available was not up to par, how can they say what they are going to spend? They do not know what they have spent. How can they say we need social services, when we live in a town like Montclair, where as many social services as can be provided, are provided in this town. It is a wonderful town. We do not want to leave.

The people that lived in the project area were given hope -- "hey, guys, we're going to give you this great place to live. You're not going to have leaky ceilings; you're not going to have infestations of rodents and roaches. You're going to be warm in the winter." These people did not believe this -- they didn't believe this. But, the town, the churches, the foundations that put money into this project told them, "It's going to be all right. Believe me when I tell you." So, they vacated their homes. They moved out of town, or wherever, temporarily until these buildings could be raised. How many could return after a grueling two-hour investigation into your private and personal lives to even get into these buildings? I mean they wanted to know if your great-grandmother was insane. Who cares? They wanted to know all kinds of things. You were finally allowed the privilege of living in this building, some of you. Some didn't make enough money -- but wait a minute. "You said that if I gave up my apartment where I was paying \$100.00 a month to live with roaches, that I was going to get a space in this building." "Why, you don't make enough." "Well, you knew that then." Those people are still living in East Orange, Orange and Newark, Jersey City and Hoboken. They cannot get back in; you can't get back into Montclair. There is no place to live.

The seniors that were -- we have a senior citizen who was told that she did not make enough, but that there was another woman who made some, and she made some, and why not live together. Well, these two women have been fighting for five years, but they cannot go anywhere else. They don't have enough money to go anywhere else. They have to live with each other, every day.

We have people who are in two-bedroom apartments, single people or a couple, that are threatened with eviction every day because the law says you are entitled to a one-bedroom apartment. If they leave the building, they leave their subsidy there. Where are they going to go? If they move to 20 and 80 where they have more space for their children of different sexes, their subsidy is left behind.

I know that these are personal issues and we are here to deal with HFA. All I ask as a tenant, and as Secretary of the Tenants' Association, is a chance to sit down with this overpadded -- according to HFA, and it is all right with them -- budget. Maybe we as tenants, we, the people who live there, know where there can be some cuts. Maybe we'll do without one light bulb.

ASSEMBLYMAN FORTUNATO: Did you have an opportunity to go over the budget with Crico?

MS. SILVERA: We were given the opportunity; however, we were also told -- I should say, the Township Housing Committee was told that there was going to be a revised budget issued. When Crico asked us to meet with them, we asked if it was in reference to the revised budget or the old budget. They said, "Well, the old budget." "Well, why? Are we getting the revised budget?" We also asked if we could bring -- at that time we were talking with Legal Aid and the Rutgers Law Clinic students -- we asked if we could have representatives, since we are lay people, representatives who were more knowledgeable in areas of the law and in areas of accounting procedures, to the meeting with us, and we were told "no."

ASSEMBLYMAN FORTUNATO: I see.

MS. SILVERA: But, they do not come to any meetings without their lawyers.

ASSEMBLYMAN FORTUNATO: Is there anything else?

MS. SILVERA: Yes, I have one letter to read, and this is -- I don't believe I have the exact law with me. I do, but I do not feel like digging for it. It is a Federal law regarding tenant associations. It is a letter to Mauro DeBari of HFA, from Mr. Richard T. Druid. It starts out: "Mr. DeBari: On Friday, June 25, I received a phone call from Mrs. Judy Silvera." I should say first that Mr. Druid called me; I did not call Mr. Druid. "...a resident of Union Gardens, requesting access to the community room to be used for a Tenants' Association meeting." We usually have our Tenants' Association meetings in the community room, which is available to us. "I informed Mrs. Silvera that, due to the flagrant disrespect and disregard exhibited by herself and Mrs. Foote, to wit a plan to boycott..." Mrs. Foote read you that letter, where we did not want the tenants to think that we had called the meeting. "...a planned boycott of an HFA-directed residents' meeting at Union Gardens had precipitated my decision not to acknowledge Mrs. Foote as President, or Mrs. Silvera as Secretary of the Tenants' Association of Union Gardens.

"I informed Mrs. Foote and Mrs. Silvera that a meeting between them and this writer would be necessary, in order that a clarification of the role of the Tenants' Association be delineated." We have bylaws which give us our role; we do not need Mr. Druid or Crico to tell us our role. "...I am taking the liberty of informing you of Crico's posture at that time, in light of many difficulties which have been precipitated due to Mrs. Foote's erratic, irrational, and uncalled-for behavior at this development during a very crucial time. Yours in good management, Mr. Druid." That is against Federal law.

ASSEMBLYMAN FORTUNATO: Is there anything else?

MS. SILVERA: That's it.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Wally Choice, Member, Montclair Housing Advisory Committee.

W A L L Y C H O I C E: Assemblyman Fortunato, how are you?

As you can see, this whole community is involved in what we consider a flagrant violation of people's rights, not so much initially by HFA, but, in particular, by the citizens who were entrusted with the right to develop a low and moderate-income housing project in Montclair. Yet the ultimate responsibility, I think, lies with the agency that provides the funds, or provides the activity. But, as a citizen of Montclair, as a member of the Housing Committee here in Montclair, and also as a citizen of Montclair who has family who lives in

this project -- I see family and friends who are being exposed to one of the most flagrant violations -- multi-flagrant violations of people's rights that I have seen in Montclair. One, the intimidation, which I understand happens when and if they are allowed to meet in their own project, where they are paying rent, is unbelievable. We, as men in this community -- I have talked with men who were not aware of the problems of their families and friends. We, as men, I think we need to know, and I think you need to know, we will not allow that kind of intimidation any longer. We are not involved in the law, or who is right or who is wrong; we are involved in seeing to it that people's rights are not violated.

If it is true that the management, under the leadership of the Reverend Druid, has called these people in a meeting "bastards," we as men in this community will not allow that to happen any longer. I know from the legislation or the legislative point of view that you have your job to do, and we feel, knowing what this project was brought into Montclair for, that under no circumstances will that happen again, or if it happens or continues to happen, without it being corrected.

I think you are from this area, and are familiar with the cross section of people who want to live in a very positive way in this town. About ten years ago, some people were entrusted, without competition, without involvement -- or from outside the community -- some people were entrusted with a mandate to provide housing for people who were being asked to leave their homes that they had been living in for years, not only myself, I lived in that tract, but I had three members of my family who lived in that tract. All through the process of the development of both of these projects -- one in the project area, and the other outside the project area, which I have always considered a conflict of interest because if you have the right to develop both inside the tract and outside the tract, you get the same thing we got. We had priorities set for the one outside before they developed the inside and, as a result, people were being displaced, and people were having visions of becoming tenants of 50 Greenwood Avenue that were supposed to be looking to 20 and 80 Glen Ridge Avenue for apartments. People were confused throughout the whole development.

ASSEMBLYMAN FORTUNATO: Excuse me, in other words what you are saying is, people who were entitled to Section 8 had been transferred or directed --

MR. CHOICE: Section 8 was always a question. Section 8, you have to understand, is a foreign word in this town because they haven't had it individually. We have not had a project where we should have gotten the maximum in terms of Section 8. So, it was always a question. My family continued to question me relating to what is Section 8? What are my rights? Should I move? Shouldn't I move? Will I live on Greenwood Avenue? Will I live on Glen Ridge Avenue? All these questions, because of the newness of this project, were being asked by citizens of the town. All through the projects' development, there were very few -- or very little answers to those questions. When the project moved forward, it moved forward with constant problems. The construction went bankrupt. The management -- the churches and people who were entrusted in developing this were constantly in a problem. It doesn't surprise me that Union Gardens or Union Development is not capable of managing because they have had a very difficult time, and history will show you that they had a very difficult time even constructing this with the dollars that were available.

But, if you look at what 50 Greenwood Avenue was created for -- and those people who are responsible for the creation of 50 Greenwood Avenue know exactly what

it was constructed for -- it was constructed for a railway connection that never happened. When that railway connection did not happen, they went carte blanche and rented, not just to people who were being replaced. There were priorities that were set in place that should have been the basis for renting the apartments, but no one, the management or the Board of Directors paid any attention to them. The people in that project area, when there was not that connection, should have had first priority to the renting of 50 Greenwood Avenue because it was first, and 20 and 80 Glen Ridge Avenue -- I have been getting them mixed up, but I think it is right -- those people should have had first priority. All through the development of this, and I can very easily sympathize with the people's concern here now, because all through the development of this -- the people, the priorities that were set up by HUD, the priorities that were set up by others -- were violated all the way through because the first complaint that came from a citizen that I can remember after 50 Greenwood Avenue, or 20 Glen Ridge Avenue was put up, was from a citizen who lived in Bloomfield, and there were citizens in Montclair who had not even been removed from the project area. There has always been a mix-up or a conflict.

At this point, the mix-up and conflict have evolved now to a point where not only are citizens' rights being violated, but as I said initially, if Mr. Druid or anyone thinks that we, as men in this community, are going to stand by and allow them any longer to intimidate people in their apartments where they live, I am here as a representative of those men in this community to tell Mr. Druid at this point that if we hear -- and we will continue to attend the meetings -- we hope that it will be handled legislatively, but if we hear that this has happened, we will take whatever action necessary to protect our citizens.

Assemblyman Fortunato, I know that you are concerned about this because you are a citizen of this area. It is not a problem that has partiality. It is a problem that needs the attention of a cross section of legislators. I hope that as we all work together to work this out, that those citizens, an ex-mayor of this town, a Town Council of this town -- those people's names are on the application asking for this increase, and when they are questioned publicly they deny that they even know that this rent increase was even asked for. Now, when you assume that those people, an ex-mayor and a current Town Council are looking out for your interest and you come down to a point where citizens are absolutely being opted out of their rights, and operations are happening in their names, we all have to start being concerned, we all have to start reordering our priorities. If the Board of Directors of Union Gardens assumes that it is just a little argument between them and the tenants, I think they need to understand that they may not have heard from us who are not physically in those apartments, but from this point on it is guaranteed that they will hear from us in terms of the support for our families and friends who happen to be living in those apartments.

I do not have to go into the mechanics or the problems that they are having. I assume that those have been stated. But I commend you for the effort of this hearing, and commend you for the effort of hearing the people's complaints. I hope that you will have enough fortitude to do something substantial about it.

I would like to just add, I go back with this project, I would say, 15 to 20 years. I would like people to know -- whether it is true or not -- I would like to commend you. We heard in this community about five years ago that you were approached to be on this horrendous Board of Directors, and I would like to commend you for your foresight in seeing that a nasty, messy group of people who

live in this town were in the process of doing exactly what we got. I would like to commend you for turning down the opportunity that I understand they were giving you to join this prestigious Board of Directors.

ASSEMBLYMAN FORTUNATO: It's true that I was approached.

MR. CHOICE: Is it also true that you turned it down?

ASSEMBLYMAN FORTUNATO: Yes.

MR. CHOICE: Are there any questions that I can answer?

ASSEMBLYMAN FORTUNATO: No, I appreciate your comments. Thank you, Mr. Choice. The Reverend Richard Druid, President, Crico Management Company.

R E V. R I C H A R D T. D R U I D: Assemblyman, I would first clarify that I am Vice President of Crico Management Corporation. I would first like to open my remarks because of something that the Ewing Development Corporation Board, of which Mr. Matthew Carter is President, is direly concerned about, and that was the senior citizen problem and their rents at Union and Erie. At Erie Lackawanna the rents paid on RAP with the new budget have increased in the following amounts: one-bedroom, \$3.00, from \$58.00 to \$61.00; two-bedrooms, \$4.00, from \$75.00 to \$79.00; and, three-bedrooms, \$5.00, from \$100.00 to \$105.00. I would also like to say at this time that at Erie Lackawanna the Form 10, which is the original budget that is done at the time of construction, is dated April 20, 1978. Since that time, no rent increase has been effectuated at Erie Lackawanna. Based on that, with normal rent increases of 10% to 12%, in this year of 1982, it would have gone to about 48% from the date of its inception. I'm not going to even address the fact that OPEC caused oil prices to triple over a period of two years. None of this was passed on to the residents of Erie Lackawanna. There has been no rent increase at Erie Lackawanna, and one that was put in without the proper authorizations in 1979 was rescinded. The residents were ordered in November, 1979, to cease payment of the illegal rents, and \$22,000 of credits were given back to the residents at Erie Lackawanna Plaza.

In other words, the rents that were in effect in April, 1978, were the same rents that went into effect on June 30, 1982. The reason why the rent increases were not effectuated -- two of them were tried to be, but they were not done in accordance with HFA and HUD policies. When Crico Management took over development, we informed the residents of the irregularity of the rent increases and told them to cease paying the rent that they were paying. We returned \$22,000 in refunds, which meant that the \$22,000 that had been collected, had to be given back. I want to note here that it was not Crico Management which instituted those rent increases.

Based on the monthly operating reports, which are quite in detail and which show a cash accounting of the monies that are spent, the budget shows the prior years audited, it shows what has actually been spent during the period of time during the year that the budget is prepared, because budgets must be submitted to HFA on either October 1 or November 1. Therefore, you only have six or seven months of actual spending in that year. Based on those figures, the rent increase at Erie Lackawanna was 59% -- 59%. While I recognize all of the social problems that have come about as a result of this rent increase, as the Management Agent I am charged with the responsibility of submitting an operating budget with a zero-base balance -- a zero-base. In other words, we take in \$10.00, we spend \$10.00. We cannot take in \$11.00 and spend \$10.00. That is against the law. We cannot do that. The budget at Erie Lackawanna has a \$45,000 deficit, even with a 50% rent increase. The budget at Union Gardens, where the tenants were also

instructed to cease paying rents that were illegally enforced -- credits were issued there also. In the six years of operation at that development -- in six years with the 20% rent increase which is being effectuated on July 1 of this year, it is a total of 50% in six years, an average of 8% per year, which is far below the norm in the State of New Jersey.

ASSEMBLYMAN FORTUNATO: Reverend, if I may, while you are on this topic if I may interrupt you for one second to ask you one question which had been raised earlier, and I have not seen this report, but someone raised earlier, I believe Mrs. Walker indicated that in the 1980 financial report it showed \$132,000. What did that represent?

REV. DRUID: I will answer your question; however, that deals with a construction draw. During construction, when so much work is done, the owners request "X" amount of dollars to come down to pay the contractor. There was paperwork that was duplicated and it appeared as if an additional \$132,000 came into the development for construction costs. That did not really happen. In other words, they sent \$132,000 once, but it was paperwork that made it appear as if it came twice. Mr. Joseph Chieppa, who is in attendance here, and who is Assistant Executive Director of the New Jersey Housing Finance Agency, can address that. That is not a management problem at all, nor one that we can even address ourselves to, nor one which occurred when Crico Management was the manager of the development. This occurred prior to that time. I am privy to the incident, but I will show you that the books and all of the construction costs at that development have been audited and are in order, which is very easy for your office to check out.

At Union Gardens, as I forestated, in a total of six years, they have had an average rent increase of 8%, which is far below the norm in our economy today -- far below the norm. I can only say to you that at Erie Lackawanna, which we are very much concerned about, when you put a 50% rent increase in all of a sudden -- you know, "bam" -- it was not done all of a sudden. The residents were informed about three or four months before, about two months before the rent increase, that we were going to apply for approximately a 40% rent increase, and they full well knew, every resident there -- \$22,000 worth of refunds. There are persons at Erie Lackawanna who did not pay rent for four or five months in this year -- zero rents -- based on the fact that the prior rent increase was not according to regulations. Crico Management went to the residents and told them, "This is wrong, do not pay this. We also owe you money," -- not we, not Crico, but the development. It was impossible to refund them cash because the development was operating at a deficit. It didn't have enough money to pay the bills because, number one, the rent increase that had been put in was illegal in the first place, so I couldn't raise somebody's rent when I owed them money. I can't charge you more money while I owe you money. So, I had to wait until the audit was done, told the people what their credits were, told them to cease paying rents, and take credits for the monies that were owed them.

After this was done, then we applied to the Housing Finance Agency with a budget which would have come out of the zero-base budget, which would have been about 59%. Mr. Carter, President of the Board, just went off on me. He said, "That's impossible; you can't do that. We won't stand for that. We have a responsibility to the people of Montclair." So, we went over the budget. They saw that the costs warranted a 59% rent increase; however, the Board stuck by their guns and said, "We will go with 50%."

We met with the Housing Finance Agency and Mr. DeBari, who was charged with the responsibility of a zero-based budget, concurred with Mr. Carter and management to say that 50%, even though it was exorbitant-- We couldn't go any lower than the 50% because in the development we would only operate at a worse position at the end of this year. At the end of this year, not now, it is going to be worse, because we missed two months of the rent increase. Based on a May 1 increase, we were operating at a \$45,000 deficit -- as a May 1 increase. If your agency, or any agency, would delete from this budget \$45,000 in costs -- \$45,000 in costs, which would represent approximately 10% of the total budget, there would still be a 50% rent increase at Erie Lackawanna.

ASSEMBLYMAN FORTUNATO: Why?

REV. DRUID: Because we are operating at a \$45,000 deficit. In other words, the rents at that development for the total year come \$45,000 short of the money that is needed, that we projected to spend. Let us assume that there are \$45,000 worth of items in here that you could cut out. The rent increase will remain at 50% because, as I have already told the Board and the Housing Finance Agency, and I'm telling you, at the end of December of this year, I am going to owe people more than \$45,000, that I can't pay them because I didn't take in the money. If you cut all those items out, \$45,000 worth, the rent increase remains the same.

ASSEMBLYMAN FORTUNATO: Reverend, do you know what the purpose of this project originally was?

REV. DRUID: Okay. Assemblyman, I am going to address myself to your question. Crico Management Corporation is the management agent. We are charged with the responsibility of collecting rents, paying bills, processing applications, recertifying persons, and maintaining the development in a safe, clean, habitable manner. The social aspects of why Union and Erie were built, while I am quite familiar with it -- I worked for Commissioner Sheehan of the Department of Community Affairs for four years -- is not within the purview of a management agent. We are only charged with collecting rents and paying bills.

ASSEMBLYMAN FORTUNATO: I know. Let me ask the question this way then. I would imagine the development corporation sought you out as a management company?

REV. DRUID: That's true, yes sir.

ASSEMBLYMAN FORTUNATO: When you investigated this -- in your investigation, what was the purpose of this project?

REV. DRUID: To be built for low and moderate-income people.

ASSEMBLYMAN FORTUNATO: Would you say that this rent now would be affordable for low-income people?

REV. DRUID: For low-income people? No, most definitely not. However, recognize this fact, Assemblyman, that neither the Board nor HFA knew what was going to happen with the economy of this country. We're not talking about Montclair; we're talking about the United States of America now. I'm saying to you that OPEC -- oil costs in 1978 were \$.45 a gallon; in 1981, it was \$1.20. We can't change that. PSE&G, when they raise their rates, they don't care how many meetings you have. They still raise their rates. We have no control over oil; we have no control over any costs, not even a screw, absolutely not.

Assemblyman, I am well aware of what you are saying. We manage thirteen developments in the State of New Jersey. I have a 64% rent increase going in in Paterson, and I am going through the same type of thing with Mayor Graves right now. I do not set the rates for oil, PSE&G, for what a man charges for a screw, or for what

people want to charge us to refix the boilers. These things are out of the control of a management agent and of a sponsoring Board, and also of the Housing Finance Agency. These are out of their control. We're talking about economics. The \$450 a month for a two-bedroom apartment is certainly -- I'm not saying that is the figure, but \$236 is -- is certainly not low income. It is going more into what is known as moderate income. But, HFA across the country, with only a 40% RAP figure, is destined to fail.

ASSEMBLYMAN FORTUNATO: In your position, and with your experience that you can draw on, would you say that this project, which was originally intended for low income, should be revised so it would qualify?

REV. DRUID: Number one, both of the developments are syndicated developments, tax shelter developments. If it were not for the fact that Union Gardens is a tax shelter development, it would be under today. It would have already gone bankrupt. You see, the philosophy of the State of New Jersey, not the Housing Finance Agency but the State, the prior Governors, was never to give anybody a rent increase over 6%, 7% or 8%. That was very bad business, very bad judgment, because as the years progressed you needed more than a 6% or 7% increase, you needed a 14% or 15% increase. But, because of the politics of it, the State said, "Keep them down to 6%, 8%, 9%." So, consequently -- and this doesn't apply to me at Union or Erie, because this is the first rent increase we have applied for at Erie, and the second at Union. Because of that philosophy to keep it for low-income people, the development sank deeper and deeper -- all of these developments -- it's across the country. This is not incident to Montclair. A \$236 RAP development -- 40% RAP -- which is what Union Gardens is, cannot survive. It cannot survive. It is an impossibility, without increases of this nature.

ASSEMBLYMAN FORTUNATO: In your opinion, how could it survive without --

REV. DRUID: Only with additional subsidies, finders, keepers, Section 8, which is given to us by the City of Montclair. In Union Gardens, we have thirty-five persons who are on the Rental Assistance Program, which is that an individual either pays 25% of their income, or the minimum utility cost which is attributed to the size apartment that they live in. That is a HUD law; that is not set by HFA; it is not set by Crico. That is a HUD law; it's their money. Now, I only have thirty-five people there like that. We have eight people which the Township here has given us eight Section 8's for. The only way that Union Gardens can survive is with additional Section 8 or additional RAP subsidies. That is the only way it can survive.

ASSEMBLYMAN FORTUNATO: Has that recommendation been made?

REV. DRUID: Well, most certainly. HUD is aware of it; HFA is aware of it. But, there is a money pot. There are only "X" amount of subsidies that come into the State of New Jersey, and they are spread among all of the counties, as you are well aware. In addition to this fact, this is a syndicated development. The policy of the agency is that, because it is syndicated, there are escrow accounts. Okay? What happens with a deficit like at Union Gardens, the \$19,000, we apply to the syndicate and the owners to ask -- to request from them -- not take, to request from them the interest off the DCE account, which is monies that are placed in an escrow account to ensure that a development of this type does remain solvent. These monies -- this interest money is utilized to offset the operating deficit. This is not residents' money; this money does not belong to the Township of Montclair; it doesn't belong to Matthew Carter. It belongs to investors. I'm quite sure you are aware of tax-shelter packages.

ASSEMBLYMAN FORTUNATO: It has been said that, because it is a tax shelter, the investors are really not concerned whether it makes any money or not. Is that true?

REV. DRUID: You're asking me to give you an answer concerning a very complicated accounting matter. I would say this to you, without that type of development, without that type of financing, without that type of a limited dividend partnership for Union Gardens, it would have gone under.

ASSEMBLYMAN FORTUNATO: How about the fact that it has been suggested, and I have even indicated that I have contemplated introducing legislation which would place the management fee on a sliding scale commensurate with the rents?

REV. DRUID: I think, and I certainly speak from a biased opinion, but however, in most developments, if a development is running well and costs are kept down, that is where the management agent has an easy time of it. It is developments that are tough where the management agent should be getting more money, not the ones where it is easy. In other words, you're saying -- We could say, in other words, some bond issues, some developments are written certain ways, and others are written different ways. You have mortgaging; you have financing. Each one is separate and apart from the next. I understand you are saying, "Well, you cut the costs at Union Gardens, and we'll raise your management fee." If you cut costs, it makes the development not operate the way it should operate. You can't cut PSE&G; you can't cut oil companies. You cannot do that. I mean, you can have me do it, but then in December the oil company will only sue Union Gardens for the money.

Now, I can bring in a budget that will only require a 10% increase, but I would have an \$80,000 deficit. In other words, the owners of the development, the nonprofit and the syndicators, have a responsibility to make the mortgage payment on Union and Erie. The mortgage payment must be paid.

ASSEMBLYMAN FORTUNATO: Reverend, what about a "Cap" being placed, somewhat like the one municipalities experience -- what about subjecting a development to that "Cap" exempting the fixed costs, so the management company is responsible for the costs that they can directly control?

REV. DRUID: Assemblyman, I think that that is certainly something that should be looked into, but I don't know how easy it would be to effectuate. I really don't. You know, to say to put a "Cap" on something. That is what the Housing Finance Agency did before in years past. This is the first year that the Housing Finance Agency has ever accepted budgets on a businesslike basis. In other words, before the Housing Finance Agency had to go along with the Assemblymen and the Senators who called up and said, "Somebody is applying for a 15%, and we don't want that to happen," so it dropped down to 8%. But, it caused irreparable harm to every one of the developments in the State of New Jersey. The politics of budgets connected with the Housing Finance Agency -- because they are a State agency. They are controlled by the Assemblymen and the Senators. They have to take those phone calls, and you know that.

ASSEMBLYMAN FORTUNATO: I'm glad to hear you say that they are controlled by the Assemblymen and the Senators. I don't think that they realize that, but I think they are going to realize that in the future -- that the Legislature is going to be taking an active part in their operation.

REV. DRUID: What I'm saying -- I'm sorry, Assemblyman.

ASSEMBLYMAN FORTUNATO: What you are saying, though, is that municipalities -- you don't think a "Cap" should be placed on municipalities?

REV. DRUID: I didn't say that, Assemblyman. We were talking about housing --

ASSEMBLYMAN FORTUNATO: I was talking about the expenses that you can control. I can understand expenses that you can't control; I'm very sensitive to that. But, the expenses you can control, I'm not very sensitive to.

REV. DRUID: Those items which you speak of represent approximately 10% to 15% of the budget. When you start talking about the mortgage payment, HFA has certain laws and rules and regulations. We have to pay into escrow accounts; we have to make sure the City of Montclair gets their taxes; we have to make sure that the mortgage payment is made; and, we have to make sure the R&R amount of money pulls in.

ASSEMBLYMAN FORTUNATO: Every homeowner who has a mortgage has that same responsibility.

REV. DRUID: But, I'm saying to you, those costs, plus utilities, make up about 75% to 85% of the total budget, uncontrollable things that we have no say over whatsoever. I would be more than happy to cut \$45,000 a year out of Erie's budget, except that they would still get a 50% rent increase.

ASSEMBLYMAN FORTUNATO: Well, your mortgage rates do not go up yearly, do they?

REV. DRUID: No.

ASSEMBLYMAN FORTUNATO: Okay. So, you know what they are when you get involved?

REV. DRUID: Right.

ASSEMBLYMAN FORTUNATO: So, that is not something that --

REV. DRUID: It is the utilities.

ASSEMBLYMAN FORTUNATO: -- is a surprise. The utilities would be your surprise.

REV. DRUID: That is correct. I would also just say this one thing, as it relates to water. In Essex County, in the City of Montclair, we received information -- a statement was made about water payments they were supposed to pay -- that Passaic Valley Sewerage has assessed a charge of \$900.00 on Union, and I think \$900.00 on Erie. That is a new law that came out; we explained that to Mr. Kendall. We got a bill from the Passaic Valley Sewerage Commission for both of the developments, and it had to be paid. The Housing Finance Agency is arguing the point at this time; however, I must pay that water bill. I can't wait until the Housing Finance Agency, or HUD, or the city decides whether or not we are going to pay the bill. I am the management agent; I have been given the bill; and, I must pay the water bill straight to the Passaic Valley. I think it was \$900.00. It had to do with that water consumer thing. Prior to this year, we did not pay water and sewerage, but now Passaic Valley has instituted a charge, and that is the reason why it is in the budget.

ASSEMBLYMAN FORTUNATO: I can appreciate that you, as a management company, have to abide by the HFA rules, but what about the management policy, which was indicated earlier, that one must pay to reenter his apartment if he is locked out?

REV. DRUID: What that deals with is this. You will find residents who, at one or two o'clock in the morning, will call the superintendent and say, "I locked myself out." Over a period of years, the Housing Finance Agency has received so many calls saying this, that they are in agreement with a charge. If I give you two keys to your apartment, and you lock yourself out, some residents believe that it is within

the purview of responsibility of the superintendent that he should get up at three o'clock in the morning, because you locked yourself out of your apartment. We do charge in all of our developments. There is an accurate accounting; there is a log. There is an accurate accounting of all monies collected for lockouts at Union and at Erie, and we can present to you, the Town Council, or anyone else, the log with the monies.

ASSEMBLYMAN FORTUNATO: Okay, I would expect that, and I would hope that that would exist.

REV. DRUID: It does exist.

ASSEMBLYMAN FORTUNATO: What I would hope would also exist, is a sensitivity to situations which do not include those at three or four o'clock in the morning, and situations similar to one that was indicated earlier where the thirteen year old girl was locked out of an apartment. I, for one, have forgotten my keys many times. I would like to have a dollar for every time I forgot my keys, and I would not be so insensitive to all situations where a key has been forgotten.

REV. DRUID: Assemblyman, I would -- I'm sorry.

ASSEMBLYMAN FORTUNATO: I don't know, and I am a former tenant -- I don't know of any situation similar to the one that exists in this particular development, where one has to pay to reenter his apartment.

REV. DRUID: Well, I can assure you that when Mr. Chieppa comes up, he will affirm what I'm saying. What happens is, many parents in family developments will not give their children keys, and they will tell them, "Go to the superintendent and have him open the door for you when you come home." That is not our function, to open doors for residents. I can understand what you're saying in the incident of Mrs. Foote's thirteen year old girl, who happens to be a very pleasant young lady. The persons in the office were following the instructions of management, of top level management, that you must pay \$4.00 to have your door opened. If you are saying that we were insensitive at that point, I would agree with you. I wouldn't argue that point with you, but it is the law. It is the policy -- it's the policy, and that doesn't mean --

ASSEMBLYMAN FORTUNATO: Of your management company?

REV. DRUID: Yes, sir, but not only the management company, it also has been sanctioned by the Housing Finance Agency. We have these problems, especially in family developments, all over the place. You see, in senior buildings, the doors are fixed so senior citizens can't lock themselves out, because senior citizens do forget. But, in family developments, we have a lot of problems with people with keys. It is a very sensitive thing; it's a very sensitive item to be opening doors for people, regardless of what the situation is.

I am not trying to give you an excuse for the insensitivity. I'm saying, it wasn't sensitive at the time. The employees, Dorothy Johnson and Liz Greenley, were following the edicts of Crico policy. So, if it is wrong, then I am the one who said for them to do it, and I'm saying that until the Housing Finance Agency directs me differently, when people are locked out we will charge them to get back into their apartments.

ASSEMBLYMAN FORTUNATO: Why do you have to be directed by them?

REV. DRUID: Well, because they are our monitoring group. They monitor the activities of the management agent. Or, if the owners, the managing general partner, which is Union Development -- the President Matthew Carter -- if he directed management to cease the practice of collecting a fee for lockouts, then we would also have to do

that, because we work for them. We work for the managing general partner. (audience reaction)

ASSEMBLYMAN FORTUNATO: Excuse me, Reverend. I would like to request that respect be given to all speakers, because I believe respect was given to prior speakers also. So, if I can make that request, I would really appreciate it. I'm sorry.

REV. DRUID: In other words, if the managing general partner, who is Matthew Carter -- not him as an individual, but he heads the group-- He is the non-profit sponsor. If he directed the managing agent to cease the practice, or the policy of collecting money for lockouts, then we would have to cease it, because we are in a contract with them, and we must abide by whatever the owners and the Housing Finance Agency tell us to do. We don't tell them; they tell us. You know, they could say right now, "Stop it."

ASSEMBLYMAN FORTUNATO: So, it was the development corporation's idea to indicate that there should be a fee?

REV. DRUID: No, sir. I didn't say that, Assemblyman. I said it is Crico Management's policy that the fee be initiated for lockouts and it is sanctioned by the Housing Finance Agency -- sanctioned. They did not tell us to do it; they sanctioned it. It is a practice that is done in the State; it's nothing incident to this development.

ASSEMBLYMAN FORTUNATO: What about the fact that the tenants were not allowed to meet in the room designated as a meeting room?

REV. DRUID: Assemblyman, what had happened -- Mr. George Hutton, who is the Chief of Management at the Housing Finance Agency, had directed Crico Management to hold a meeting with the residents of Union Gardens, not the Tenants' Association. There is a distinct difference. He directed me to have a meeting with the residents.

I sent out a memorandum to the residents -- which Mrs. Silvera, I believe, or one of the two of them read -- stating that, based on my directive from the Housing Finance Agency, I was having a meeting to discuss the rent increase or the budget at Union Gardens -- to the residents of Union Gardens, the residents. Those are individual people, and not in a group.

Now, Mrs. Foote and Mrs. Silvera went door to door -- I was there -- knocking on doors, handing out the literature -- she gave me one -- and saying that they were not sanctioning this meeting. I felt, and I certainly feel this Committee would have to feel, that the Housing Finance Agency, who holds the mortgage and is responsible for the building, directing the management agent to hold a meeting with the residents -- Then for two residents, who represent a group within the building, to say they don't sanction the meeting, I consider to be a hostile act and very disrespectful, not only to management, not only to the owners, but also to the Housing Finance Agency who holds the mortgage. When Mrs. -- I think it was Mrs. Silvera called Dorothy Johnson, our manager, Mrs. Johnson called me and I called Mrs. Silvera back. I told her that until a meeting was held between Crico and the residents and associates in the Executive Committee so that we could delineate the role of the Residents' Association, that I would not recognize them because of the disrespect they showed.

At that time, the Housing Finance Agency was contacted by Mrs. Foote, and Michael Brienza instructed me to allow the meeting to go on. In other words, Crico Management was taking the posture of no meeting. The Housing Finance Agency, who monitors, said, "Yes, Druid, you have the meeting." We contacted them, and told them to go on with the meeting. We stopped them originally. It was Crico, not the

State, not the owners, but Crico Management.

ASSEMBLYMAN FORTUNATO: Why couldn't they meet, though?

REV. DRUID: I just got through explaining it to you. When the Housing Finance Agency directed Crico to have the meeting, these same two persons who requested a meeting later, had disregarded a meeting called by Crico Management to discuss the budget. They read you the letter they gave to the people.

ASSEMBLYMAN FORTUNATO: Right.

REV. DRUID: In other words, it wasn't to the Tenants' Association; the letter from Crico Management was to the residents -- individual persons -- to the residents of Union Gardens, not to the Tenants' Association. My letter was to the residents. If I was calling a meeting of the Tenants' Association, that's different. I called a meeting of the residents. I was directed by the State to do this. Mrs. Foote and Mrs. Silvera moved in a manner which I believe was detrimental to the development at that time, to stop the people from coming to hear the explanation of the budget. In other words, I was directed by the State. They hampered me from doing my job, or attempted to, but we went ahead with the meeting anyway with the few people who were there. That was the cause of that.

Since that time, the State of New Jersey has instructed me to allow them to go ahead with their meeting, which we did, in writing, and we hand carried the letter to Mrs. Foote.

ASSEMBLYMAN FORTUNATO: Reverend, do you think that an apartment for a superintendent at both buildings is necessary?

REV. DRUID: Yes, I do. Number one, Union Gardens is one building, eighty-eight units. Okay? It's a small building. Erie is two buildings, twenty and eighty. It is the concept of some people because a superintendent has an apartment there, that he is supposed to be available twenty-four hours a day. That is not true -- absolutely not true. That doesn't even make sense, that because you give an individual an apartment, he is supposed to be on duty twenty-four hours a day, seven days a week. If you will check our payroll records, there is no overtime paid at Union or Erie, only except in the matter of emergencies. No overtime at Union or Erie, only in the matter of emergencies, but yet the development is covered twenty-four hours a day.

ASSEMBLYMAN FORTUNATO: Would it be possible for a superintendent to cover the premises of both, the same as he is doing now, with one apartment?

REV. DRUID: We're talking about coverage, Assemblyman. What you are asking me to do now is this. You are saying, "Have one superintendent. Give the apartment back to the development, and rent it out." Now we have about 220 apartments spread out on three different sites. That is a tremendous amount of pressure to put on any one individual.

ASSEMBLYMAN FORTUNATO: But, he's doing that now, is he not?

REV. DRUID: But, however, we have an assistant superintendent who is down at the other site. We have a superintendent supervising both developments, but --

ASSEMBLYMAN FORTUNATO: So, in other words, the apartments are lived in, all of them, each one of them?

REV. DRUID: Well, most certainly. The assistant superintendent lives at Erie, and the superintendent lives at Union. I would also like to address myself to something I just heard in passing. There are no other apartments that are not paid for at Erie or Union. At Union Gardens East, there are eighty-eight units; eighty-seven are paid for monthly, except when people don't pay me rent. At Erie Lackawanna, there are 126 apartments; 125 are paid for monthly, except when people do not pay their

rent. There are no employees who are employed at Union or Erie, other than Simpson and Simpson -- they happen to be father and son -- who do not pay the due rent for the apartment they inhabit.

ASSEMBLYMAN FORTUNATO: Do you have any further comments?

REV. DRUID: No.

ASSEMBLYMAN FORTUNATO: Okay, thank you.

REV. DRUID: Wait a minute, I think I should make another comment. I would hope that this Committee would recognize the fact that Mr. Carter and the Board of Union Montclair Housing and Erie Lackawanna are quite sensitive to the rent increases that have been implemented there. As I forestated, at Union Gardens in six years, it is a total of 50%, which is an average of 8% per year. At Erie Lackawanna, because of the irregularity of the rent increases that were effectuated -- this is the cause of a one-time 50% rent increase. The Board labored over three meetings before they allowed me to apply for this -- even before that. I hope that this Committee would not believe that those persons who reside in Montclair are not totally aware and sensitive to the residents of Erie Lackawanna, whose rents are about to go up 50%, but as I forestated, the aspersion of our senior citizens at Erie Lackawanna -- their rents, theoretically, since they have lived there, have gone up the highest a total of \$5.00 -- \$5.00 in three years. Five dollars, that's the top amount -- \$5.00.

ASSEMBLYMAN FORTUNATO: I understand.

REV. DRUID: Thank you, Assemblyman.

ASSEMBLYMAN FORTUNATO: Thank you. Mr. Joseph Chieppa from the New Jersey Housing Finance Agency.

J O S E P H C H I E P P A: I thought we were only going to talk about rent increases today, but I see we have covered the waterfront, which is good. I kind of like that. I have a prepared statement, and then I am going to make some -- without due respect to any chronology -- comments that I make from the previous testifiers.

I have been with the Agency for twelve years and, as a matter of fact, at Union Gardens I was the original project manager that kind of coordinated the original activities of putting that building together, and there was, indeed, a lot of dedication to put that building together by a lot of the people who were already mentioned here. Matt Carter is one of them that comes to my mind, and several of the others.

Just let me read what I have here, because otherwise I am going to forget it based on everything that I've heard here. The New Jersey Housing Finance Agency is a quasi-public agency. Our operating funds are derived from fees generated by our financing housing developments, very similar to an ordinary bank. This means that basically each project must fund its operation from rents collected. There is no bottomless source of money available to meet all contingencies. The two projects of subject are subsidized by the Federal 236 Program, which is an interest subsidy. What this means is that the interest this project pays is 1%. The bonds on this project probably sold for somewhere -- my recollection is not precise -- between 7% and 8%, so that means that anything over and above 1% is picked up by the Federal government, and that is one source of subsidy for this project. As you probably know, the interest rates today are 17% or 18%. If we were selling bonds today for this project, it would be about 13%.

In addition, for a percentage of the tenants, I think it is approximately 40% -- they are on what is the equivalent of Section 8, which means all they

pay is 25% of their income, so that this project -- We've talked about low and moderate income. I think it very well falls into that category, when you consider 40% of this project is being subsidized by the Existing Section 8 or RAP.

Now, that is simply the program. I think one of the problems we are having here today, very respectfully, that includes the Committee and the public, is that they are not fully conversant and do not fully understand the programs, whether it be Section 8 or 236. And, I think that before this Committee or anybody else gets very precise in their goals as to what they want to do, they must fully understand the program. That is a very essential thing. Without understanding the program, you will be making recommendations, really without a solid foundation.

Please keep in mind that this Agency is not insensitive to the needs of the people. Our developments -- I think if you go around the State and examine -- we have 155 projects. If you went around, you would see that the majority of the people are, indeed, very happy people, and I've been to every single one of them throughout the entire State, and that goes from Cape May all the way up to Sparta, New Jersey.

All rent increases and budgets are reviewed by us and HUD. Additionally, we have no reason nor purpose to increase rents beyond the needs. I think Reverend Druid pointed that out to you. The HFA cannot take money away from projects. The owners cannot get a return of more than 8% on their equity. In this case, they are not getting an equity return, because the budget doesn't permit it. The only time it would get an 8% return would be if the project is financially healthy. So, please be assured that we share your concerns; we share the public's concerns. We know the plight, how unfortunate it is, but there is little we can do beyond trying to oversee the best and most efficient possible management. If we have some questions about management, we'll deal with that. That is a separate issue. We will also cover any complaints. There are a lot of very imprecise statements being made here, by the way, and some innuendos which I am really not too happy about. I'll just, you know, go over that very lightly. I think our integrity was somewhat challenged, and I kind of resent that a little bit.

The other thing is lack of communication. Nobody, that I know of, regarding this problem has communicated with me personally, and it will go unchallenged that one of the things I am very well noted for is returning phone calls and communications. If anybody has any doubts about that, I can give you a list of, not a hundred, but perhaps a 1,000 who will testify to that. So, there is no foundation for saying there is a lack of communication with senior people at the Housing Finance Agency. I am an Assistant Executive Director, and I am available to anybody and everybody, and whatever questions I can't ask, I have staff that will do it for me. So, there were a lot of irresponsible statements made here, and I want to remind the Committee of that.

With me today, I have two staff people, Mauro DeBari, who happens to be a certified public accountant, and Anthony Cupano, who is an accountant. These gentlemen can answer some of the more detailed questions, which I don't get into. But, I do have some comments here, as I said before, without chronology.

As you know, or you may know, there are some two-bedroom apartments in these buildings that are only paying \$62.00 a month rent. I think that absolutely answers the question about low and moderate-income people. By the way, it is one thing to make accusations, which you have heard here, but it is another thing to prove them. Let's keep that in our minds, too.

ASSEMBLYMAN FORTUNATO: What accusations are you referring to?

MR. CHIEPPA: Well, you know, regarding our integrity, regarding vacant apartments -- there were innuendos there, I'm sure. I'll just forget them, but I just want you to know that they are in my mind, and I think they are improper and can't be documented.

I want to talk a little bit about the 236 Program, which Reverend Druid highlighted to some extent. He is absolutely correct. That is a United States of America problem; it is not a New Jersey problem. In the case of Union and Erie Lackawanna, the fact that there are limited partners and investors -- yes, this project would have been in default. And, I am just wondering if this Committee, and everyone in this room understands what happens when a project does go in default. And, by the way, our portfolio is one billion, two hundred million dollars. None of our projects are in default, as yet, but if they should go in default, the taxpayers of the State of New Jersey, by their moral obligation, eventually will be responsible. So, let's not forget that issue. These projects have to be financially responsible and healthy. They have to maintain themselves. There is no pot of money someplace to take care of it.

ASSEMBLYMAN FORTUNATO: You are absolutely correct. When this project was proposed, was there a prospectus? I would imagine there was.

MR. CHIEPPA: Absolutely, it was included in the --

ASSEMBLYMAN FORTUNATO: Okay. In the prospectus, was it indicated the type of development this would be, type of project this would be?

MR. CHIEPPA: Yes, sir.

ASSEMBLYMAN FORTUNATO: Was it a low-income type project?

MR. CHIEPPA: Our program is low and moderate income.

ASSEMBLYMAN FORTUNATO: Okay. Have we now seen this become not a low income project?

MR. CHIEPPA: As I said before, with respect to 40% of the project, it is definitely low income. It is comparable to public housing. By the way, I want to point out that these are really classic buildings. They represent some of the finest housing in our portfolio. If anybody doubts that, I will be glad to take them around and show them some other public housing, where they pay the same kinds of rents, and where they have most inferior management, as compared to this.

ASSEMBLYMAN FORTUNATO: The 40% that you are referring to, is that the senior citizen element?

MR. CHIEPPA: No, not necessarily. They are family units. Some of them are two and three-bedroom units, that are on that program.

ASSEMBLYMAN FORTUNATO: The low-income program?

MR. CHIEPPA: Yes.

ASSEMBLYMAN FORTUNATO: Okay. Let me ask you this. Would you think that there should be a revision?

MR. CHIEPPA: Well, sure; we would all like the revision, but there is no money around. I mean, the point is -- I started to discuss -- I think I will answer your question as I continue to discuss the 236 Program.

ASSEMBLYMAN FORTUNATO: I'm sorry.

MR. CHIEPPA: The 236 Program is a national program. The subsidies that were provided were strictly for the interest and, as Reverend Druid said, we got hit with utility costs and other inflation. You can't control that. Under the Section 8 Program, which some of these people are benefiting from, the operating

expenses could go through the roof, but their rent is restricted to 25% of their income. So, the Section 8 Program is, obviously, what we would all like to have, but I think we have seen the end of the Section 8 Program. We have a couple more projects which, hopefully, we will do this year, and apparently from what we get out of Washington, that is the end of it. The fact of the matter is, this hearing ought to be in Washington, DC, not in Montclair, New Jersey. It's a national problem.

We have 155 projects, and I think half of them are Section 8, and we never have any problems like this with our Section 8 buildings.

ASSEMBLYMAN FORTUNATO: Mr. Chieppa, what about the comment made earlier about a task force report that had been included in a section of the prospectus, about communication with the tenants? Has that been done?

MR. CHIEPPA: I am not too familiar with that. Just let me tell you what my responsibilities are at the Agency. I can't get involved with all that detail. I am involved with three divisions. One is Production Management and Technical Services. I have a staff of fifty or sixty people. But, anything specifically that I can't answer, I will, obviously, get answered for you. We did have a task force which took care of what we call the "troubled projects." I don't know if that is what you are referring to. That is really another whole litany of things. It might be germane to the Committee, but I don't think it is germane to the rent increase which we are dealing with here today. But, we will be glad to discuss that, maybe at another time hopefully. In fact, we would like to discuss a lot of things with you at the appropriate time.

Getting back to the 236, it is very important that we understand the 236 problem and that it is a national problem. I mean, when the program was thought about, they never anticipated the inflation that we were going to experience, and there is just no way you can combat it. So, therefore, unfortunately, we cannot adjust the rents to a building with the income of the people. The rents have to be adjusted to the demands of the operating expenses of the building. Now, that is an unfortunate situation. It is a social problem. We have bondholders, by the way, that we have to deal with, and if our bondholders suspect that our projects are not going to be properly funded and budgeted, you know, our bond rate is going to go this way, or down that way, and instead of selling bonds for 9% or 10% or 12%, we'll be selling bonds for 14% or 15%. So, that is another serious matter. Let's not forget those bondholders. I mean, you can say, "Hey, they're selling bonds at tax exempts," and all this kind of discussion, but the fact of the matter is, we cannot finance these buildings unless we sell those tax-exempt bonds. So, you know, they are like Santa Claus to some extent, notwithstanding the fact that they do get tax-exempt interest.

By the way, I mentioned before that our portfolio is one billion, two hundred million dollars. We are not exactly amateurs in this business. The fact of the matter is, the New Jersey Housing Finance Agency, notwithstanding all the notoriety which you Assemblymen are familiar with, I think we are an outstanding agency, and we have tremendously dedicated people. I personally have been there for twelve years, and I take a personal interest. In fact, I am up at Union Gardens myself once a month, and I am very critical of Crico when I see things that are not done right, and Reverend Druid can very well testify to that.

ASSEMBLYMAN FORTUNATO: What about the fact that that fee exists for entrance to an apartment when one gets locked out?

MR. CHIEPPA: Okay. I'm not really fully aware of that. It certainly

would be sanctioned if people habitually came around at two, three or four o'clock in the morning, but I would have to agree to the other instance, where there might have been some insensitivity. I must apologize for the imperfections of the Agency and the entire system; nevertheless, -- we're really not that terrific -- I want to continue to tell you that we have 31,000 units and we house 90,000 people, so obviously, we are going to have some problems.

ASSEMBLYMAN FORTUNATO: How many units have that provision for payment to get back into their apartments?

MR. CHIEPPA: I am not aware that we implement that policy in any other project.

ASSEMBLYMAN FORTUNATO: All right, that's a management policy then?

MR. CHIEPPA: Right. I think that we could look at that, and I don't see that as a very serious thing. I could see it as an objection that we certainly would deal with, as I would deal with any kind of objection.

By the way, the New Jersey Housing Finance Agency did not select Crico as a manager. That was done by virtue of the fact that it was syndicated, I suppose, by Crico, and they also are in the management business. The Housing Finance Agency does not select managers for any projects. The only instances where we select managers, is where we have removed the sponsoring board and we become the sponsoring board, and that has happened maybe about three times in the entire portfolio. Crico was not selected by us. We approved them; we review their records or track record; but, we do not select them.

ASSEMBLYMAN FORTUNATO: The air conditioning charge, Mr. Chieppa -- \$13.00 a month, I believe -- is that --

MR. CHIEPPA: I don't know what the dollar amount is.

ASSEMBLYMAN FORTUNATO: Okay. Is that a Housing Finance Agency policy?

MR. CHIEPPA: That is an optional feature and, obviously, if you have an air conditioner, there is more electricity being consumed, so they charge for that. That's a general statement; I don't know the specifics on this particular one.

ASSEMBLYMAN FORTUNATO: Okay. Even in the winter?

MR. CHIEPPA: I don't know, maybe it is averaged out. Like I say, I can't respond to the precise dollar amount. I can respond to the policy of charging extra for air conditioning, period.

ASSEMBLYMAN FORTUNATO: Could I have some type of comment forwarded to the Committee?

MR. CHIEPPA: Sure. In fact, one of the other staff people, if you like, might be able to respond to that today, or we can give you something else. I do have a couple of other things here. By the way, our salaries -- somebody made the statement that the State pays our salaries. The New Jersey Housing Finance Agency pays our salaries, and not the State of New Jersey. We are not Civil Service people, and our fees, as I explained to you, are generated by the fees that we get from the projects that we construct and finance.

I might also point out to the Committee, and I'm sure you must be aware, that we have a very delightful senior citizens' project over on Walnut Street which, if you haven't seen it, you ought to see it. I think it is an outstanding -- it is one of our outstanding projects. Of course, we never hear about some of the good things we do.

ASSEMBLYMAN FORTUNATO: No, I'll yell from the highest rooftop that it is a very good project. May I ask you another question?

MR. CHIEPPA: Sure.

ASSEMBLYMAN FORTUNATO: I understand the HFA had approved this increase before the thirty-day limit. Do you know anything about that?

MR. CHIEPPA: There again, I will beg that off to our Director of Management to respond, because I do not get involved with all of those things. But, we'll have an answer for you right here today.

ASSEMBLYMAN FORTUNATO: How about the fact that has been brought up that there has not been any communication between HFA and the tenants? I can appreciate the fact that you might visit each project from time to time, but what about -- see, I believe in communication as a legislator, as a representative of the people, and I think that sometimes in the bureaucracy there is a breakdown in that communication, and that is when problems arise. That is sometimes why problems get beyond a minor scale, and become full-scale problems. I would hope that communication between any tenants' organization, or the tenants as a whole, and your body, your Agency, can become greater. There are instances of no communication with your Agency. I, as a legislator, know the problems that I experience with your Agency, so I can imagine what John Q. Public goes through. This is no reflection on you, or anybody else who is here representing your Agency, but your Agency does have some problems. I know. Now, I try to get through to people who are above you, and can't get through to them -- the decision makers, the so-called policy makers -- I can't get through to those people. So, I can imagine what the average person, the frustration the average person experiences, and I sympathize with them and am sensitive to them. But, your Agency, as with most bureaucratic agencies, has become insensitive. It is not responsible to anyone, nor reporting to anyone, and that is why problems arise, and that is why problems get out of hand.

So, I would hope that if anything develops out of today that you can take back to your Agency, to your immediate superiors, whoever they are, it is that they have got to become more responsive, more communicative -- not only with legislators, but with the public, who I think they have got to be responsible to. But, if you are not responsible to me as a legislator -- if you are not responsive to me as a legislator -- responsible and responsive, I can appreciate what these people are experiencing and would tend to believe the frustrations they are experiencing. So, before we go on to anything else, I think it is important that you understand where I'm coming from, because I have been a legislator now for a period in which I have attained a position of seniority in the Legislature, and can see problems, not as a rookie, can see problems not as a freshman legislator, but I have experienced them now for a few years, and this is not something that's new. Now, again, this is no reflection on you; you happen to have, agreed, a good reputation for one who does his job, but your Agency does have some flaws, and some real problems.

So, if you could take that back to your people, and let them know that we are going to be in touch with them to start to go over some policies, I would appreciate that.

MR. CHIEPPA: I will not only be glad to do that, I also welcome it, and I will be calling you maybe from time to time for your help. I can understand the frustrations of lack of communications, because I myself, as a taxpayer, deal with public agencies on my own personal level, and I know what that situation is. That is why I feel very responsible to respond to people. You know, I don't know specifically what problems you have had when dealing with HFA -- there are not too many people that are beyond -- We have an Executive Director who is my superior,

but other than him, I don't know who else you would try to contact. In the past six months it has been a problem, because we have not had a director, as a matter of fact, so I don't know what experience you've had. I know that you have never called me where you never got a response, or Wayne, or anybody else, so I can only speak for myself. If there are any deficiencies in communications, I would hope that somebody tells me about it, because I think my staff knows that that is one of the things that I get bugged about when people don't respond. In fact, I spend half my life writing letters and making telephone calls. I know a number of legislators, and I think if you meet any of them in the halls and you can discuss it, I think they will tell you that I am responsive to them. There again, I am dealing with myself personally. So, we will certainly bring that message back, and I will be looking forward to communicating with you for some assistance. As a matter of fact, so that you know, and I am sure you do know, but for the benefit of others who don't, I am working with my own staff to revamp and revise the entire statutes for the Housing Finance Agency, because we are out of resources to do any housing. The first thing that people talk about is curtailment. Well, as opposed to curtailing programs, I look to find resources so that we can continue programs. It is not an easy task. I mean, it's easy to cut, cut, cut, but the thing to do is to find ways where you can do things, and we are in the process of doing that. I am going to look forward to you, and others in the Legislature, to look over the recommendations we are going to make for legislative changes, so we can become flexible. Right now, the statute really restricts us from doing a lot of things. We can only do multi-family housing, as a matter of fact, and we want to do a lot of other things.

ASSEMBLYMAN FORTUNATO: I would hope that the Agency and the Legislature will work hand in hand in developing more flexible, more sensitive, more humanistic statutes, so that we can respond to some needs that, you know, don't break down to rigid statutes.

MR. CHIEPPA: Absolutely, that's what we need.

ASSEMBLYMAN FORTUNATO: I appreciate you being here.

MR. CHIEPPA: Okay.

ASSEMBLYMAN FORTUNATO: Are there any other speakers? Did someone indicate -- Mr. Chieppa, did you indicate about that thirty-day period why --

MR. CUPANO: I can answer that.

MR. CHIEPPA: Mr. Cupano is one of our accountants who reviews budgets.
A N T H O N Y C U P A N O: Okay. As stated, all tenants do have thirty days to send in their comments, and we in turn review them. The thirty-day comment period in this instance ended on, I believe, March 23. Okay? We received a couple of letters during that period, which we responded to, and which we have. The afternoon of March 23, apparently Mrs. Foote's letter reached us; it was dated March 20, but it was not stamped into our mail room until the afternoon of March 23. We at the Agency did not know that this letter was even in-house until our letter had already been forwarded to HUD, with the previous letters submitted.

We reviewed her letter in-house prior to approving the rental increase. Being in contact with HUD after that, we decided that because of the detail of her letter, we should probably void the rent increase scheduled for May 1 and give her and all the other residents an opportunity to speak at a meeting held at Crico -- or at the development. This necessitated a meeting, and Mr. Druid attended it. Mrs. Foote's letter was discussed in detail. As a matter of fact, her letter to us specifically requested that a meeting take place. That is why we instructed Crico to make that arrangement.

ASSEMBLYMAN FORTUNATO: I appreciate that, and I commend you for -- I commend the Agency for rescinding the increase. But, what about allowing the increase before the thirty-day period?

MR. CUPANO: We did not allow the rent increase before the thirty-day period. We did not grant final approval until March 31, which was after the thirty-day period.

ASSEMBLYMAN FORTUNATO: What about the initial letter? Wasn't it a mistake -- and please correct me -- but, it had been indicated by some people that the letter had been received before the thirty-day period -- had been postmarked, had been written, had been approved --

MR. CUPANO: Mrs. Foote's letter?

ASSEMBLYMAN FORTUNATO: No, the Agency letter -- the rent increase letter.

MR. CUPANO: No, our final approval letter, which I have here, to Crico Management, was dated March 31, approving the rental increase. This was the letter which was eventually rescinded pending the meeting, but we did not approve any rent increase until after the thirty-day comment period.

ASSEMBLYMAN FORTUNATO: Okay, thank you.

MR. CUPANO: You're welcome.

ASSEMBLYMAN FORTUNATO: Is there anybody else who has any comment? Yes, please step forward. Your name, please?

S A R A C O R U M: Sara Corum. I am a tenant at 50 Greenwood Avenue. We have covered all the things I had in mind, all the things that were discussed back and forward, and so forth, and I feel it is a positive step we're taking with reference to all tenants in the State of New Jersey, because it seems that we need -- There is a drastic housing shortage, and we do need a place to live, but I can't understand how we are going to survive with the rate of rent that we have to pay.

I'm not blaming anybody, but I feel that if we are going to pay this kind of rent, and I have already had a talk with Reverend Druid. He knows how I feel about him and his attitude, and I feel that if he cannot change his attitude, if he is going to talk to us as if we didn't exist, or talk to us as if we didn't understand, that we have no feelings, then something should be done about this. He has to change his attitude. I feel we can be more receptive to whatever changes are made, if they are made in a manner that lets us know that somebody cares and that somebody has some kind of feeling for us and our problems. But, when you bulldoze over me and treat me as if I have a half a grain of brain, then I absolutely resent it, and I feel that if I bring -- I have already talked to Reverend Druid about it. I am bringing it to all these people here, because maybe my word will carry some weight.

I remember speaking before the Union Gardens Board and asking them to please make sure that the other project, Erie Lackawanna, was up to par, and that they would profit by the mistakes they made at Greenwood Avenue. I asked, and I hope Reverend Carter recalls the fact -- I asked him to check with the other director, to watch him carefully, and now I feel that we are paying for the mistakes, or whatever it is, that he did which were illegal -- whatever. But, we're paying this drastic amount of rent because the rent was not instituted each year so that by now our rate would have gradually been worked up to where it is. This way we could have made preparations to accept it or to move, or to do whatever we had to do. But, when it is slapped on you at a big rate like this, you feel like you are being annihilated, and then when you have a person talk to you like you're stupid, and they use that

word "minors," which means that the minorities in the United States don't count for much, and so we have to go through a whole great big deal of father/son relationships to make people feel that they are doing something for us -- let me stand on my own two feet in the manner that I am able to stand on them, and treat me like a human being, and I will be willing to cooperate with anybody.

I take this time to say this, because this is a feeling that has been boiling in me for a long time, which has been boiling in me ever since this project was instituted. I worked with it; I talked with people about it, because whatever happens in one section of the Town of Montclair affects every part of this town. I think that everybody should be aware of this, and I hope that Reverend Druid understands what I am trying to say to him. I hope that it registers, and I hope that his attitude changes, because if it doesn't, he really is going to have to come up with some answers to me.

The other thing I have been boiling about and wondering about, and I haven't gotten an answer, is why social services is in that budget. If it is calculated in the budget, then I want some pay, because I am the one who is doing the social services and; when you tell me about a Halloween party, that is not considered social service. That is recreational services. But, when I talk with senior citizens, with all other people in that building who need social services, and refer them to the organizations that can take care of their problems, then don't charge the rest of the tenants with it, and charge me with it, when I am the one that is dispensing it. You tell me that that is a small item. Well, when I see a small item like that in the budget and I know what is happening and I don't get a feasible answer, then that leads me to question the rest of your budget to see what else you have done that I don't understand, and that you haven't given me an answer for. When you come with an attitude that you have, it makes me question your whole operation. So, if you want your project to function without obstacles, then change your attitude. Thank you.

ASSEMBLYMAN FORTUNATO: Thank you, Mrs. Corum. If I may, I would like to thank everyone who participated today. I would like to assure you that the Legislature will be made aware of the problems that exist and, hopefully, we will begin to see a remedy to some of these problems. I hope that the Legislature does not have to get involved in the social problems, the human problems, the attitudes between tenants and management. That would not make any sense to me, for the Legislature to get involved in anything like that, and I would hope that that could be remedied among the parties involved. But, the data compiled before this hearing by this Committee, and the comments made today, are going to be used for possible legislation to be introduced in the very near future.

As I indicated earlier, the Committee has already looked into two or three different forms of legislation that could effect projects such as this throughout the State of New Jersey. Again, I thank you, and I assure you that the Committee will always be communicative with the people here in this district. Thank you.

(HEARING CONCLUDED)