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PUBLIC HEARING

BEFORE

ASSEMBLY COMMITTEE ON TAXATION

(Pursuant to AR-3003)

Held:
August 24, 1977
Council Chambers
City Hall
Newark, New Jersey

Committee Members Present:

Assemblyman Willie B. Brown
Assemblyman John H. Dorsey

Other Legislators:

Senator Wynona M. Lipman

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J. Gilbert Deardorff - Staff Assistant

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Letter from Mayor D. Greco, Borough of Verona



BROWN: Good afternoon. My name is Assemblyman Willie B. Brown, Vice-Chairman of the Assembly Taxation Committee and in that capacity I am serving as Chairman of this meeting. This public hearing which is being recorded for use by the Committee in their further deliberations, is the fourth of a number of planned public hearings in various parts of the State. On my left is my colleague Assemblyman Dorsey from Morris County and on my right is Gil Deardorff, Chief Fiscal Analyst and Staff Assistant to the Assembly Taxation Committee.

The Assembly Taxation Committee is studying the problems of assessment, equalization and revaluation, and all the things that affect those and are affected by them. This means actually, that we are studying a subject which affects every property owner in the State. Also please realize that questions asked by the Committee do not necessarily reflect the Committee members' ideals but are meant to bring out thoughts which have been raised before. If you have not entered your name on the list of speakers and wish to speak please come down front and give your name to the young lady here. If you wish to speak, and have a prepared statement, please give a copy of your prepared statement to the Committee prior to speaking. I would like to ask also, that if your statement is long, rather than read it word for word, please summarize it in the interests of brevity. One more thing, if you wish to submit a statement or suggest things to the Committee, and you have not prepared one at this time, you may submit one to the Assembly Taxation Committee in the State House in Trenton.

The first speaker who is listed today, is Jack Greenspan, Coalition for a United Elizabeth. Will you come forward please.

GREENSPAN: My name, Mr. Chairman, is Jack Greenspan and I represent the Coalition for a United Elizabeth which is a group of some seventy odd organizations in the City of Elizabeth. To highlight why we are here, I would just like to say first something which occurred in the City of

Elizabeth starting back in the year 1962. In 1962 an area of some 30 acres was designated for urban renewal. It was a dilapidated area, it was designated for renewal, 576 homes were torn down, housing was to have been put up there -- that was in 1962. Just a few years ago Newark Airport extended its runways over that area. HUD cancelled its mortgage guarantees, cancelled its funding under advice of the Federal Aviation Administration, saying that people couldn't be expected to live under the flight path of these planes. In 1975, the results of a revaluation ordered under the rules of the State Board of Taxation, yielded the most amazing results. Property directly adjacent to the property which had been cancelled as far as rehabilitation was concerned, or urban renewal rather, property immediately adjacent was raised -- the land under that property was raised -- by 300% to \$125,000 an acre. The largest single increase in the revaluation of the entire City of Elizabeth. I sight this to indicate that we in Elizabeth ran into something which while not completely unique because you have revaluations throughout the country which are causing a good deal of anguish, nevertheless, in Elizabeth we had a revaluation which is a disgrace, and when I'm through one of the recommendations I'm going to make is that your Committee send a Task Force into Elizabeth to listen to the story of the Elizabeth people, and there are a number of them right here behind me, many others couldn't come. The story essentially is this. Associated Surveys of Wayne was hired for a sum of \$333,000 to do a revaluation. Late in 1975 the headlines in the newspaper indicated that taxes in Elizabeth would go up by some 25%. Well, the average citizen reacted to that, but the reactions weren't terribly violent, people thought well if taxes have to go up as long as they go up in a fair way that's fine. However, our organization got together and began to ask some questions, and we found some very startling results. Firstly, that there had been in the course of this revaluation a major shift, not based on reality, not based on proper procedures, but

essentially based on bias if you please, a shift of burden on to homeowners throughout the City and in particular on to the poor homeowners, and away from business and industry. In the course of our discussions with some of the City officials there was a bit of response from one of the owners of Associated Surveys; let me just sight one little thing here, this is from the Star Ledger of Saturday, August 14, 1976, and this is the General Manager speaking. "Our job is simply to show the true value of homes in the City, it's up to the local government to tax..." I have the proper quote in another location, but in any event his essential quote -- and I will submit it in a brief to the Committee -- was that rent control is destroying the City and this is why certain major relief was given to landlords. Now in a so-called unbiased revaluation, the concernment of the revaluations should certainly not indicate this kind of bias on behalf of landlords. Now in addition to this, one major aspect of this whole revaluation question emerges. I indicated that our City paid \$333,000 for this revaluation; there were some 20,000 properties involved. Simple arithmetic leads to the fact that \$16.00 per property is what seems to be allocated for appraisal. Now everybody knows you can't get a plumber, a carpenter, an electrician, and certainly not an appraiser even to say hello to you for \$16.00. They certainly can't do any kind of a decent appraisal. Well you say "O'K they've got the preceeding records". Let's examine that situation. Your very laws State that the Department of Taxation mandates that the Tax Assessor shall assist the Revaluation Firm in the performance of their duties. And precisely here is where we have one of the greatest flaws in the tax laws and one which we urge you make a basic change in. Prior to this revaluation, taking an area in the Meadows area of Elizabeth, where we have a substantial amount of industry that came in during the past ten or fifteen years, immediately prior to this revaluation land values were \$80,000 to \$100,000 per acre -- you couldn't buy anything for less than that on which to put a factory -- and yet just prior to

this revaluation based upon the assessments of the Town Assessor who presumably was going to help the revaluers, the average per acre on the books was only \$30,000. What you have here is a built-in situation which is ripe for cover-up, because if the firm who is going to do the revaluation has exactly \$16.00 with which to do it per property, how in the world are they going to come in and revalue Shop-Rite's \$5 million worth of property for sixteen bucks unless they talked to the appraiser, unless in effect they take the appraiser's advice and practically take his figures. And essentially that's what happens in all situations -- and it certainly happened in Elizabeth. The results were that we had, and we have now, substantial undervaluation of industry, Shop-Rite for example and all others in that same area that I mentioned, were raised to only \$60,000 an acre yet in other areas, the poorest areas of the City, land values went up to as high as \$125,000 an acre. You cannot buy industrial land in the City of Elizabeth presently for \$60,000 an acre, and yet the values are supposed to be at market value. The same general kind of thing took place along Broad Street in Elizabeth. Banks, office buildings, all wound up with either miniscule increases in values, in some cases reduction in values, and certainly not the kind of increases that took place as far as property owners were concerned. The basic results were that not only was there a 25% raise in taxes but many homeowners have suffered substantially more than that. Now you may say we had regress through the appeals process. First of all, we the taxpayers paid for the \$333,000, it came out of our city monies. We turned to our City Council and said "now wait a minute, we're not looking to examine case by case at the moment, we're not interested in having one homeowner say my home is a little bit less than the others because they put in another bathtub or anything like that, we're looking at the fact that a major unfair shift of burden has taken place and we think that the City Council and the Mayor who signed the revaluation should at the very least represent us by examining what we are drawing to their attention". The City Council and the Mayor refused,

and to this date, although assigning the money, signing the contract, they have never permitted themselves, they have never publicly discussed this revaluation, and compelled us to go to court. We went to court before Judge Feller, and we went to court for something very unusual. We didn't at this stage protest the revaluation per se. All that we did was to go to court and ask the judge to direct our elected representatives to abide by the American tradition of the old "no taxation without representation." And to represent us in dealing with this major tax increase and this major shift of burden. They refused. Now, Judge Feller, in his decision, has turned us down. And he cited various cases, as to why he should; and I'm going to read you his final recommendation, because I think that applies to some of the work of this committee. "As previously stated (this is Judge Feller's decision) local tax districts throughout the State have been influenced to conduct general revaluations at frequent intervals. This will require frequent appropriations of funds by local governing bodies to pay outside professional agencies for this purpose. Because of the anticipated frequency of these appropriations, it would seem proper that a governing body, with the concurrence of the local assessors, should be required by ordinance to accept or reject approval of revaluations submitted by the outside professional agency. If such legislation were enacted before a final vote could be taken, public hearings would be held, at which time the final revaluation figures could be inspected or rebuked, complaints and objections discussed; and perhaps many possible differences could be adjusted and inequities corrected. This will enable a governing body to determine whether or not the preparation and execution of a complete program of revaluation for which funds were appropriated was properly performed by the outside professional agency." Now, we would strongly urge that this committee take this advisement the enactment or the introduction of legislation along those lines.

And just to give you a further indication, aside from the great flagrant case that I indicated earlier, there are a number of others. There are situations

in which houses which have been damaged by fire which were unfit for occupancy, had their assessments doubled in this revaluation. There are houses which are in the process of being condemned, they couldn't be lived in, where the assessments were raised by eighty or ninety percent. And we have most flagrant of all a situation in which the contract with Associated Surveys is very clear. It provides that they will do two things: 1) they will conduct the survey in accordance with the whole set of procedures outlined; secondly, after they have conducted it, and after they have computed it, all the assessments, they will then do a review, block by block, property by property, to determine whether or not as of the time of submission of this revaluation to the City, this revaluation was, in fact, current and up-to-date. We charged before City Council and Mayor, and to anyone else who would listen, that this was not done. In effect, we wound up paying for a revaluation that was not completed and to this day we have still not received any redress. We have signed sworn statements from people on entire sides of a block that the inspectors never once rang their bell. It is obvious that all that they did was take the figures from the tax assessor's records, possibly discussed with the tax assessor, and then entered their new revaluation.

We have, therefore, been harmed substantially and homeowners and tenants of Elizabeth are bearing an extremely disproportionate share of the taxes in the City of Elizabeth.

Now let me cite a couple of other cases in which we are likewise being harmed very grievously where again the State Legislature is, in the final analysis, the culprit. The railroads now ConRail owe the City of Elizabeth, and other cities as well, several million dollars in taxes. Now I pay more taxes and my friends here and neighbors likewise pay more taxes because the railroads don't pay their taxes. Now if I didn't pay my taxes, what would happen. I'd get a foreclosure notice in a great big hurry! But the State Legislature, the New Jersey State Legislature, some years ago in its great wisdom passed a law which says that no

municipality may foreclose on the railroad's property for failure to pay taxes. So the City Treasurer, Jeotto, has been quoted in the newspapers, in Elizabeth, very plaintively saying: "I send them the bills, and they send me back a notice with a copy of what the Legislature said, and my hands are tied." This is made more aggravating by the fact or aggravated by the fact that every year you people in the Legislature take some of my money and give the railroads a subsidy. Further, it's been aggravated by the fact that the so-called bankrupt railroads last year were reorganized and \$2 billion of all of our money was taken by the Federal Government to organize something called ConRail. Now, by God, with two billion bucks ConRail is not bankrupt. But guess what happened -- they deliberately have kept it separate. See if you got ConRail taking over all the property, all of the assets, and believe me I'm not lying, it's sounds crazy, but all of the liabilities that remain with the so-called bankrupt end of it, and they had the audacity only recently up and down this State and elsewhere to come to City Councils and offer a deal, just like any other bankrupt presumably, fifty cents on the dollar. And even that fifty cents on the dollar will not be forthcoming immediately, but stretched out. And that is pretty disgraceful. And here again, we would like to recommend strongly that your committee take urgent steps to examine the legislation on the books, and to wipe it out. And to give us the right, and to give our City the right, to attack their property.

Now, there's another situation. The Port Authority. Now our City budget is somewhere in the neighborhood of \$30 million. The Port Authority has some \$400 million worth of property in Elizabeth boundaries. Our tax rate is \$4.19 per \$100. If the Port Authority were to pay its taxes as everybody else in America presumably does, and you know we all have a great saying, "I pay my taxes" well, Mr. Sagner doesn't pay his taxes. He pays us sixty-three grand a year. Sixty-three thousand dollars a year instead of \$17 million a year. Now you may say that the Port Authority is a very valuable institution. They run an airport and so forth. And it's been said by the Governor and many others that

the airport and the Port Authority generally are very helpful to the State of New Jersey. And I wouldn't disagree with that. But, by God, if it is helpful to the entire State of New Jersey, then why should Elizabeth taxpayers have to pick up the \$17 million tab? Now either the Governor has got to veto the minutes of the Port Authority until they turn around and pay their bill, or if they don't then I would strongly urge that your committee introduce legislation which makes our \$17 million a function of the entire State, so that everybody shares the burden. So that instead of \$17 million coming out of our hides, \$500,000 or \$1 million, or whatever Elizabeth's fair share of that enormous burden which benefits the entire State will come out of Elizabeth, the rest will be returned and our property taxes will be reduced to where they properly should.

Incidentally, in this connection, we are one of the few municipalities in the State, about which Governor Byrne cannot say that as a result of the income tax, that property taxes went down. Ours kept right on up this year as well as other years, not only from the revaluation last year but they've just gone up again. They have not gone down. So, we've taken a beating in all ways.

Now, I'd like to close, I've taken a lot of your time, but I think based upon our experiences, that some of this may perhaps be of value to you. I'd like to make just a few additional comments.

The greatest problem we had, and still have, throughout all of our hearings and all of discussions, has been the fact that in this democratic United States there has been set up a dictator in our town, and in all other towns. The dictator is either elected by the citizens, or appointed by the Mayor or City Council. But once so appointed or elected, the tax assessor can't be touched. To cite an example, the question was raised of the tax assessor during the course of our court hearing. Supposing you decided that you didn't like the figures in the revaluation that we paid \$333,000 for. What could you do? He said "I could throw it out the window and put any figures I pleased in by law. And neither the Mayor, nor the City Council can touch me." He can't be removed;

they can't call him in and discuss it with him, nothing can be done about it.

And, again, to quote Judge Feller -- and let me just quote him if I may.

"He is essentially a creature of the State. The assessor in his relation to the municipality is in much the same position as a magistrate." And there's a quote, see Kaden vs. Caraselli and so forth. Wherein the court stated that the power of the municipality to appoint did not make the function of the magistrate a phase of local government. Rather, in exercising its appointing power, the governing body acts merely as a statutory agent. In determining property values, assessors, like judges, should perform their duties without fear of favor. Their quasi-judicial duties should be exercised free of pressure and harassment. To insure this protection, they should not be called upon to explain or justify their methods of calculating assessments. Complaints of inefficiency will also be lodged with either the Director of the Division of Taxation or the County Board of Taxation. Now, again, in this connection, the contract with Associated Surveys of Wayne was countersigned by Mr. Glaser, who is the Chairman, I believe, of the State Board of Taxation. We've made numerous appeals to Mr. Glaser. We urge that he step in. We indicated that the contracts haven't been fulfilled. We never achieved any intervention on our behalf and in essence, we would up with an adversary position vis-a-vis the State Board of Taxation.

Let me make one other comment. We not only consider ourselves a democratic country -- we consider ourselves a moral country. Now, if we're moral and if our tax assessor is supposed to operate in a fair, square, honest and moral way, then let's examine the following situation. Ten pieces of property on a block, all of them evaluated at \$6,000, the land. All of them the same identical size; you couldn't pick one house from the other. One owner comes in to the tax assessor and says "Gee Wiz, that figure is too high." I don't know what goes on there, but the result is that the tax assessor changes the figures and in conjunction with the revaluation firm and reduces it to \$3,000.

Now, either in his wisdom \$3,000 was correct, or was not correct. If it wasn't correct he had no right to put it on the books. If in fact it was correct then did he not have a moral obligation to the citizens not to withhold that from them but to invite the rest of the citizens who were in a similar situation to come in and to say we're entitled to the same redress. That does not happen. It doesn't happen in Elizabeth, and doesn't happen anywhere and I know that everybody listening to me may feel that I am being idealistic, but I do not think that that's idealistic. It would seem to me that a public servant should act thoroughly like a public servant. We have another situation that's similar to that. Eight two-family houses built eight or ten years ago; two of the owners sitting in this chamber. Eight buildings. After eight or ten years as a result of changes, reassessments and what have you, not one single house -- all of them built identically around a cul-de-sac -- have the same valuation, and just recently three of these got themselves an attorney and went in and while all three had divergent current valuations, all three came out with a \$2,000 reduction. The other five did not learn about it -- as a matter of fact the first three were cautioned "don't tell your neighbors about it" -- and this is a typical kind of thing. And yet here again, is this moral? Is this the way in which taxes are supposed to be assessed in the State of New Jersey? I would hope not and I would hope that some morality would be engendered into the situation through your Committee.

I would like to close by making some specific recommendations if I may. We don't have this in the kind of form which we could submit just now, but we'll send it to you. We would recommend:

- 1) That Tax Assessors be mandated to make public periodically reassessments of property within the City - this is between public revaluations.
- 2) That the Assessor be made accountable to the Assessor's peers and not be permitted to be an untouchable dictator with lifetime tenure.

- 3) That City Councils and the Mayor be made responsible by ordinance in accordance with Judge Feller's recommendations, including public hearings, with respect to any major aspects of taxation. Incidentally, this does take place with respect to tax abatements.
- 4) That the assessors be ordered to make voluntary changes in assessments if, in fact, they discover that such assessment changes should be on the books.
- 5) That the laws regarding foreclosure on railroad and other utility property be changed.

Incidentally, in connection with taxation utilities, we have one additional grievous situation to which I must call your attention. The Gas Company in the City of Elizabeth has a number of buildings, they were assessed by the revaluation team -- and they've been paying taxes on them over the years -- for \$670,000 in the current revaluation. They appealed and they requested that their taxes be reduced to zero. THEY WON THEIR CASE. Those buildings are now assessed at ZERO on the very interesting ground that they pay other sort of taxes on their product. Now if that's the case we may well wind up with merchants on Broad Street and elsewhere coming in and saying "we pay sales tax, we pay other taxes, why tax our buildings?" I think this is the kind of thing that the Legislature should certainly look into. In any event this is just one additional indication that where anything big is concerned -- big business, big industry, big utilities -- bias is in their favor. It has been consistently against the small homeowner.

A further recommendation, and that is that there be representations made, or perhaps specific legislation by the State, that Conrail be compelled to assume 100% of the taxes owed to all of the municipalities along their right-of-way, and that in any event, all subsidies be stopped to any agency (like the railroads) who do not pay their taxes. Further, as I indicated earlier, the State take up immediately and urgently, the question of reimbursing Elizabeth for the \$17 million in taxes which it now loses and which should be coming its way.

Finally, that there be set up some sort of ombuds court or group which would provide assistance to homeowners who cannot afford what big business, big landlords, big utilities, can afford in the way of individual appeals. One of the reasons that we have been compelled to stop short, temporarily, in our entire fight on this question has been that we couldn't raise any money -- not yet -- to have independent appraisers come in and review the grievously incorrect revaluation that took place in the City of Elizabeth. For that reason, we would like to call on this body to make Elizabeth, if you please, a major focus of its work; we would like to ask that you send a task force into Elizabeth with subpoena powers with some lawyers, so that you can have some independent appraisers, not necessarily do another revaluation. We can tell you where some of the dead bodies are. And for a few thousand bucks, we can prove to you that \$333,000 not only was wasted, but was mis-spent. And that the citizens of the City of Elizabeth have been very grievously wronged, and that more importantly that the laws on the State of New Jersey need to be changed very drastically so that not only Elizabeth, but all communities, shall benefit from them.

Thank you.

BROWN: Mr. Greenspan, I would just like to ask you one question. Since you've had the revaluation in your City, do you feel that it was unfair to the property owners?

GREENSPAN: Yes.

BROWN: Thank you.

DEARDORFF: For your edification, and for the edification of some of the people with you, one of the problems that the State faces is that the Port Authority under the contract with the State of New York cannot be taxed. They do pay in lieu payments in certain instances but they are all part of the contract. This has been discussed because there are a lot of other municipalities concerned but I think you should know the problems that are

involved. One is that the State of New Jersey has to pass a piece of legislation, then that same piece of legislation -- word for word -- must be passed by the State of New York and it must be approved by the Congress, so you can imagine the pitfalls that can arise to go through that whole thing. As far as the railroads are concerned they are in bankruptcy, now Conrail is a public corporation. The State can't really do anything about that, unfortunately. The State makes payments in lieu of taxes for the railroads to municipalities. Perhaps we can have some agreement with the State of New York because probably if both states would agree, the Congress, perhaps, wouldn't go along with them. This is a very important thing and everybody I have ever talked to, from Elizabeth always brings in the Port Authority. You've got to remember that a lot of this is really not within the power, not only of this Committee to recommend, but of the Legislature to do.

GREENSPAN: May I respond to that just briefly please?

BROWN: Briefly, yes.

GREENSPAN: First of all I would like to respectfully disagree. Anything is within your power to recommend. Secondly, it is obviously within the power of the State Legislature to say to the railroads and the bus companies "we won't give you a dime of subsidy", only the State gives those subsidies. Now what is wrong with our saying the next time the question of subsidy for the Central Railroad comes up, or Pennsylvania, "we won't give you a dime unless you pay your taxes up and down the line" that's number one. Number two, since the State Legislature put in our way a legal impediment then get that damn impediment out of the way. Get the rule off the books that says we can't sue as taxpayers as they do with anyone else, and we'll go after them. Now certainly the Legislature can do that. Further, as far as the Port Authority is concerned. I agree it is not easy, the Port Authority happens to be a GIANT, but the fact is that that giant like

Frankenstein, was created by us. We are asking one of two things. Number one, we are hurting, we are in pain, we'd like some bandaids temporarily. While we go after the Port Authority, why should we do all the bleeding? How about sending some plasma around up to Elizabeth from the rest of the State. Now the State Legislature can certainly do that. Secondly, if in the State Legislature, legislation is introduced to make the Port Authority accountable for land that they own, on which they should pay taxes, because in the final analysis, the taxes they don't pay are subsidizing the airlines and if they're not subsidizing the airlines they're going to the big bond holders over in New York in the major banks, and subsidizing them. The minute the State Legislature on your recommendation, introduces some legislation (which will be difficult), I would guarantee you on behalf of our organization that we will bring 5,000 citizens down there to support all the legislators, to lobby them. We'll go see every one of our congress people. We are willing to bet this will take place throughout the State. There is no where in the State that anyone has any great love for the Port Authority and it is not only because of some of the things that they're doing wrong, but fundamentally nobody in America likes someone who says "I won't pay my taxes!"

BROWN: Thank you very much Mr. Greenspan.

DORSEY: Gil, are these appraiser firms licensed in any way by the State?

DEARDORFF: They have to be approved. There is a list of approved appraisal firms who are approved by the Director of the Division of Taxation.

GREENSPAN: May I make a comment in connection with that, sir? The same firm by the way, did the appraisal work fairly recently for the town of Nutley. In that town the citizens were a bit more lucky, their Finance Director and their Mayor did publicly denounce the results of the survey.

Now, since you have some input it would seem with respect to the Department of Taxation, could you not at the very least put some sort of red warning up, some sticker, so that when this recommended list is put out to various communities, that the firm we associated with, at the very least, would have the criticisms that have been made against it by the City of Elizabeth made public, then perhaps other communities around America will see these and not fall into the same kind of problem we did.

BROWN: Thank you very much Mr. Greenspan for your informative presentation. At this point I would like to recognize Senator Lipman from the 29th Legislative District who will be our next speaker. Senator Lipman.

LIPMAN: Thank you, Assemblyman Brown.

BROWN: Senator Lipman is also the Chairperson of the subcommittee on the Mayor's Task Force on payments in lieu of taxes for the City of Newark.

LIPMAN: It is a distinct pleasure for me to come and speak to the Assembly Committee on Taxation today. I am here at the Chairperson of the subcommittee on Implementation of the Mayor's Task Force on Payments in Lieu of Taxes. In addition, I am currently a member of the Technical Resource Committee which is continuing the efforts of Mayor Gibson's Task Force. I am going to address, today, the problem of tax exempt property which is one of the subjects you asked for in this little circular which I received from your Committee.

The problem of tax exempt property was studied in detail by the Mayor's Task Force and is now being reviewed by a Technical Resource Committee with the thought of clarifying some of the issues of property tax exemption. The questions and problems alluding to property taxation and property tax exemption are very complex in nature, and the Assembly Taxation Committee has an arduous task of finding the answers and workable solutions in the area which is one of great concern to the legislators and to the citizens of the State. It is the opinion of many legislators throughout New Jersey

that a major step was taken recently with the passage of current legislation dealing with payments in lieu for State-owned properties which lie in municipalities. The current legislation represents the most comprehensive measure passed by any state to rectify some of the inequities imposed upon municipalities by the state statutes. Although this current legislation decrees some financial benefits to municipalities, this legislation is not the total answer to the problem of tax exempt property. In older urban communities for example, the problem of tax exempt property is increasing, with a decreasing tax producing property -- it could be termed a real crisis. Do you understand what I was saying there?

BROWN: Yes.

LIPMAN: The problem in older urban communities of an ever increasing tax exempt property problem, and an ever decreasing tax base, is a real crisis. While it is estimated, now, that 21% of all property in the State of New Jersey is tax exempt, the figure in Newark is about 68%. It is therefore recommended that current legislation regarding payments in lieu of taxes be amended in part or whole to reflect the following:

- 1) All land and improvements owned, rented, or leased by State or Federally constituted authorities (Port Authority, Water and Sewerage Authorities, Highway Authority, etc.) -- I was just listening to the gentleman about the railroads -- be subject to payments in lieu of taxes under the methods of assessment and payment as prescribed by current legislation. We have now, Mr. Alan Sagner, who is Director at the Port Authority, and it seems to me that he recently announced that this giant agency is at a crossroads, and now might be a propitious moment to introduce the subject of payments in lieu of taxes to the Port Authority.
- 2) Municipalities should be empowered to levy service charges or users fees on all tax exempt entities not addressed by the current legislation, or not covered by paragraph one 1) above. This coverage would include every category of exempt property except properties owned by local government. When we were trying to pass the payments in lieu legislation, we ran into situations such as the town of Winslow. The legislation which has currently been passed in New Jersey bases the in lieu payments on the local effective tax rate. The town of Winslow has no local effective tax rate but it contains a State institu-

tion. Winslow receives no payments by this State-owned property in the town so Winslow says that it has been discriminated against under the current legislation. That is the reason for the suggestion that we should levy service charges, or users' fees.

- 3) The inclusion of conditions and coverages as are stated in Assembly Bill 1076 by Mr. Cody, Mr. Hawkins, Mr. Owens, and Mr. Brown here, in the 1976 session. This bill states that if more than 25% of the total land area of a municipality is covered by tax exempt properties, the municipality may declare a moratorium on the expansion of tax exempt properties. It further provides by the removal from the tax exempt status any lands that the tax exempt user ceases to hold.

In addition, I would like to offer several suggestions regarding the administration of the State's Division of Taxation. I am fully aware of the heavy workload imposed on this State office; I also know that the Division of Taxation is grossly under-staffed. I feel nevertheless compelled to make the following recommendations:

- 1) That State laws regarding the assessing of both ratables and tax exempt properties be strictly enforced by the state agency or department so designated. That the enforcement of these statutes should result in availability of current data required to compute tax liabilities and to effectively implement fair and equitable payments to municipalities under current payments in lieu legislation.
- 2) We believe there is an inherent conflict between the Director of the Division of Taxation -- who collects revenues and whose primary responsibility is to maximize those collections -- and the local tax assessor -- whose responsibility it is to value property equitably in order to establish a base for those collections. As is presently structured the local tax assessor is statutorily under the supervision of the Director of the Division of Taxation. This is a kind of conflict of interest.
- 3) We recommend that an assessors' agency, department, or other State body be established, separate and apart from the Division of Taxation and the Department of the Treasury, and in making this recommendation there is no implication made that the local assessor is not now valuing property in a fair and equitable manner. The intent of this recommendation is to establish a clearly defined separation between the collecting agency which is the Division of Taxation, and the appraisal agency or body. That is the reason for this last suggestion.

Thank you very much. If there are any questions I would be glad to answer them.

BROWN: Thank you, Senator, for your very informative presentation.

Next person on my list of speakers is Mr. Bertram Brown.

BROWN: Good afternoon gentlemen. My name is Bertram R. Brown, I am the assessor of the City of East Orange. In response to your request for comments regarding the assessment process, I have drawn up just a few remarks.

About revaluations, I believe that periodic revaluations are important to attain equalization between jurisdictions and especially between classes of property within the same jurisdiction. One of the most valuable tools any assessor can have is a computerized valuation program. The State Division of Taxation has been working towards developing such a program, but I do not believe there's been sufficient drive to perfect it. More money and expertise should be invested in this program since, if it is properly used, it will update the assessment rolls and maintain parity and distribute the tax burden in an equitable fashion. I have seen jurisdictions myself in which this program is used and I cannot over-emphasize its potential importance in the assessment process.

Since I represent the City of East Orange, which has one of the highest effective tax rates in the State of New Jersey and possibly in the country -- incidentally a property assessed at \$15,000, excuse me, at \$30,000 in the City of East Orange pays over \$2,500 a year in taxes -- I feel that something should be done to ease the tax burden on the residential homeowner. Perhaps it would be possible to review the mandates of the Legislature, requiring all properties to be assessed on the same level. It might be a possible solution towards this problem to assess residential properties on a percentage of market value rather than at 100% of value.

Exempt Properties. Aside from municipally-owned properties, I don't believe that any property should be completely exempt from paying local taxes. I favor a proposal, which was recently made in Connecticut, to require all heretofore exempt properties to pay that portion of the tax

rate applicable to certain municipal services such as, fire, police and streets. This tax was to be levied on the land only.

The appeals process. I believe that County Tax Boards should adjudicate all appeals with assessments less than \$100,000, and State Divisions should handle directly all appeals of assessments over that amount since these appeals almost universally ultimately end in the State Division courts.

I would like to be on record as stating that the foregoing statements that I have just made are my personal opinions. I have not been authorized to speak on behalf of any organizations nor by the governing body of the City of East Orange. And to my statement I am attaching a proposal which illustrates the method of collecting service charges on exempt property. I won't go into it in detail because you will be able to read it, but suffice to say that in the City of East Orange if exempted properties were assessed on their land value and required to pay that portion of the municipal rate attributable to police, fire, police and fire fringe benefits, and sanitary, streets and roads, the City of East Orange during the year 1976 would have been able to collect \$630,000 in additional taxes.

That's my statement.

BROWN: Thank you very much Mr. Brown.

DORSEY: Did I understand you to say that in the State of Connecticut every exempt property pays on the basis of

BROWN: No, sir. There is a proposal before their State Legislature.

Incidentally I would like to make one more off-the-cuff remark. One of the great inequities in the tax appeals process in the State Division and in the County Boards, is the fact that people who are so-called real estate experts or real estate appraisers, come in and represent themselves as being experts, and testify to values which are boldly incorrect. There are no methods by which these so-called experts can be reviewed, chastized, disciplined

in any way. I strongly recommend that the Legislature consider the proposals that you have in front of you for licensing real estate appraisers. I think that that will eliminate much of this kind of abuse.

BROWN: Thank you, Mr. Brown. I now call on Marvin Corwick, Business Administrator for the town of West Orange.

CORWICK: I come before you today because our assessor is on vacation and I felt that being a business administrator, and being a certified public accountant, I think the affect of the tax appeals on the homeowner should be explained. We all tend to look at an appeal individually and not collectively and sometimes overlook the true affect of that appeal. We feel that immediate reform is necessary to protect the residential homeowners of our communities, and this is to protect them from what I call the "disaster" caused by the State Board of Appeals' use of the weighted ratio. West Orange from 1973 to date has paid out approximately \$2 million in refunds and appeals still pending before the State -- this is after the County remissions have been made -- our exposure is almost \$2.4 million, giving us over \$4 million of exposure. The appeals filed to date for 1977, if the weighted ratio was allowed (I am giving you the basis of the monies, 90% to 95% are industrial, commercial and apartments, and very little to homeowners). If these appeals for 1977 are heard and by the record of the State Board of Tax Appeals the weighted ratio is used, we now have an exposure for just this year, of another half a million dollars. Now you take the cycle, it takes for about 3 to 4 years for that to be heard; that half a million dollars now becomes in four years, two million dollars. We in West Orange have been more fortunate than most communities. I as the Business Administrator wanted to know what our exposure was. How can I put away some money to protect us when the day of reckoning comes, that the homeowner and the taxpayer doesn't get wiped

out? We are fortunate. I put away this year and last year a total combination of \$1.6 million. As I say, so far this year I have paid out \$800,000. One taxpayer over the five year period will get approximately \$700,000. The system is so bad that he is already in for appeals for 76 and 77 and the refunds are due through 75; he is now appealing the settlement that was reached. We talk about the weighted ratio, it's like taking apples and mixing them with tomatoes. You have your sampling by vacant land, residential, industrial and commercial. Myself and our assessor are recommending that weighted ratio be excluded and ratio to ratio of houses to houses, industrial and commercial to industrial and commercial, vacant land to vacant land be used rather than take the combined dollar and put it together and you come up with, in our case, a ratio of 72% where the vacant land was at 77%, the residential was at 65%, and the industrial and commercial was 102%. Now, to try to give you an idea of how the burden is shifted, a very simplified, exaggerated explanation. We live in a community, we have three houses and one industry. We pay total taxes of \$56,000, each home pays \$2,000 and the industry pays \$50,000. The industry now appeals and gets a reduction of \$6,000 -- he is now paying \$44,000. We still have to raise \$56,000 in taxes so now instead of each homeowner paying \$2,000, he is now paying \$4,000. Of course the example is exaggerated and simplified so that we can understand it, but what we're doing is giving the money back to the industrial and residential and taking it from the homeowner. I would suggest that all municipalities list their exposure and what tax appeals are pending so that the fiscal disaster that is facing many communities can be known because if this is done you will find the City of Newark, the City of East Orange, the City of Elizabeth, and many other communities, if the total appeals and the exposure was known and assuming that the State Board of Appeals heard every case today, and finished every case, they could not possibly pay back the money without filing for bankruptcy. Because they

would have to raise it from the remaining taxpayers and the homeowner can't take it. The system now with trying to alleviate the affect on homeowners, tax rebates, this system that we have now the money comes in the front door and goes right out the back. If we have to provide to pay for what our exposure is, each homeowner in West Orange would have to pay approximately over \$200 more to pay for these appeals. They're getting approximately \$200 in from the rebates, and really it is not significant -- it's a minus, it's a negative, because as long as the system is allowed to perpetuate the people who are getting rebates are coming back in time after time after time, it's the same people. On the board of appeals, the State Board, I feel that the judges should be full-time, legislation passed to isolate them from the effects of the influence of the small majority of people who make money on these appeals, who have a tremendous amount of influence, who are experts in their field. Many people say to us why don't we hire these people to represent the municipality view? And the answer is from their point of view "why kill the goose that laid the golden egg?" They can't make the money from us, they're making it from the appeals to the State. The county is just a step, it's just a step along the way, no matter what the county does they're going to the State, and the history of some of the State appeal judges -- I don't know if their backgrounds are good, I don't know if they can be judged as we judge judges who sit before the bench and take testimony based on evidence, but from what our assessors tell us they say "settle, they don't want to hear the cases because if they do they're going to give ratio". I brought just a few with me to sort of illustrate the horror that is going on at the State Board. The original assessment on this one property was \$6 million, the county board's action brought it down to \$4.9 million, the State judgment was \$3.9 million. The original assessment on this next property was \$1.2 million, county board action was \$1 million, State board action was \$734,000. Third one, \$1.4 million original assessment, no change

on the county level, \$800,000 State board -- they're back in. This was 71, 72, 73 and 74. Our exposure on this was \$800,000. These people are now back in on the judgment of the State, again to appeal, using this weighted ratio which is allowed to exist which means if we assess it at \$1 and the ratio is 72%, the State board of appeals says that assessment should now be 70¢. Automatically. We have no defense. We can't defend against it. It's a killer, and if any legislation can be done -- and it's needed -- is to disregard and change that method of weighted ratio. If you do this, the effect of the influence of these people will be negative and then the homeowners will have a fair shake and the towns will be able to survive. We have enough problems trying to survive with our employee units; we go to them and tell them "look, we got to pay back \$1.6 million in tax appeals we can't afford to give you a raise." We scrape together to try to give a 5% increase. You can't tell these people year after year the same thing because it's never gonna end unless the system is changed, unless the rules are changed, unless there are strict laws and strict enforcement, and qualified people who are judging it. The same appeal from \$1.4 down to \$700,000; another one on the same group \$1.4 million down to \$696,000; another one from \$1.4 million down to \$621,000. The judge says "I'm going to apply ratios" so what happens, you are there, so you try to salvage, you try to settle, you know what the judge is going to do so you try to grab something back without going back to the bottom line. He tells you this. The items I read you are from three different judges, so this is not just one judge. I feel the present revaluation program is just used to perpetuate the income of a limited number of people. The last time I looked at the list, I think in the State of New Jersey there were five or six that were in the State, and basically you know what these people do? They use the sales ratio and back into a figure. We pay a lot of money for revaluation which I feel is unnecessary, it's unwarranted, and a correct system of relations of sales

to sales and taking into effect what makes up portions of it. You can't have a general rule for every house. There may be areas which have a different factor. I had experience with one where they took the whole town because they said certain houses sold double the other section of town -- this is not West Orange by the way. The section of the other section of town which was near the Elizabeth line didn't double -- in fact it even went down from the original. They haven't made their changes. It proved the point. They took the ratio from one section and applied it to the total, so the revaluation program as it now exists, I believe is a fraud upon the people of the State of New Jersey and every homeowner. It just doesn't work. And I tell you, unless something is done to change it, we who manage wont have anything to manage, the people who live will not be able to afford to live because the program I give you histories, I have listed them, this is fact, this is actual. Request and require all communities to do this and then take the effect and see the dollar, and I assure you the Assembly and the Senate of the State of New Jersey will enact legislation to correct this inequity. Unfortunately most people do not understand tax appeals. Most people do not understand taxation. And I'm talking about most people in government, they do not understand it and when the effect of legislation cannot be related to the dollars and the effect of it we have trouble, we have problems. I'm glad to see that at least the Assembly is having public hearings and giving us in government who run it every day and seeing the problems, seeing the affects of it, a chance to be heard and a chance to express our feelings and our beliefs based on professional information to try to help the homeowner. And I think that's what the whole trend of the last few years have been about. Tax relief to the homeowner, but don't put it through the front door and let it go out the back. Thank you.

BROWN: Mr. Corwick, do you think that a stronger position at the county level would help?

CORWICK: I may be criticized for what I'm going to say, but where you have politics involved and where you have people who are in a position to influence by whatever source, by contributions and so forth, the process cannot work. They must be isolated. They must not be part. As the judges cannot be part of the political process, nor should any Board of Taxation, nor should any State Board of Appeals be any place near politics. They must be removed and restrained from it. If that is strength then the whole system is strength. Strength is needed from top to bottom. I heard of one case where one of the fellows in the county didn't like what the town of West Orange was doing, he said "o'k, zero assessments". He didn't like the way it was handled, not based on fact. All cases should be based and determined on fact and evidence, not by the feelings of an individual. This was open, and I am sure that if my assessor was here he could verify it. The whole system is weak, and this whole system must be corrected from top to bottom.

DEARDORFF: I don't want to keep you too long. You brought up some interesting points, and you brought up many points. Contrary to some of our experiences in the past, whether it be a rural area, a suburban area, or the city, there is agreement on these points. Do you think it would strengthen the system to require the county boards of taxation to be on record?

CORWICK: I think it would. I think anything that is put down where they are standing behind and determine how they arrived at their conclusions would have a good affect.

DEARDORFF: Another question. The assessor from East Orange mentioned computerized assessments. Do you think that this would improve the situation, or is this something that perhaps people are looking at to solve their problems?

CORWICK: No. Overall, putting on computer the information but it has to

be isolated by area. You have to do like with like. You can't take a house that is let's say next to a swamp and use that same comparison to a house that's on five acres. You have to have like with like to have a relationship as to what that assessor means to the assessment -- you can't just bunch it into one big bowl. That's the problem we have now, they're bunching it in total, but you can isolate residential for residential and you must take into consideration elements, you must take into consideration deterioration. Where one area may have a lesser impact it should not be put on to the person in an area that doesn't have that impact should not have that same benefit. It has to be like with like. It's a hard thing, you have to take a section of let's say West Orange where you may have three or four different breakdowns (in the City of Elizabeth you could have ten different breakdowns). You have to be able to isolate the breakdowns so that you are comparing apples with apples. Then you can put it on computer and you may have something that could be done each year rather than going through assessments. Any computer program or any type program you use, the effect is only as good as what you put into it -- that is what you will get out of it. The computer is not going to do it for you but the information you put in does spit out what you want; if it goes in correctly you'll get it back correctly. It has to be input. I think the assessors are probably in the best position to be able to determine the areas, and they could help the State in determining what areas and how it should be coded. It is not an easy process. It is not an easy solution, but at least it is a movement in the right direction.

BROWN: Thank you very much Mr. Corwick. Our next speaker is Mr. Kenneth A. Joseph. Is Mr. Joseph here?

JOSEPH: Gentlemen. First I would like to commend the effort of this body in taking this good hard look at taxation, and I do hope that we take a very good and comprehensive study -- an in-depth study -- of this taxation

problem or in the fact that perhaps we may not get around to it for the next 25 years. By that time, Sears might bleed to death and the hemorrhage may not stop.

I have about 10 statements I would like to deal with, but, however, I'm only going to deal with 3 because I think that the others I can submit to you in writing.

Equalization taxes assessed by the county on municipally-leased properties. Usually after the City forecloses on properties, as we have in Newark, and by the way Newark is a very unique case, the county assesses an equalization tax on properties that are municipally-leased. But I'd like to make four points in this connection before my recommendation. To begin with, the management prepared and maintenance of city-owned property is primarily aimed at stemming the tide of abandonment, which is about one a day in Newark. It is not really the real estate business to make money. That's not the issue. The need to provide multiple housing in the City of Newark as landlords and realtors flee the City in droves, abandoning these properties that they leave behind. Efforts by the City to avoid further deterioration and decay of properties which would otherwise become fire hazards and havens for derelicts. And perhaps death traps for unsuspecting residents of the City. So, as far as leased or city-owned property that we lease, you're really between the Devil and the Deep Blue Sea. But unfortunately, we are assessed an equalization tax on properties that the City really shares an unfair burden in maintaining. One of my recommendations as it relates to this is that there be legislation enacted whereby the municipality should not be assessed any such "equalized taxes" by the county on these properties.

Statement #2. The municipalities are required to pay to the county anywhere from 20% - 22%, of total taxes assessed in any given tax year.

In effect, the municipality pays the percentage to the county based on a 100% collection rate even though in reality, it actually collects at a rate much less than 100%. I think that the percentage of taxes assessed by the county should really base on actual collections, after county board reductions for that tax year as has been adjusted accordingly. And I think that this should be a matter taken -- we should take a hard look at this. Because really, let's take Newark as an example. Year after year we have taxes where the City acquires the ponderant amount of these liens, somewhere between 95 and 98%. We no longer are attracting outside buyers. So to absorb all of these liens, right now we have approximately 5,000 liens which are really uncollectibles and I mean in no way can we expect redemption on these liens so on these uncollectibles we are paying to the county what they say we should collect or what we really don't actually collect.

Statement #3. I think Senator Lipman alluded to this and I would not dwell on this but I would also include this in my recommendation. It's had to do with payments in lieu of taxes. You know we have many municipalities in this city or rather in this State, Cedar Grove, Piscataway, New Brunswick, Trenton, receive these payments in lieu of taxes. Actually cash payments with a sort of rationale that there are State institutions where outsiders come in and put their roads in district also, there's need to repair these roads. I think there's no other city has a greater claim for this than Newark does because it is one of the biggest, colorful cities in the entire State. We have State institutions like Essex County Jail, College of Medicine and Dentistry, Rutgers, Seton Hall, so we have the same argument but we don't receive it. So I'm saying to you that that is really a relief of the burden of the 40% tax bills that we have who support the 60 to 68% tax exempt properties in the city. So that money is really needed in the city. I may not even dwell which would be included in my written recommendations to you on railroad properties because I could make a case for that in

Newark, I will give that in writing to you and I think it's been already dealt with because almost any municipality in this State can talk about the problems they have with railroads and the port authority, so I wouldn't take up your time with that issue. I relate particularly on my first two statements on the equalized taxes assessed by the county on municipal and lease property and I do want you to consider what is Newark's position. Really what I said, we are between the devil and the deep blue sea as far as municipal and lease property is concerned. Finally, the second statement where I am alluding to the 20-22% that we've paid supporting the county budget on what they say you should collect for what we really don't collect. If there are any questions, I'd be glad to answer.

BROWN: Mr. Joseph, will you like to elaborate on the impact of a revaluation here in the City of Newark, which you represent, would have at this point.

JOSEPH: I would be glad to but I think I would leave it up to the tax assessor who might deal with them. So I rather leave that to the tax assessor and not take up your time. O.K.? But it will be included in my recommendations to you in writing.

BROWN: Thank you. Next on the list to speak is Mr. Angelo. Check, I see he had to leave. Following him is Mr. George C. Harraka, is that correct Mr. Harraka? He's on the Legislative Committee of the Tax Assessors Association.

HARRAKA: Mr. Chairman, I appear here today and provide input for Assembly Resolution 3003, not only as chairman of the legislative committee for the Association of Municipal Assessors but also as the Assessor for the City of Summit. At previous hearings held by this Committee in Pennsauken, Dover Township, and Newton, it has been brought to my attention that very many recommendations have already been made in reference to those areas pertaining to revaluations, assessments, exemptions, homestead rebates, veterans' exemptions, wetlands, gross receipt tax, in lieu of tax payments, and other items pertaining to the subject matter of Assembly Resolution A-3003. For me to give further

testimony on what has already been stated would do no more than to emphasize those revisions on property tax administration that are surely needed.

Further evidence of this revision of the property tax laws will probably be made by those who are here today. Some have already been made. If I may take the indulgence of this committee, I would like to elaborate on one or two items on property tax laws in which I sincerely feel that if corrected, one of the other matters can also be automatically corrected.

The first item I would like to make reference to is that which you've heard so many times before and you've also heard today. That is in the area of equalization. It is my belief that equalization is the roof of the many evils in property tax administration. I'm not going to offer any explanation on the theory of equalization, assuming, of course, that everyone here and on the Committee, are fully aware of the tax equalization procedures through the use and the application of the sales ratio. Everyone is also probably aware of the initial need for equalization after the introduction of the State formula for the distribution of school aid to the taxing districts of the State of New Jersey. However, this use of the sales ratio of each taxing district is no longer the sole and primary function. Its alternate -- and now major use -- surfaced on the celebrated Tense vs. Atlantic City case when the sales ratio became a barometer of value. I see no quarrel in using the ratio as the barometer of value, only if its use can be reciprocal. I'd just like to make a few remarks -- as did the gentleman before me from West Orange -- about the different court cases where there were reductions in values. The assessors throughout the State of New Jersey thought they were going to breath a sigh of relief when the celebrated Triterminal Case vs. the Boro of Edgewater came. It pointed out that the sales ratio could not be used as rampantly as it had been used before; that value had to be proven. The absence of comparable sales and the sales ratio could not be used, and Triterminal said that you must assume that the value of that property, considering the fact that the town

had been revalued frequently, was out 100%. However, since that date, another case came that discouraged the assessors from having any kind of faith in Triterminal and they reverted back to the Fedder case and the Ken case. These inconsistencies are what's causing so much havoc in property tax administration in the State of New Jersey. If we are able to stand by certain laws and stand by them and apply them, and say that these are the laws that we must use in property tax law, and the court must adjudicate the cases according to these laws, then the property tax administration laws would be directed in a direction where everyone can receive the proper tax relief. With the acknowledgment by the court to the sales ratio as the barometer of value, a resulting large number of tax appeals came into being. Of the 28,000 cases backlogged at the Division of Tax Appeals, it is my belief that more than 75% of them are seeking relief only through application of the sales ratio. Although the courts have continuously granted relief to the appellant because of the application of the sales ratio, no regard is shown to the effect that this adjustment and the appellant's share of the tax burden is having on the equalization of the tax burden for the remaining taxpayers in a taxing district. If the court is to grant relief to the appellant for the reduction of his value through the use of the sales ratio, then the court must allow an equal amount of increase in those items of sales that have influenced the reduction of the ratio. This must be done without the threat of discrimination.

The other alternate to this revision would be to thoroughly analyze the whole equalization procedure. And the construction of the ratio, all sales must be screened and analyzed, removing those components which could be deemed as charges or costs of new improvements from the sales price, thereby reflecting a true market value of the subject property. There must be no doubt

in the sampling sales that the sampling sales must truly reflect the concept of willing buyer/willing seller. Then, in the event of a tax appeal, the appellant must give evidence whereby the discrimination is cited showing cause of such discrimination. Too often, false ratios of various sales where assessors have not been permitted to disallow, have been using evidence which resulted in value reduction, thereby creating a great imbalance in the tax burden in many taxing districts.

Revaluation which could happen, have resulted in order to restore uniformity in the taxing district.

Another item I would like to talk about is an aside to this committee which I feel has a very important being, the property tax laws. And that is in the education of the assessor -- the further education of the assessor, I should say. It is borne out because of a remark I heard at a recent Senate hearing on SR-30, which called for the formation of the full-time tax board and the elimination of a division of tax appeals. I'm not going to remark on any testimony other than just one item which was made by Joe Sabido which he said that, and I don't think he meant that to slur the assessor in any way, other than to point out the need for the increase in professionalism of the assessor. He believed, and I believe along with him, that the assessor should be more thoroughly knowledgeable about the field of assessing. And that he should keep abreast of the assessing laws, day-by-day, year-by-year; new laws are coming out; new manner and new forms of taxation are being introduced which the assessor should be aware of. And I'd like to make a recommendation here and now on behalf of the State Association that the Legislature recommend or mandate that when Rutgers has its seminar for assessing officers, it mandate that at least one assessor from each taxing district attend these conferences for assessing officers. In order to keep abreast of the assessing laws, and

that the cost of this education be borne by the State of New Jersey. That's a small price to pay for a large order in which the taxpayers of the State of New Jersey can benefit from, having an assessor who is highly knowledgeable, thoroughly knowledgeable, in the field of assessing. And this, I'm sure, would help.

I'm not going to say much more because there are others here who have other things to say on property tax laws; and I only want to thank the committee for giving me the chance to appear, and to thank the committee on behalf of the State Association for allowing assessors throughout the State of New Jersey to appear before this committee. Thank you.

BROWN: Thank you very much. Next, we have from the list of speakers, Mr. Joseph Frisina from the City of Newark -- is that correct? Mr. Joseph Frisina is a tax assessor here in the City of Newark.

FRISINA: Gentlemen, my name is Joseph Frisina, and I'm a tax assessor for the City of Newark.

First of all, permit me to thank you for the opportunity to appear before you today. I would like to compliment the Legislature on the passage of bill A-930, which represents a significant step forward in equalizing the municipal services burden among all owners of property within the municipality. This much-needed legislation, we hope, will be the forerunner for a complete and equitable distribution of the cost of municipal services.

I would like to direct my remarks today, and I'll try to make them brief today, to three areas of assessment administration - the equalization formula, revaluation, and the tax appeal process.

Equalization: The directest ratio utilized for equalization purposes in Essex does not accurately reflect the true market conditions in Newark. Or for that matter, in large urban areas that have neighborhoods or sections that are declining in value. The directest ratio is a compliancy for a 12-month sampling of good sales, the average of which is then added to the prior year's

equalized value. This may work well for suburban appreciating communities but for Newark it has just the reverse effect. Usable or good sales are inversely defined by the act of excluding non-usable or bad sales. The result is that the dollar amount included in usable sale transactions within the appreciating neighborhoods far outweigh the relationship to total ratables within the city. For an example, if I can emphasize what's happening here in Newark, a recent study which we conducted indicated that over 57% of the usable sales dollars, 57% of the dollars involved in these transactions were generated in four neighborhoods which constituted only 26% of the total ratables. This clearly distorts a total true market value for the City of Newark. The director's study should take into account the fact that the increments of appreciation are limited and are not occurring on a city-wide basis. We advanced areas in the city in which you will not find these kind of open-market transactions in which an increment of appreciation is realized. I propose that the formula for establishing the equalized ratio allowed for 1) the distinct neighborhoods within the City of Newark, 2) a comprehensive analysis of neighborhoods which generated, which generate, a preponderance of non-usable sales which in fact represents the real property value within that area. In other words, these foreclosures and sheriff sales say something about the market. Right now they're completely excluded from the ratio but we feel that there should be a way to have them plugged in. That, in fact, is the market in large areas of the City of Newark. It's indicative of market the fact that there are foreclosures, abandonments, and contracts of sale, extended sales term, this says something about the market. But right now these transactions do not get into the mix -- they are non-usable sales and they are excluded in only the good sales or counted in director's ratio. We feel that these non-usable sales have to be put into the mix somehow. They are saying something about the market, to completely eliminate them and to disregard them we feel is false. They have to because they say something about what's happening in Newark

they have to be regarded somehow. There has to be somehow that they have to get plugged into the formula. A revaluation will not solve this problem since the director's ratio (page 8 formula) is used to determine the effectiveness of a revaluation. As explained above, the director's ratio as it pertains to Newark inaccurately depicts a total equalized value for the city. Also, and now to be touching on something which Mr. Joseph spoke about, and which we're concerned about and if that's the only thing we accomplish today will be a real step forward. Right now the equalization process also involves the treatment of properties foreclosed or deeded to the city in lieu of foreclosure. Where these properties generate any rental income to the city, they are placed in the equalization table under the municipally-owned/leased category. As a matter of fact the overall operations of all of these foreclosed properties, in other words all the foreclosed properties operated by a real estate section are a losing proposition. The city does not make any money on these properties. The main reason for maintaining these properties is to prevent them from becoming vandalized and thus negatively affecting or further negatively affecting the area. Such maintenance also aides that a more rapid return of these properties through public auction to the ratable laws and you've seen that at public auctions. They are quite successful. One of the things that makes them successful is that we're maintaining the city-owned properties. In the case of residential properties, Class II and IV-C, which comprise 75% of the total municipally-owned property lease category, the city ceases strong obligation on its part to contribute to providing adequate and sufficient housing. The only other option in the case of these residential properties or actually industrial and commercials with respect to saving county tax dollars on these properties would be to evict upon foreclosure. Right now we're paying \$400,000 to the county for these municipally-owned properties leased. Our only other option would be upon taking title would be to evict both commercial, industrial and residential tenants from these properties. We don't see that

as an answer and to vacate all these properties upon foreclosure. This is self-defeating. Such evictions would work a tremendous hardship especially upon the residential tenants in a municipality which already has an acute housing shortage. We respectfully suggest that all city-owned Class II and Class IV-C properties be omitted from the equalization table.

Revaluation. A revaluation is a process whereby a community is supposed to achieve an equal burden among its ratables. It's a step-by-step procedure involving a physical inspection, schedule of building and descriptions of same. It also includes all applicable approaches to values. A reassessment is less intense. There's a sampling inspection of properties within the neighborhood and relies heavily on comparable sales analysis. The purpose of both is to adjust values within the taxing district to the same standard of value as required by the New Jersey Constitution. Every county board of taxation in New Jersey now has set that standard at 100% of their market value. The residential purchaser, that is the one to four family unit buyer is at a disadvantage. Disadvantaged in a sense that he/she is being compared equally with no allowances to the sophisticated investor, owner or commercial, industrial or apartment real estate. This owner buys for different motives and the primary approach to the assessing of these properties, which is the capitalization of income approach, cannot be used for the homeowner. This approach is recognized by experts and appraisers as resulting the lowest value among three accepted approaches. There is very little if any similarity between the purchase of a investment property and a one-family home. To compare them at the same standard of value results in an unfair burden on the homeowner. Many states recognize this fact and assess at different levels of market value, depending upon land use.

The tax appeal process. Much has been said about the tax appeal process. at the lower hearing levels. The City of Newark which averages 1,500 cases per year in the county and state courts would like to make some suggestions that

hopefully will create a more efficient and fair appeal process.

Number one. Establish a full-time tax appeal court. A current calendar. Right now we're going back to 1973 in State court appeals. But a current calendar would assist the interested parties in presenting a more complete and timely case.

Point number two. The judgments are rendered at the county board level in excess of 10% of an assessed value that is over \$100,000. There should be a written opinion accompanying this judgment. These written determinations will aid the assessor and taxpayer in understanding the strengths and weaknesses of their cases and will also provide a basis for deciding whether or not to pursue the appeal to a higher level.

Point number three. Hearings at the county board level are presently scheduled during September, October and early November. Newark averages over 11,000 appeals each year. Additionally there are other statutory responsibilities due during this time frame. If the county board were to schedule the appeals as they are submitted beginning on May 15, our office will be in a better position to present a more thoroughly researched case. That's all I have gentlemen, thank you.

BROWN: Thank you very much Mr. Frisina. Would you just briefly, you know like, just for the records, give us a brief on how revaluation at this point, what type of impact it would have here on the City of Newark.

FRISINA: As a resident, other than as a taxpayer, I quite frankly am concerned about the revaluation. We can't predict what a two-year study is going to do. That in effect is a reason for a two-year study, which is a revaluation of study of the real estate within the city. We are concerned, from what we can see, about a shift in value and we're concerned about what may be, in an attempt to reach the equalized value. We don't know if that value is there. We're quite concerned about many aspects of what is going to happen to the residential

properties in the City, we don't have the answers, perhaps a stratification, a different approach to what levels different properties are put in would be one of the answers. We don't have that tool now but a revaluation will probably get under way, as you know the County Tax Board will control and implement the revaluation on the recent court decision and we will have the responsibility of monitoring and working on it but I personally am concerned about what's going to happen to the town -- I hope there's some answers between now and the finalization of the revaluation which will help the people. I certainly hope that the Legislature takes a close look at what possibly can happen in town. It could be -- to use a minimal comment -- a very devastating effect on the small homeowner.

BROWN: Do you feel that this would be more effective on a county level or a State level so far as revaluation is concerned?

FRISINA: I don't know what the spinoff would be. If it's done on a county level in the traditional way, say the whole county was done but the same standards are still used, I don't know how much it can help us. If our budget remains relatively the same and the values are brought up to certain high levels we see a possible serious shift. There is no other compensation for this shift from the larger properties but we are very much concerned about the residential properties. I don't know if a county-wide revaluation would help or not.

BROWN: Thank you very much.

DEARDORFF: Just for the record, Mr. Frisina, do you think there would be any value in increasing the size of the County Board?

FRISINA: Increasing the size so that there would be more people available to hear more cases? Well, if that would be the end result then we would be for it. Right now one commissioner hears a case and then there's a joint agreement made on the reductions, but whatever tool within the framework of economics and affordability, we are jammed in that little over two month period, and to

adequately prepare and research and to find information that people don't want to give, to check vacancies, to physically inspect the properties, to call assessors, to do a fairly decent job within that period is kind of difficult. If it was spread out we'd be in much better shape -- I think both sides would be.

DEARDORFF: What would you think of the proposition that the County Board of Taxation should be funded by the State?

FRISINA: I don't know if I have a view on that right now.

DEARDORFF: One of the problems that came up was that even though the State mandates that the County Boards shall do this, and this, and this, it is up to the Board of Freeholders to tell them. Really the Board of Taxation operation must be a full-time operation from the point of view of research and service to the commissioner so that he has everything before him.

FRISINA: In the light of those comments I would have to be obliged to go along with what you are saying -- anything that will further insulate the process from influence and will assist in not cutting down the efficiency of the County Board -- if that's the route that you're talking about this goes along with what we're saying. Anything, within reason of course, that assists them in performing and being adequately compensated for that performance and being further insulated from influence, we'd have to go along with that, sure.

DEARDORFF: There has been a great deal of comment on the use of the income approach to assessment. Do you think that this could be abandoned in favor of the value approach?

FRISINA: I don't know if it can be completely abandoned. We always talk about correlating the three approaches to value wherever possible. Since certain properties are bought strictly for income, that's what they're buying, an income-stream, whether or not it can be in good conscience. completely eliminated, I don't think so, I think it has to be a barometer of what the value is. You can't say a fellow is going on a hundred unit apartment house based on the cost approach, based on what it would cost to reproduce today less depreciation, etc., he is going out there to buy durable income-stream, and to make a profit, and that is his motivation, but to the extent that all the credence is put in that, I don't think it's appropriate especially from our end of it, researching and coming up with all the nuances of how income-streams are treated is a very difficult job for the assessor's office; you can subpoena everybody, you can send interrogatories out but if this is balanced against market value, the market value approach, which again the market value approach will reflect the capitalization of income approach because other like properties are bought because of the income-stream. They have to be weighed and the bottom line is fairness -- what is the fair assessment for that property and when we list the expenses for property now, and here in Newark we get a lot of figures that are thrown in for security, we've been coming up against that for the last couple of years, and many of these items are difficult to pin down but we intend to pin them all down. If the income approach can be weighed along with the other approaches so that we arrive at a fair figure, that's all that we ask for.

DEARDORFF: In this relationship between -- let's call it commercial property and residential property, if we had a change in the Constitution (which would happen), a lot of the assessments would fall into different standards.

FRISINA: Yes, that's what I alluded to in the report, I think that should

be looked at, assessing the different classes of property at a different standard of value -- I think that has to be looked at real closely.

DEARDORFF: Thank you.

BROWN: Thank you very much, Mr. Frisina. Mr. Theodore Murnick, is he here?

MURNICK: Mr. Brown, members of the Committee, thank you for this opportunity to speak to you today. My name is Theodore Murnick, I am an Independent candidate for the State Assembly from the Thirtieth District of New Jersey which encompasses Newark, Belleville, Secaucus, Harrison, Carney, etc. I also happen to be a resident of Newark and a property owner and manager here in this city and I am most concerned about the question of revaluation. I had strongly fought against the revaluation in the city because revaluations as they have been done in this State have become grossly unfair to the homeowner. Even though I am a commercial type landlord -- basically an apartment house-owner -- I have seen what revaluations do to towns, they devastate them. The present laws are totally inaccurate and inequitable, and must be changed. We have a situation where the revaluation in town after town as you heard these people from Elizabeth point out, I have experienced first-hand in East Orange -- and I am very sorry that Mr. Brown left because I think I would like him to hear some of the things that he's heard many times before about the recent revaluation in East Orange. As opposed to the people from Elizabeth where they say they couldn't get any response from their City fathers, we got response, we had hearings, we pointed out how bad it was, and in fact the City itself took the unprecedented step of hiring a new appraiser to appraise the revaluation's work, and in fact filed appeals upon hundreds and hundreds of homeowners, and commercial property. In East Orange the revaluation, unfortunately, has changed the whole structure and makeup of the City and resulted in tax foreclosures, mortgage foreclosures,

and abandoned homes; this without any question has been the direct result of a revaluation which raised homeowners' taxes more than 30% on average -- and this can be checked, and Mr. Laezza from the State government office is fully aware of what is happening there. The firm that handled the revaluation was the municipal revaluations out of Avon, and if I hear of any place that would even consider them I'd spend a helluva lot of my time and money to convince them otherwise. I have been a constant foe of Newark's liberal tax abatement policy because as the Senator pointed out, we have 68% at the current time of tax abated land, but an awful lot of that is not the legislators' fault or anybody else, it is our own fault, every time you turn around another tax abatement is passed. Now I grant you that no one is willing to come into the City to build but you don't keep compounding the problem by building hundreds of millions of dollars. A recent prospectus from the City of Newark pointed out that five years ago Newark had taxable ratables of about \$1.2 billion, slightly under. After five years it is still about \$1.2 billion. At the same point in time, five years ago, Newark had tax exempt property of approximately \$600 million -- now that figure is also \$1.2 billion. In fact the tax exempt properties have passed the taxable. What is happening now are people are losing their homes, somebody comes in and says "let's make this a redevelopment area" and they put up new housing but not for the people who live there but for people who never lived in Newark, never ever lived in Newark. We're building housing, not for Newark people but people who are coming from other states and other parts of this State. Now it is obvious that there is something wrong with our revaluation system and tax appeals system where Prudential Insurance Company can have a tax appeal in an owner-occupied building, win a reduction of \$5 million last year which has the effect of reducing its tax bill this year of \$462,000. At the same time the average homeowner even if he handles his appeal with an attorney, has a very hard chance of winning a reduction of even a few

thousand dollars which in Newark, if you reduce your assessment \$2,000 you get back, in effect, \$150, the lawyer will cost you \$200 -- you can't appeal. There is something very wrong. The recent prospectus from the City of Newark in connection with the revaluation pointed out, and I quote "the revaluation would be uneven, falling primarily on residential property of certain sections of the City". Now that is not Mr. Frisina's opinion as a taxpayer, that is the City's official position in a public document. The areas that would be hardest hit, obviously, are the Ironbound section where the people build and fix and stay in Newark, parts of the North Ward and parts of the Weequahic section, these homes would be destroyed, you'd have a situation such as in East Orange where people just say "I can't pay my taxes, they're now over \$3,000, I have to leave". At the same time we all recognize that the City of Newark lacks many, many essential services which most middle-income homeowners demand and needs, one of which is schools, so obviously to add to the burden that the normal taxpayer-homeowner in the City of Newark has, he most often sends his child to private or parochial schools which in other towns is paid for out of the tax base.

I would like to hit on some of the basic problems of the revaluation situation in the State and why it's almost impossible to try and turn things around. East Orange had a revaluation, it became a political thing -- and I'm not saying "help this guy, help that guy", it said try to help the homeowners. The Mayor acknowledged it. The Council acknowledged it. Therefore, they grossly overvalued apartment projects, commercial property. In my own case a property that I manage had the assessment raised from \$440,000 to \$750,000. I got a letter from the revaluation firm and I said "hey fellas, where'd you come up with this figure?" "Oh, we estimated it". I said "wouldn't you like some numbers, I file tax appeals, I'll bring in my numbers". I sat down with them, I get back a letter the next day saying it should be \$650,000 we made a mistake. That's \$100,000 of reduction, and East Orange's

taxes last year was over \$8.00 -- that's \$10,000 like that because I went in and complained. Other properties have had millions of dollars of reduction and with a million dollars of reduction in East Orange you get a tax reduction of \$80,000. They did it. They knew it was wrong from the day it went into effect. Everybody knew it was wrong. And they said "well, let's see what happens". They are now talking about suing Municipal Revaluation, they're talking about suing Mr. Brown who is fully aware how bad it was, and yet they tolerate that. You can't have a situation where you go in and raise people's taxes like that, it's just unfair and inequitable. The State has committed towns to pass rent control laws because they say it is not right to give an unconscionable rent increase to a tenant and I agree, and I run my properties that way even before there were rent control laws in the municipalities. But by the same token -- as the first speaker talked about morality -- it is immoral and unconscionable to hit a person who bought a home last year and thought his taxes were \$2,100 and the next year they're \$2,800. You're talking about \$50/60 a month. It's just wrong.

Getting back to one of the questions you raised about throwing out the income proposal. That's sort of an impossibility because nobody buys buildings because it's beautiful, an income-producing property, they buy it for the amount of money they can get from it. If they can't get any money from it they walk away, as has happened in many of the buildings in Newark. I'd like to just point out with respect to Newark, because I'm very familiar with the problems that are being faced here and why I'm so much against a revaluation. And it would benefit me, I believe, but it would hurt the taxpayers and the homeowners and after the long run, it would hurt me because if noone wants to live in the City, what good is my apartment building? You have a situation where there are assessments on the books such as the firemen's fund building, of \$3½ million which was paying a tax of \$350,000. If an appraiser went out and used most approaches, he would still be

paying a tax of \$350,000. Everybody knows you can't rent space in Newark, you can't give it away. So what do they do? They give it to Rutgers, say this building isn't worth anything except the tax deduction. Wipe it off the books. Prudential is giving away buildings which are worth hundreds of thousands of dollars to Rutgers ----- to knock down to make an athletic field in the middle of downtown Newark. You walk outside this building, almost everything you see is built with tax abated dollars. Tax exempt money and State subsidies. Where at the same time, other areas of the city are dying because of the heavy taxes. You can't have this inequitable burden and I don't propose to give you the answers for when I become an Assemblyman, as you gentlemen, I will work very hard and full time on it and try to come up with some answers. One of the things that I'd like to propose and I think should be given very serious consideration, and is somewhat radical, but it's the only thing I believe that can help if you're going to ever have revaluations, is the system of ceilings. Of caps. When you have a revaluation. So that no man should find, that after he bought a house or he's owned a house for ten years, and paid taxes of maybe 3, 5 or 7%, that the next year he finds that his taxes go up 25%. It's just not right. And you can handle that. His scale on the cap, if it has to raise his valuation because it's there, bring it in on a year-by-year period. Even the Federal Government and the income tax recognized that with income averages. You can't have a revaluation which socks the homeowner with a 20, 30, 40 or even 50% increase. It's impossible. You know it as well as I do. To have hearings and not come up with meaningful legislation is just fooling the public. I'm sure that you will come out with good recommendations. This is a very serious-type hearing that you have in here. Many of these things, unfortunately, as I have seen on a State Assembly level, are somewhat frivolous in special interest and a lot of time and energy and rhetoric goes into passing a bill and I'll just give one example, to let a dog live in an apartment house. Well, you

want to come pull my elevators, or clean my back yard, bring that legislator around. A helluva lot of time went into something like that. This is where you should be spending your time. I commend you, I know it's very hot here and uncomfortable. I think revaluation, as it now stands, where taxes go up on homeowners, is grossly unfair. The whole taxing system in the State is unfair, as we all know. Because Newark has been derelict, and everybody knows it has, in having a revaluation, for 20 some odd years, you can't knock them on the head. People in the Ironbound section, which I will represent, or the North Ward I will represent, will be faced with burdens. Homes that are assessed at \$20,000 now and paying \$2,000 in taxes, may be assessed at \$40,000 or \$50,000. You're all familiar, I'm sure, with the example, I'd have to say a poor slob, with all due respect to the fella, who built a house in the North Ward, and filed his building permit legitimately, as a good citizen should, for \$50,000. And our assessor sent out a tax bill for \$50,000 assessment. tax rate \$10.00, mister paid \$5,000 living in the City of Newark. It's since been reduced somewhat, but he's still paying over \$3,000. That's not right. You're never going to keep people coming back to Newark. If you want to keep dumping State money here, and building projects, and not building neighborhoods, that's the way to do it. But if you want Newark to be revitalized, and reborn, you have to have equitable taxation and a revaluation won't do it. I've heard many of the assessors come here and speak. They speak from their side. I'm speaking really as a taxpayer and owner-manager of buildings. I would very much be willing to give you any information from management of my buildings, work with you in developing any legislation, my background is both law and finance, and taxation. And I think I could be helpful because revaluation would help me, as I said in the short run, but it hurts the city, it hurts all cities, you've heard it in Nutley, you've heard it in Elizabeth, and you've travelled around the State and you see what it does to homeowners. Except in urban areas, where the taxes are so, so high, you can't, as they did in East Orange, take a

man's home that was assessed at \$20,000, where you have a tax rate of \$10.00, or close to \$10.00, where his taxes are \$20,000. They had a revaluation, his house went up to close to \$30,000, they knocked down the tax rate to \$7.00, and now he's paying only \$2,100 as opposed to \$2,000. But the next year that tax rate went up to almost \$9.00. Now he's paying \$2,700. They fooled the public for a year, but they caught up with him. That's why there'll be a new mayor in East Orange, but the people couldn't take it anymore. One last area that I'd like to point out, this also goes to the assessor we had here, Mr. Brown, is the area of conflicts of interest. Mr. Brown can say what he wants, but one day he represents the City of East Orange in court against one of the biggest tax appeal lawyers in the State, and next week he does appraisals for that same lawyer in another town. You cannot have that. You should have licensing, you should have a system where an appraiser is such and you can't work both sides of the fence. You cannot have that. Appraisals deal with the very life blood in the people's homes. They work hard to have a house and then somebody arbitrarily, very often, put values on, it's just not right. So, I ask that this Committee can seriously consider my suggestion that if we must have revaluation of some type, that at least there be a cap put on so that it can be staged so that a homeowner is not hit with a tremendous burden in one year. Thank you very much.

BROWN: Thank you very much, Mr. Murnick. Just for the record I should point out the fact that that's not the same Brown as myself. I was thinking about it as he referred to him in this report. Also, feel free to contact us in the future if you have other information and we'll echo your sentiments. Since you're not in the Legislature, we'll represent you. Thank you very much.

MURNICK: Thank you.

BROWN: I think the name we called previously was J. Lorgo. Is there anyone by that name? We have difficulty in identifying that name. If not, we'll listen to Mr. Charles of Nutley. Are you here?

BROWN: Then, next I have on the list is Mr. Raymond Cody. Mr. Cody probably is a relative of one of my colleagues, Mr. Richard Cody. I think you're familiar with Councilman Cody, is that correct?

CODY: Yes. Assemblyman Brown, and Mr. Deardorff, it's a pleasure today to speak to on behalf of Mayor Capone and the City Council of the City of Orange. I would like to speak in favor of two bills which are presently pending in your Committee. Assembly bills 1076 and 1522. These two bills, whose intent, I feel must be incorporated into title 40 of the New Jersey Statutes. They are of utmost importance to the viability of the City of Orange. The City of Orange has encountered many of the major problems that the other urban areas of our State have encountered, however, none of them made a greater deterrent to our growth and development than that of taxes. Since 1970, our tax rate has risen from \$7.09 to its present rate of \$9.77. During this period, from 1970 to 1976, there has been a 73% increase in the value of tax exempt property in the City of Orange. In 1969 the City of Orange had a total tax exempt property value of \$26,000,000. By 1976, this figure had risen to slightly under \$45,000,000, which represents over 33% of the total ratable values within our city. Had this \$19,000,000 escalation in tax exempt property values been taxable, a tax rate of \$7.30, as opposed to our actual rate of \$9.77 could have generated sufficient revenues to support our city's budget. The above mentioned bill, number 1076, which Assemblyman Brown saw fit to co-sponsor in the Assembly along with Assemblyman Cody and Assemblyman Hawkins, and I believe that the Assemblymen all went to the Essex Delegation, addresses the over-expense in the tax exempt properties by permitting municipalities in which 25% or more of the total land areas tax exempt to adopt an ordinance declaring a temporary moratorium on those properties. Unfortunately this bill has been pending since 1974 and it's presently presiding in this Committee. At the time it was introduced I was working along with my cousin, Assemblyman

Cody and our tax assessor from the City of Orange in the Essex County Tax Association and Mr. Deardorff, who is instrumental in providing much information for Assemblyman Cody's office. But the problem that has developed, the City of Orange can no longer wait for this Committee to release that bill. Approximately three months ago, by ordinance, and it's probably very questionable, we enacted this legislation without enabling legislation of the State. We are presently rejecting tax exemptions based on the fact of that ordinance. We expect that ordinance to be challenged shortly in the courts. What we're trying to do is to lift that ordinance to create a holding action and during the interim we're hoping that this body would take action and release that bill. I understand that there may be some constitutional questions with this bill and Assembly Bill 1522 in regard to contributions for municipal services to tax exempt organizations. If there is constitutional questions, I would urge this Committee to draft a companion constitutional amendment, attach it to these bills, get them moving because we're in serious trouble in the City of Orange for tax exempt properties. It's not merely the loss of revenue from these properties, however, that affects us. The problem that develops is that when these properties achieve tax exempt status, this does not give or eliminate the need for municipal services. We still have to provide police, fire, sanitation, and ambulance services. And Assembly Bill 1522 addresses this problem by providing through the payment of the municipal service charge by these tax exempt institutions. Our tax assessor in our local boards have attempted to address that problem. by sitting down with tax exempt institutions when we've come before like the Board of Adjustment or the Planning Board. Working out, procedures for in lieu of tax payments, unfortunately, only three properties in the City of Orange which presently contributed in lieu of tax payments. I can foresee the day when if action is not taken promptly, that the taxpayer in the City of

Orange is going to be like the American Eagle -- is going to be on the endangered species list. In the last two years our development has practically come to a standstill. When the State of New Jersey came through and took out the center of our town with route 280, and took a large portion of ratable-producing property, they took basically the heart of the City of Orange. If these bills are not released, or at least considered for release, I just don't know where we're going to be, and I would urge this body to at least post those bills and hopefully release them from committee and get them on the floor of the Assembly, and with Assemblyman Cody and Assemblyman Brown as co-sponsors I cannot see how they can fail with the clout that they have in the Assembly.

Deviating from my prepared statement I would just like to mention that one of our major problems is the Essex County Tax Board, and I find it ironic that -- unless I am wrong -- I do not see a representative of that body here today. I think it would be appropriate if they haven't been invited, that for all further proceedings that they do be invited and if possible that they be required to attend; at least a representative from that board so they could get the sense of the community's problems, what they are, and how they could make the system better. Without even going into legislation maybe there's some simple procedural matters. I myself have one procedural matter in regard to the tax board. We have a very severe rent-levelling ordinance in the City of Orange and in that ordinance we make provisions for multiple dwellings if they are not able to make it technically on the rentals that are given, we have a hardship appeal whereby a landlord can come before a rent-levelling board and file an application that shows he is not making it and he needs an increase of rents greater than what the ordinance allows. But unfortunately, landlords when they're not able to make it they don't take advantage of that route and what they do, they run right to the county tax board and as a result instead of the

tenants of that particular building absorbing the increased rentals, the landlords by going to the tax board, by getting an appeal, by winning, the homeowner of the City of Orange basically is picking up the tab for that reduced assessment and they're eroding our tax base. So I had requested the Essex County Tax Board as a policy and procedure to refuse to accept applications from landlords until they have exhausted their administrative remedies within the municipality, and as of yet I haven't received a response to my request. I have also forwarded a request to the State that they consider a procedure along that line, at least give the cities a chance to solve their own problems before the landlords go to the county tax board and take it out of our hands and on to the State.

One other problem that I have is in regard to the fact that we are unfortunate enough to be the site for the greatest number of what are known as "group homes" in the State of New Jersey. These homes are located in Orange. By State statute they pre-empt our local zoning, and they're tax-exempt institutions. The problem that has developed is that although they are paid allotment for educational purposes per child to the managers of the homes, the children in the homes attend the Orange public school system and last year due to the nature of the problems of the children, a large number of these children required special education, and besides being tax-exempt, besides requiring our standard municipal services of police and fire protection, and sanitation, the cost of education for these youngsters alone cost us over \$50,000 last year. We took an appeal to the board of education and that's still pending for reimbursement, and with the oncoming school year we can face the problem again this year because in addition to the group homes, there are other projects which will add another 20 students to our school system and we estimate that it will be approximately \$75,000 out of our pockets. So in addition to not getting any revenue we are providing municipal services plus school services and the State is actually mandating that the institution be

there, they're paying money to the group managers for education, the people send them to our school system and the Orange taxpayer is footing the bill for the entire procedure.

I would just like to thank you for the invitation to come to speak before you and on behalf of the Mayor of Orange and City Council, I would like to extend an invitation that if you desire a site for future committee meetings we would welcome you with open arms in the City of Orange -- no charge -- and although we don't have air-conditioning, we can provide you with I think adequate facilities. I would like to thank you for your attention and hopefully, action on your part. Thank you.

BROWN: Thank you very much Councilman Cody. I am quite sure that if you have any problems you can either contact your cousin or myself, or any of the Essex County delegates, to continue to listen to the problems. If you have any further information you may submit that, for the record, to the young lady right here.

I would now like to recognize Councilman-at-large Donald Tucker. Councilman Tucker has been very active in the tax revaluation here in the City of Newark, he was also one of the people who was willing to stand up and vote on behalf of the citizens of Newark because he thought that the revaluations at that time was unfair to the citizens, and we have supported his concept here and also in the Legislature, and have extended a moratorium that kept him from various problems, so we now hear from Councilman Tucker.

TUCKER: Thank you very much Assemblyman Willie Brown. First of all I would like to, and I may verywell reiterate a lot of points that were made by previous speakers from the tax assessor's office and possibly from the tax collector's office, just dealing with taxation in Newark. I think we are all aware of the fact that taxation not only is a major question within the City of Newark, but also throughout the State. It has particular impact upon Newark when we talk about revaluation primarily because Newark seems

to be somewhat of a contradiction of what I would refer to as the normal concept of property value, I think that most of us are probably aware of the fact that when a revaluation or new assessment takes place throughout the State it may have some positive effects on particular areas. If the normal trend leads us to believe that if in effect a municipal assessment basically increase, there will also be a corresponding increase in relation to the fair market value of the property that has recently been reassessed. I think if we look at that in the City of Newark, most of us are aware of the fact that a reassessment does not have a corresponding increase in some areas of the City in the fair market value. In effect what it does is decrease the actual value, or fair market value, based on the increase in the actual assessment. I think the other factors that have probably been raised by prior speakers and that is the whole question of tax exemption and the bills that are currently before the Legislature dealing with the whole concept of payment in lieu. Frankly I am of the opinion -- and I don't recognize the current Legislature has put forth numerous bills dealing with this regard, and when we talk about tax exemption that there should be some sort of change whether it be within the State Constitution, or basically through State Statute, that clearly indicates that when a particular municipality reaches a certain point -- I think the current bill deals with approximately 45% but I am not sure this is exact -- that at that particular point in time there should be some sort of action by a governing body, or the people who are their particular voice, as to whether they want to continue tax exemption or what have you, because I think what we are faced with here in Newark, as most of you know all too well, is we're talking about two-thirds tax exempt, approximately one-third payment of taxes which makes a major impact when we talk about revaluation or we talk about taxes period. So I think that when we start looking at that particular problem we are aware of the tax exemption not only as a major role but also revaluation just

electrifies that whole point. The other point I would like to make is that of the whole rate of formula. Most of you probably know that the City is currently before the courts challenging the validity of the administrative edict that was made by the State Division of Taxation. What I mean by that is, I think a basic case indicates a couple of factors; one is that the current formula counts what they refer to as "good sales" and basically discounts what they refer to as "bad sales" or not a true reflection of the market in itself. I think the best way to describe that if in effect a group sale is made, that is to say if a house is sold by real estate broker, or if in effect it appears on the market and is sold on the open market that that's a reflection of what's happening within a given community, but I think that that might very well be valid. My concern is what they refer to as "bad sales". If a city such as Newark forecloses on a piece of property and basically takes that property and puts it into an open sale market, the market value of that property or the sale value is counted as a "discount" or basically a "bad sale". What that means is that when we start tabulating all those particular figures, and when we get to the point of identifying what the "good sale" was and what the "bad sale" was, is that if a house's assessed evaluation let's say it's \$15,000, and we as a city can only sell that particular house for \$500 the difference between the assessed evaluation and the actual sale price is discounted whereas if a house is assessed at \$15,000 and that particular house may be sold in a particular neighborhood for \$25,000 then that amount is also counted. What I am saying is that you take both sides and that your average should basically consider both aspects. That doesn't need State Statute, that doesn't need a matter of a great amount of interpretation by the Attorney General, it doesn't need a new law -- what you're talking about is an administrative edict which can easily change that whole operation. I think the important factor

when I look at "good sale", "bad sale" is as what we refer to as the adjusted tax rate. The adjusted tax rate is made up directly by the State in concert with the county so it doesn't make any difference what Newark's assessment basically is because our contributions in regards to education -- the educational formula for the State of New Jersey is based on our adjusted tax rate -- our contribution in dealing directly with county government is based on the adjusted tax rate and what I am saying in effect is, that we are challenging the validity of the formula which in effect gives the State the ability to utilize the adjusted tax rate on the amount of revenues that we pay directly on to the county and also the amount of reimbursal revenues which are included within the educational formula. So I think that my concerns fall into two areas, things that the Legislature can do -- these are the new legislation dealing with payment in lieu and I believe there are two bills now in the hopper, one is supported in the Assembly I believe by Assemblyman Ronald Owens and also one in the Senate supported by Senator Merlino in concert with Senator Wynona Lipman, of which I believe at this point in time both of them are still in the hopper and they haven't reached the point of fruition dealing with payment in lieu which I think would really address the question of tax exempt properties. It would not resolve the problem but I think it would start to try to make our current property tax system a little more equitable if we were able to do that. But I think that these other areas, which again are relating to what I refer to as an administrative edict, that really need to necessarily be changed. I think the other point I would like to just relate to, I think was when we were going through the so-called confrontation over the revaluation, it was brought to our attention that when our concern about revaluation and possible change in State Legislature was not something that was the concern specifically of Newark per se -- because I am aware of in some cases the negative or less than positive feelings about Newark in the State -- but I think it's not just

something that is Newark's problem, it relates to other municipalities throughout the State, so I think that when we talk about the possibility of a Constitutional amendment we should move in that direction because I think what's happening now in Newark -- and I believe is happening in other municipalities -- is that whether by design or just by evolution, the property tax system has gotten to the point where it is driving people out of the inner city area and driving them directly into the suburban areas. And I think that the homeowners who currently reside within the City of Newark, a large percentage of them want to stay within the City of Newark. Revaluation and the property tax system has a direct affect on whether or not they will continue to reside not just within the City of Newark but within urban areas within the State of New Jersey. I would just like to finalize by saying I applaud the effort of the Tax Committee for having a hearing here within the City of Newark and I can only apologize for my late notice in that regard but the fact remains is that I am hopeful at least enough citizens have brought the point home that we really must look more effectively to change in the property tax system; if we are not able to do that then we will find ourselves in trouble, what is needed is a total look at property taxation throughout the entire State, either by Constitution or by Statute, we need a new law of governing the property tax system, it's got to be equitable whether we're talking about Atlantic City, whether we're talking about Caldwell, New Jersey, whether we're talking about Newark, Elizabeth, or any other municipality within the State, it's got to fit and fit appropriately so that one particular municipality is not receiving all the particular tax exemptions while another municipality is receiving all the increase in tax ratables. I am not of the opinion that the formula should be devised specifically for who pays in urban areas and who doesn't pay within a suburban area, the formula should be devised to say that all of us as citizens of the State of New Jersey, all

of us pay taxes, and all of us should have an equitable tax system. I am hopeful that that will be a reality because I think what we have now is in my mind, inequitable in trying to deal with fair taxation throughout the entire State. Thank you very much.

BROWN: Councilman Tucker. Do you feel that when we talk about revaluation do you feel that it should be done on a municipal level, or would it be more effective on a county level, or would you like to see private firms administer the revaluation -- which do you think would be more effective?

TUCKER: First of all I think the way to find municipal level, county level, private firms, what have you, I think that you have to stop revaluation and I think that you have to review property taxes first and the effects of the property tax system. I have heard Mr. Gil Deardorff on many occasions indicate that, that's what I'm talking about, radical changes, and the State may not be necessarily amenable to doing that, but I think that we have to change the inequities. If we cannot change the inequities then we're saying o'k fine. Whether it is done by the county, whether it is done by the municipality, we still have an inequitable system so if you have to make a choice you say o'k, which is the lesser evil but you don't negate the fact that you're dealing with an evil. I know some of my colleagues have indicated that it would be a lot better for the county to do it and that it would be more equitable; some of my colleagues have stated it would be better for the municipality to do it and do it in-house with an in-house staff capability. I don't believe there is any kind of unified opinion on behalf of my colleagues, to say which is which, but I am of the opinion that we should change the current formula and then try to change that system and if we can't do that then I think the best way to handle the whole situation is to have the county basically do it, but as I said, the choice that we're dealing with is a catch-22, no matter which one you choose you know for sure that it's not going to be something that will resolve the total problem.

BROWN: Would you also like to perhaps just mention briefly the status now as far as revaluation is concerned in Newark.

TUCKER: Based on the interaction of my colleagues in the Newark Municipal Council and also the State Legislature, rather the State Supreme Court, an opinion was rendered by the Supreme Court which went back to the original ruling that was made by the Superior Court, I can't think of the exact dates, the net effect of it is that the State has ordered that the revaluation take place and that the revaluation by done by the Essex County Board of Taxation, they said that the revenues to pay for that revaluation that will take place will be deducted from the State replacement taxes to the City of Newark. So I don't know how the financial transaction will be handled but it appears, via the State Supreme Court edict, that what will take place is the State will deduct a portion of either the State aid funds based on the income tax, or the replacement tax, and transfer the total amount of that directly to the County Board of Taxation where they in turn would pay the firm to do the revaluation. Our opinion on the matter -- and we have checked with the Corporation Council, we've also checked with our own Attorneys -- and they have advised us of the fact that in this point in time our alternatives are very limited in that regard, and also that persons who are very much concerned about the impact of revaluation on the City, have advised us that we should attempt to go to a higher court in that regard, but it is a question of whether or not we really have a major Constitutional question based on the United States Supreme Court's particular rules of acceptance of cases in that regard. The revaluation in the City of Newark at this point in time is going to be undertaken by the County Board of Taxation with funds forthcoming from the State and being deducted from the State replacement tax income that is supposed to be forwarded to the City of Newark.

BROWN: Thank you very much Councilman Tucker, for taking the time to come

out, I realize you have a very busy schedule, but I thank you for the information you have given which has been very informative to us and I am quite sure the Legislature will take into consideration some of the things you have mentioned as soon as we meet.

Is there a Mr. Roland Charles White here? If there is anyone else who would like to speak or if there is anyone present whom I have not recognized, you may feel free to speak. Mr. White.

WHITE: My name is Roland Charles White, I am a resident of Newark. I work with inmates of the Self-Help Committee which is a social agency in Newark at 924 Broad Street. I am a volunteer worker. I wish to speak in reference to inequity and inequality. Dealing with taxes, it takes the people to pay the taxes, the tenants in a manner of speaking, who pay their rents to the landlords, are just as important as the residential type of development. If we are dealing with equity as far as taxation it appears to me that the City has become -- in a manner of speaking -- depleted on a lot of its taxable properties. Also I wish to address myself to blight areas. We have many areas in Newark that are empty now; these empty areas in a manner of speaking, is an indication of lack of progress. We have areas in the centre of the City that have become dumping grounds where as far as development it was said that in tearing down certain areas or neighborhoods that it would be a sign of progress for our particular City. These particular areas for years have remained vacant. Now they have become dumping areas for garbage. Also in reference to the tax bases, we have had Corporations leave the City for tax reasons, we have lost Ballentines, we have lost Colgates just to name a few. You can look at many areas and see the abandonment of rural property because they cannot maintain the taxes. It is the same procedure when you deal with the rent controls. A former speaker mentioned about enacting rent-control in his particular area. Newark has a rent-control that was enacted in 1973 with

an amendment in 1974, but in the amendment dealing with rent-control, it is an empowerment statute that is involved; the empowerment statute says it shall be the law that this particular statute shall run for three years therefore, if it is empowered to run for three years the only way that the empowerment statute can be satisfied, or amended, they'd have to create some particular crisis, and in the light of no crisis in the fact of some particular statute it should not be amended. When the old statute ran in 1976 and the new statute was put on the books, now this particular statute is supposed to run for three years and we have an amendment on this particular statute dealing with hardship as far as the landlord is concerned. I can understand that landlords do have hardships. Now this was the first year in the history of the city that tenants had a voice, that 80,000 tenants would be affected by this new tax abatement. In the light of this particular statement, if the tenant is to have a decrease on the face of this rent-control bill then the landlord cannot have an increase -- the two propositions cannot occupy the same space or the same time -- you cannot have equitable statute where one does not coincide with the other. Dealing with the rent-control, the landlord has an enactment within the statute as far as the capital improvement, the Federal government will give him a subsidy in a manner of speaking, of writing it off on his income tax. So landlords are always protected one way or another, but the tenant, dealing with fairness in our particular system, he should be accorded the consideration of dealing with justice. This is the first year in the history of our city that we're having a tax abatement, in a manner of speaking where the landlord is going to be given a rebate or something; in the same light, the tenants in these particular dwellings, they should also be compensated with a rent decrease. It only seems fair if one can get it, the other should get it.

BROWN: Mr. White, I am sorry to interrupt your deliberation but it appears that you seem to be addressing yourself to rent-levelling, rent-control,

and things in that area.

WHITE: That was only one particular part. I put my name forward to address the Committee.

BROWN: I understand, but would you kindly keep your remarks on the subject of taxation, revaluation.

WHITE: I am trying to keep it on the subject but I am dealing in the light of tax -- rent-control is part of taxes also.

BROWN: I think there are other areas that we have and are addressing ourselves to, and the purpose of this hearing is more or less to discuss equalization, tax assessments, etc.

WHITE: I thought I was addressing myself to equalization but as far as formulating my words, you might ask me some questions on my words but the way I formulate them is up to me.

BROWN: I understand, Mr. White, but if you would kindly keep on the subject of revaluation and things of that nature.

WHITE: Dealing with urban renewal or as far as the highway system and what not, a lot of people have spoken about property in lieu of taxes or tax exempt lands, you have highways that are completed in our particular area, but dealing with right of way I want to know if the City is given money in the light of highways coming through their particular areas. That was a question that I wish to address to this particular committee. The other part of this was dealing with taxes, that citizens pay taxes as far as the building of these roads, but in reference to blight in building these highways, you have relocated a whole lot of people where a whole lot of property has been lost.

BROWN: Mr. White, we're quite familiar with a lot of the problems that exist as far as the abandonment of houses, however, I would appreciate if you confine your remarks to the topics under study by this Committee; this is a public hearing for the purpose of gathering information -- not

complaints -- but information and suggestions as to things you would like to see the Legislature put into effect. We are not here to discuss rent-control.

WHITE: I wish you to afford me the same respect that you afforded every other speaker in the chamber.

BROWN: Yes, you have that right and we will extend that right to you. However, I as the Chairman, would appreciate your keeping your remarks on the subject and purpose of this public hearing. I will be glad to answer any questions you may have pertaining to other issues after the hearing has been adjourned.

WHITE: With reference to a landlord paying rent, or a tenant paying rent, you see the landlord pays the taxes but the tenant pays the rent, so it's coupled in the same clause, the way that I am saying or addressing my particular statement. Why cannot I ask my particular question in reference to the rent-control ordinance?

BROWN: I will be glad to answer any questions that you may have pertaining to landlords or tenants, but it will have to be done after the adjournment of this hearing.

WHITE: Thank you.

BROWN: You are welcome. If there is anyone else in the Chamber who would like to speak you may feel free to do so, if not I declare this hearing adjourned. Thank you for your attention.

THE CITY OF EAST ORANGE

Memorandum

TO: Hon. Councilwoman Nancy Schron and Hon. Members of City Council DATE: March 23, 1976
 FROM: Bertram R. Brown, Director of Property Taxation
 SUBJECT: Proposal for Service Charge Collections from Certain Exempt Properties

It is evident that all exempt properties in The City of East Orange benefit from municipal services such as police, fire and sanitation.

It has been suggested, and is already being implemented in some municipalities, that a service charge for the three municipal services be levied against the land value only of certain exempt properties.

I have made a rough approximation as to how this might be carried out in East Orange.

Values of exempt lands other than publicly owned lands (without buildings) consist of the following:

Schools other than public	\$22,344,000
Charitable	4,544,000
Cemetery	1,443,600
Miscellaneous	776,800
	<u>\$29,108,400</u>

Rough estimates of 1976 costs of:

Police	\$ 4,000,000
Fire	3,300,000
Police & fire fringe benefits	1,600,000
Sanitary, streets, roads	3,900,000
	<u>\$12,800,000</u>

Total budget estimated at \$52,000,000

To be raised by property tax \$40,000,000

Approximately 77% of total to be raised by property tax.

$.77 \times 12,800,000 = \$9,856,000$. \$9,856,000 is the amount necessary to pay police, fire, utilities derived from the property tax.

1976 assessed value of all non-exempt properties in East Orange is \$455,167,100.

$\$9,856,000 \div \$455,167,100 = .021653$ or the mill rate required to pay for the three municipal services.

THE CITY OF EAST ORANGE

Memorandum

TO: Hon. Councilwoman Nancy Schron and Hon. Members of City Council DATE: March 23, 1976
FROM: Bertram R. Brown, Director of Property Taxation
SUBJECT: Proposal for Service Charge Collections from Certain Exempt Properties

Page #2

A typical example of how this charge might be applied follows:

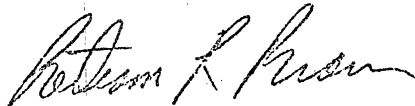
Land assessment only of exempt property - \$50,000

$\$50,000 \times .021653 = \1082.65

Applied against the total to be raised for the three services
 $\$29,108,400 \times .021653 - \text{Total possible revenue } \$630,284.18$

The foregoing is an extremely rough estimate, but it illustrates the method of applying a service charge to exempt properties.

My recommendation, however, is that such service charges only be levied against those exempt properties that charge for their services. Examples of such properties are private schools, counseling services, etc.



Bertram R. Brown
Director

BRB:MC

EXEMPT PROPERTY-CITY OF ORANGE-1976

PUBLIC SCHOOLS.....	12,877,800
OTHER SCHOOLS.....	1,147,900
PUBLIC PROPERTY.....	7,638,200
CHURCHES & CHARITIES.....	17,964,300
CEMETERIES.....	526,100
DISABLED VETERANS & PARSONAGES.....	482,100
FORECLOSED PROPERTY.....	69,700
HOUSING AUTHORITY.....	<u>4,065,900</u>
TOTAL VALUE	\$44,772,000

COMPARISON OF TAX EXEMPT PROPERTIES IN SURROUNDING COMMUNITIES

Maplewood.....	1½%
Clifton.....	10%
Irvington.....	13%
Bloomfield.....	13%
Belleville.....	20%
Montclair.....	22%
South Orange.....	25%
Caldwell.....	28%
East Orange.....	29%

CITY COUNCIL

City of Orange, New Jersey

RESOLUTION

Date September 7, 1976

Number R 76-76

TITLE: A RESOLUTION PETITIONING THE GENERAL ASSEMBLY OF THE STATE OF NEW JERSEY TO TAKE THE NECESSARY ACTION TO ENACT INTO LAW ASSEMBLY BILL #1076 "AN ACT CONCERNING PROPERTY TAX EXEMPTIONS AND SUPPLEMENTING TITLE 40 OF THE REVISED STATUTES"

WHEREAS, Title 54 of the New Jersey Statutes does not provide for a moratorium on tax exempt properties within the confines of a municipality; and

WHEREAS, the City of Orange a small urban community has approximately 33% of its taxable property exempt from taxation by nature of said property being charitable in use, such as, churches, parochial schools, hospitals, YMCA, YWCA and many others; and

WHEREAS, many of the surrounding communities use the tax exempt facilities in the City of Orange without remuneration to the City of Orange for use of these facilities; and

WHEREAS, the City of Orange and other municipalities in the State of New Jersey are overburdened due to the unequal distribution of tax exempt properties located in their municipalities; and

WHEREAS, there being no moratorium on tax exempt properties has created a heavy burden and hardship on the tax payers of the City of Orange; and

WHEREAS, Assembly Bill #1076 of Assemblyman Richard Codey, Assemblyman Eldridge Hawkins, Assemblyman Ronald Owens and Assemblyman Willie B. Brown was prefilled for introduction in the 1976 session which bill if enacted into law would provide relief to the governing body of any municipality having 25% or more of its total area exempt from taxation by permitting a municipality to pass an ordinance declaring a moratorium on the construction or extension of tax exempt property, and allowing any tax exempt property ceasing to be used for the same purpose be returned to the list of taxable properties of the municipality.

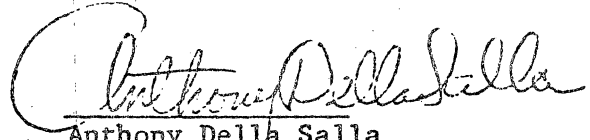
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ORANGE, that in view of the hardship caused the residents and taxpayers of the City of Orange and other municipalities in the State of New Jersey by no moratorium on tax exempt properties within the confines of a municipality, and the unequal distribution of tax exempt properties throughout the State of New Jersey that the City Council of the City of Orange hereby petitions the Assembly of the State of New Jersey to take whatever action necessary to enact into law Assembly Bill #1076; and

BE IT FURTHER RESOLVED, that a certified copy of this resolution be forwarded to Governor Brendan T. Byrne of the State of New Jersey, all Essex County Representatives, the presiding officers of each house, and the members of the County and Municipal Government Committees in the General Assembly and Senate.

Adopted: September 7, 1976

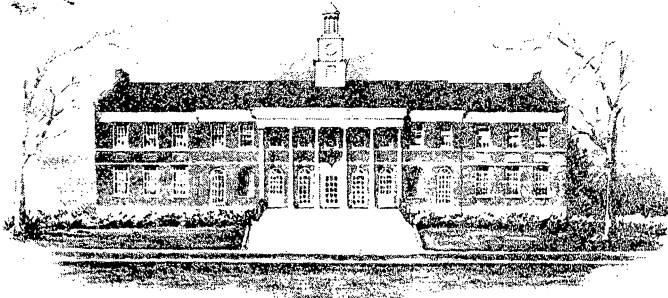


Felix De Feo
City Clerk



Anthony Della Salla

COUNCIL PRESIDENT



The Borough Of Verona

VERONA, NEW JERSEY 07044

August 23, 1977

Mr. J. Gilbert Deardorff
Chief Fiscal Analyst, Staff Assistant
State of New Jersey
New Jersey Legislature
General Assembly Committee on Taxation
Suite 232, State House
Trenton, New Jersey 08625

Gentlemen:

Hopefully, the meetings taking place throughout the State as directed by the General Assembly to study assessments, equalization, revaluation and matters pertaining thereto will prove productive.

I am aware that the taxing process has been a matter of foremost concern for many, many years. Hundreds of meetings and millions of words have been developed because of this very controversial subject.

I will address my brief remarks to four areas: added assessments, tax exempt properties, revaluation and appeal time.

1. Added Assessments. I feel that any home improvement which substantially reduces energy costs should be exempted from added assessment. All of us are very aware of our national energy crisis and surely, every citizen should be encouraged to take steps toward energy conservation without tax penalty. Reasonableness should be the key word.

Added assessments which involve nominal valuation increases should be abandoned in the interests of encouraging property owners to improve their properties.

2. Tax Exempt Properties impose upon local and county governments a burden which no longer can be tolerated particularly with respect to county and state-owned properties.

In Essex County tax exempt County properties particularly add up to unfair taxation. In some instances, special State legislation has awarded almost a special interest tax exemption.

The City of Newark is an example of overpowering tax exempt properties. It would seem to me that all municipalities where tax exempt properties exist, should be treated in the same "in lieu of taxes" arrangement rather than those meeting certain acreage requirements.

August 23, 1977

The County tax base must be protected in order that suburban municipalities are not penalized for tax situations beyond their control.

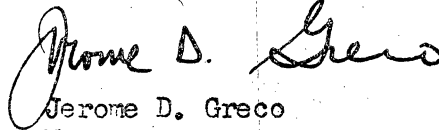
3. Revaluation. No single process of government causes so much confusion or controversy as revaluation. First, it is very expensive; second, no two professional appraisal companies necessarily will arrive at similar assessed valuation conclusions.

Somehow, in some way, updating real property assessments should be accomplished within the assessment staffs throughout the State who, after all, know most about assessment of properties within individual municipalities and counties.

4. Appeals. My main criticism with respect to the appeal process is the time element, particularly with respect to State appeals. Long, drawn-out appeals present special difficulties for municipalities, since a reduction of taxes naturally affects tax revenues and can produce a short-fall which could mean an emergency appropriation. The entire philosophy of budgeting throughout the State of New Jersey is developed on an annual cash basis. When this process is encumbered by circumstances not within control of the municipality, chaos can, and often does, result.

Your Taxation Committee by this time will have heard many criticisms and, hopefully, many constructive ideas. I could wish that somehow a more simple, understandable system of real property taxation envisaging elements of fairness, will be the final result.

Very truly yours,



Jerome D. Greco
Mayor

JDG:ge

