

PUBLIC HEARING
ASSEMBLY BILL NO. 143

N.J. Legislature. Assembly.
Committee on housing

1944

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1944

PUBLIC HEARING

RE: ASSEMBLY BILL NO. 143

permits creation of
Redevelopment Companies to provide
Additional housing units in blighted
areas

Held
March 24, 1944

at the
State House, Trenton, New Jersey

before

the Legislature, Assembly, Committee on Housing

Members present:

- Assemblyman Walter E. Conklin, Chairman
- Assemblyman Gustave W. Huhn
- Assemblywoman Lillian A. Mathis

Absent:

- Assemblyman Thomas M. Muir
- Assemblyman George B. Schaeffer

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ASSEMBLYMAN CONKLIN: We have quite a few here today and I do not know how many desire to speak. I think if you register with the stenographer, those who are proponents of the bill first, then the opponents of the bill and then those who wish to offer any modification of the bill, then we will be able to figure out how much time we have. Although I do not like to limit anyone in what he has to say, it might be to our best interest to limit the time. So if the proponents will register first --

MR. PARSONNET: Mr. Chairman, in what category do these people fall who actually want the bill adopted with slight amendments?

ASSEMBLYMAN CONKLIN: These who wish modification.

(Those wishing to speak registered with the stenographer.)

For the purpose of the record we are Assemblywomen Mrs. Lillian A. Mathis, Assemblyman Gustave W. Euba and myself, Walter E. Conlin, Chairman. We are also fortunate in having Mr. Geoffrey Freiser, the sponsor of the bill, here today. We don't have too many names here so I think if you try to limit yourself to twelve or fifteen minutes, we can get through at a reasonable hour.

Mr. Vanderlipp, you are the first speaker for the bill. If you wish to take fifteen minutes, you may.

MR. VANDERLIFF: Thank you. I hope I can take less.

ASSEMBLYMAN CONKLIN: If you will state whom you represent in your opening remarks, we would appreciate it.

MR. VANDERLIPP: I represent myself. I cannot say that I represent any organization here. I was chairman of the committee which drew this bill and I want to say at the outset that it was not drawn for introduction at this or any other session of the legislature. Some eighteen months or more ago a number of us knowing the interest in housing and knowing of the activity on urban rehabilitation which was going about the country and attracting so much attention thought that a study of the whole situation should be made in the interest of our State. There is a National Committee on Housing, Incorporated, organized in Washington that has a State Committee of which John H. Sloane is the Chairman. It was originally at the meeting of the New Jersey Committee of the National Committee on Housing in discussing post-war matters and housing plans generally that the suggestion was made with respect to this bill. I was asked at that meeting by Mr. Sloane to head up the Committee and I agreed I would do it if we could have representatives from the various interests throughout the State sit in on that committee and debate the need for such a bill and the form that it should take in this State. There was appointed to the Committee as most of you know a number of men. I want to read their names:

Howard Biddulph of the Howard Savings Institution, representing the New Jersey Bankers Association; E. J. Maier, representing the New Jersey Association of Real Estate Boards; Harry A. Trotter, representing the Insurance Companies; Alvin A. Burger, representing the New Jersey State Chamber of Commerce; Harry Hosking, representing the New Jersey Federation of Planning Boards; Fred G. Stickel, Jr., representing the State Building and Loans; Frazer Holalohner, President of the Essex County Building Trades Council, representing the Building Trades Council; C. Godfrey Foggi, President of the New Jersey Society of Architects; and the Secretary of the Committee, Ernest P. Biro. Now we desired representation from these State-wide interests so that we might bring an accumulation of experience and knowledge to the study. It does not follow that the result of the Committee's work has been adopted by any one of these organizations, simply that they were named to sit with us and this is a combined study of those who undertook the work.

There is no need I think of speaking of the need of urban rehabilitation. I think that is as evident as the need for an umbrella in a storm. I think we can safely pass that. It is well known; the figures have been compiled more than once. I would say 83 1/3% of most of the metropolitan areas are now in decadence or coming into decadency. So those who have eyes may see. We will pass that.

The great thing about it all is to find a way to help a city to help itself and that is all this bill is designed to do. It is entirely in my judgment in the interest of the municipalities and the people who live there. It is not designed in the interest of my group. Building trades were asked to sit in that such things as might be required in the building trade interests would be protected. Insurance, building and loans, banking, real estate, - everyone was asked to come in on it. The desire was to see what could be done with respect to the municipalities that now have problems that come around by a variety of causes, chiefly, of course, the failure of the city to provide adequate housing after the last war and now the lack of critical materials which arrest normal housing growth during this war. The great problem in connection with our municipalities is the difference between assessed valuation of land and land use. I think you know the distinction. The assessed value is in many cases a theoretical value which has grown up on property in an area based on uses that were once active and genuine in certain areas. The uses have disappeared. Many of the buildings have disappeared or almost so, but the valuations largely remain. Land use on the other hand is what use should be made. To what gainful purpose in the interest of the community as a whole should any particular section or location in the city be put? After you have determined that, you have to make up your minds whether that use and the density which you would like to apply there are

commensurate with the assessed value and whether anybody could take land at its assessed value and put it to the use that the city would now like to see applied. Definitely throughout the country city planning is coming to the fore very rapidly and is going to be a thing that every municipality will have to reckon with whether it likes it or not. By city planning we are not thinking of the layout of streets and where the corners should be cut and things of that sort; but we are thinking about the city as a whole, the percentage of it that should be given to low wage earners, the protection of the percentage where large properties may be accumulated by those who are more favorably situated and can afford ground, a certain and reasonable percentage for business and its restriction to certain areas so it won't slip over and hurt the urban redevelopment which must take place, a percentage for industry and things of that sort, in other words, a comprehensive planning of a town or municipality which will take in the various elements that go to make up a successful city. A city made up of any one of the elements which I have mentioned could not possibly be successful. So this bill is designed in the interests of the municipalities. In broad terms all of these bills, and I have studied a number of them about the country, come down to one thing and it is this: the possibility permitted by the Legislature for the city to make an agreement with a redevelopment corporation organized and controlled by law whereby in return

for the things which the redevelopment corporation will do for the city, the plans which it develops for its own good, the city may make certain concessions. It may control rents; it may control density; it may say how much of the land shall be given over to green spaces; it may say any of a number of things. All of these statutes throughout the entire country get down ultimately to one thing; that is, an agreement between the municipality and the urban redevelopment corporation over what the corporation is to do and the terms under which it is to do it.

In our bill we have one safeguard in the interest of the public where corporations may wish to sell their bonds to the public. We feel that in that case there should be some authority somewhere that can take a look at the entire capital structure of the entire development, and it is in the interest of the purchasing public that the bonds permitted under the statute are a reasonable investment because under the law we permit fiduciaries and others to invest in those securities and in view of that grant, that these bonds might be available to banks and others, we think there should be that protection to them afforded by the State. The scheme in brief is that there shall be three things: first, a redevelopment corporation organized as set down by the law; secondly, that it shall devise and design a great plan for whatever it wishes to do in one block or the whole city just according to the project and the ability of the

company and the willingness of the city - it has to be set out in detail so that everyone may read and see the entire story -; next, that the city commission or the planning board or whomever they might designate will look at that in the interest of the municipality in its broad general design and approve or disapprove it; and then, finally, the right of condemnation which would be necessary in any event. The time has come it seemed to the Committee when the rights of an individual to hold a piece of land in a given location against the development that somebody might wish to make on the rest of the block no longer exist and that the city if it has a broad general plan should afford to the corporation that undertakes the plan this assistance.

Now, then, after all those things, it gets down to the ultimate thing, which is an agreement between the city and the redevelopment corporation as to the detail of the plan which controls density, rents, tenants, the amount that shall be industrial, the amount that may be mercantile, the amount that may be given over to parks, the arrangement of streets and everything else. I don't think that the cities could ask for a more favorable situation because it is entirely in the hands of the planning boards or the groups that the cities put down to represent them, keeping in mind only one thing, and that is if bonds are to be sold to the public, then the State should step in and see that they are secure and that

the plan is wise in all its parts to protect the fiduciaries and others who under the statute would be permitted to make the investment.

Now, there has been a great deal of discussion about tax exemption. We don't require tax exemption. If a development corporation in a city can find a development which will pay on a given plot without tax exemption and without deflating these land values we have been talking about, there is no requirement that that shall be done. Where a city finds or a development corporation finds that there is a piece of land which in the interest of the whole community should be developed and the land values are to the point and the density is to the point where it never should happen again, there has to be some deflation in tax assessment, exemption or assistance or something of that sort. That seems to be the only means. Now, we justify that-- I don't want to say that we justify that--we come to the conclusion in this way, and then I will stop. It is quite generally conceded that a decadent area like the bad apple in the barrel certainly will spread. No one of us having a property in such an area would attempt to spend any considerable amount of money in rehabilitation because we have no assurance whatever of what our neighborhood would do and we have no assurance of the return of our money. The plan is this: if decadent areas are not arrested in some way, values are certain to go down, rateables go down and

the return to the city decreases. There is no escape for that. Now over a period of ten years any one of us can contemplate and guess as well as another what that might be. John O'Brien here knows taxes. He probably can tell you what the percentage of decline has been. Nevertheless, whatever that decline is, whether it is five, ten, fifteen or twenty-five percent, if we arrest that here now, we have saved the city that ultimate loss and that I believe justifies tax exemption. If the use to which the land is hereafter to be put has a different value than the assessed value, some way has to be arranged by subsidy or any way you like to squeeze out that inflation that is there now, so the land can be put to a profitable use in the interest of the city as a whole. If it can't be done in one way, it must be done in another.

The bill was originally designed as a study. It is not drawn as you will see from this report which we made for introduction in this State. When it was put in here, the boys who handle the laws for the State said, "There are a lot of things about that that have to be fixed up." It was, as I say, a study made so that when the time came that such a law were desired, it might be ready. We were hoping our study might be in the hands of the people for a year or so so we might see what the flaws in it were and we might get the benefit of an enlarged experience, but this bill was introduced shortly after the report was finished and the thing which we had hoped for in

that respect didn't come about. Thank you.

ASSEMBLYMAN CONKLIN: Thank you very much, Mr. Vanderlipp.

I am next going to call on Mr.

Fred S. Stickel, Jr. None of the speakers so far has covered the question of constitutionality. Do you want to cover that?

MR. STICKEL: I would like to touch that at the outset and then go back to what I would like to say besides that.

ASSEMBLYMAN CONKLIN: You represent the State Building and Loans as I understand it?

MR. STICKEL: No, I do not. I represent myself. I served on the Committee with the authority of the State Building and Loan League.

When Mr. Vanderlipp and I were trying to determine the form that the statute should take, we found that there was nothing original about this matter, that many states had already adopted statutes; and after going over most of them, we concluded that the statute in New York was the one that was wisest to follow, first, because of proximity, secondly, because New York had studied the matter and had legislation over a period of two or three years. Therefore there had been some experience with the municipalities in New York, and the insurance companies and lending agencies had been able to find a common ground there. So we largely adapted the New York statute to our situation. It happens that it was a good thing we did because the New York

Court of Appeals has recently upheld the constitutionality of that question by a four to three vote. I am not prepared to say whether that upholding was due to a constitutional amendment adopted in 1938 in New York, but I have no doubt but what that was persuasive and Mr. Vanderlipp and I both wished that there might have been a clause or two in the revised constitution that might touch on that subject, but it was determined by those that had it in charge that the public welfare clauses of the constitution were sufficient and I am inclined to think that perhaps there may be some merit to that. In Illinois where they had no constitutional amendment a lower court has held their statute unconstitutional. Does that answer your question on the constitutionality as far as I can at this time?

ASSEMBLYMAN CONKLEN: There is another question I would like to ask you. Do these other statutes in Illinois and New York give tax exemption?

MR. STICKEL: The New York and Illinois statutes both do. I may say that John O'Brien's tax revision - I guess he was responsible largely for it - in the present constitution would appear to authorize a classification that would cover a situation like this. In other words I think a classification under the proposed constitutional amendment would be justified by taking into account public housing corporations of this character.

What I wanted to say, however, aside from that was this: My interest in this matter of urban rehabil-

itation arose back in 1932 and 1933 when I was invited by the building and loan people to study the effects of the depression upon the building and loan movement and I was impressed by this time and time again, both as to building and loans and savings banks and banks and what not. Foreclosures took place of loans that when placed were apparently good loans and took place apparently in the interim. The neighborhood had become a blighted area. Becoming interested in that, I tried to find out what I thought was the cause and it appeared to me that one of the chief causes was that of transportation. As better transportation became available people who lived in one area of a city moved to a better area or what they thought was. In Newark they would move from the Roosevelt Section or the Forest Hill Section or some other section of that kind and as rapid transportation increased they went out into the suburbs. And the wave of population that took the place of those people who moved out frequently was of a lower income standard and sometimes had social viewpoints different than those who left. Then the third wave came in and apparently they came from still a lower income bracket, with the result that you finally got to a period of blight, disrepair and obsolescence. That trend, by the way, has not been reversed. It is still on and when these boys get back with their air-mindedness, you are going to see developments in Morris and Sussex Counties with air fields attached and more exodus from

your concentrations of population and many who today think that they are free from this cause will find the cause creeping upon them just as it has already done in many suburban areas. This problem is a national one. It affects concentration of population throughout the nation and it will continue to affect it. I spent a good deal of time studying the problem and reading all that I could upon the subject and I came to the conclusion that it being a national problem, some Federal agency should be set up to dramatize the problem much as the F.H.A. dramatized the mortgage problem and harnessed private capital to the solution of the problem. There is enough taxpayers' money in the country for the taxpayer to do with it for himself. Moreover, this isn't slum clearance. This doesn't involve creating housing for those who can't get it for themselves. This doesn't involve constructing housing for the underprivileged. This involves getting decent housing for people who can buy and rent and therefore the solution of it is in the hands of private capital or should be, and private capital should be harnessed to the solution of this problem under Federal, State and local control. The situation is much the same as in the days when they were building railroads when concessions of various kinds were made to the railroads for the benefit of the transportation that was involved. We have benefitted by the mistakes that were there involved because we have these utility corporations as it were under State control and under local control. The problem here

involved is a community problem. It is a problem of public welfare. It is a problem of local revenue and it is a social problem and it affects all of us. These blighted areas in the local communities rarely carry themselves and the other areas of the communities are required to carry them and unless this problem is solved, the rest of the State will have to carry these blighted cities because the trend will keep up unless you find some way of redeeming and reclaiming them. Homes will descend to houses and houses to shacks unless you find some way of reclaiming and redeeming the cities and you can't just walk away from them. You have millions and millions of dollars invested in public utilities and streets and sewers and the like and you can't walk away from that concentration of population. You have to find some way of reclaiming and redeeming and bringing the people back and it can be done. It may be that the younger folks will go out to Morris County and Sussex County and fly into work, but the old folks like me would be only too glad to come into the apartment houses where we can be near the theaters and stores and where we don't have to shovel coal and that is one of the ways the cities will be utilized in the future. I had a notion originally that this problem could be solved by having property owners and mortgages in a block or two block or in an area get together and redeem the area. But while that may be useful as an auxiliary or a supplement to this plan and while it can be indulged in under this plan, I

have come to the conclusion that that isn't the way in which the problem can be solved. I thought originally that just as we created building and loan associations and banks for the purpose of investing money, so we might perhaps create these neighborhood associations to redeem and redevelop the areas. But as I say, I think that will be useful as a supplement, as an auxiliary to the plan as a whole. I think if you are going to get anywhere, you must invite the lending agencies, the large concentrations of capital into this public service, and if you do that, this bill, as Mr. Vanderlipp has explained, and I need not repeat it, I think will accomplish the purpose because in the main it leaves the problem where it ought to be, with the local community, with the local municipalities, the planning boards and the legislative bodies of the local municipalities, to make those contracts with the redevelopment corporations that are wise and in the interest of the community and places a control and a power of control over them in the local municipalities and in the State Housing Authority in the interest of protecting the public as a whole. Such agencies together with the municipalities may also profit by what I hope will be some Federal agency eventually that will dramatize this problem and advise and aid the local authorities and that perhaps will take care of that part of the redemption of the city that private capital can't possibly take care of.

As Mr. Vanderlipp has said, this bill was prepared as a study. It is a provocative bill. It isn't

a bill that the insurance companies or the building and loans or the banks or any other private lending agencies are asking you to adopt. They are not asking you to adopt it. I think they would say to you, however, that if you did adopt a bill of this nature, they would work and could work within it to help you in solving a problem that is important to the community as a whole and that all of us have got to pitch in and help just as we would if there were an earthquake in the City of Newark or a plague in the City of Trenton, in which case we would all pitch in and help.

ASSEMBLYMAN CONKLIN: Thank you, Mr. Stickel. At this time I would like to call on Mr. John E. Sloane, President of this Committee on Urban Rehabilitation.

MR. SLOANE: Mr. Chairman, I just want to speak for a few minutes and tell you that I agree with what Mr. Vanderlipp and Mr. Stickel have said. From the Committee's point of view we would like to hear all the criticisms and objections to this bill; then be allowed to have a copy of the record and have our Committee sit down and try and solve some of these objections; and then submit to you any further ideas we have. I do think it is important to give it very serious consideration and obtain the passage of a bill of this nature.

ASSEMBLYMAN CONKLIN: Thank you, Mr. Sloane.
Mr. Harry Hosking, would you like to say something now?

MR. HOSKING: Yes.

ASSEMBLYMAN CONKLIN: You represent the New Jersey Federation of Planning Boards or you did on this Committee?

MR. HOSKING: That is right.

The impression may be created that this bill is of interest only to large cities where there is urban rehabilitation necessary. Actually any suburban area near an urban area where there is some kind of a blighted district should be interested in a bill like this. It is the movement to the suburbs that is created because people want to get out of the city district and soon out of the suburbs too that creates the premature subdivisions that causes us so much trouble in the suburban districts.

ASSEMBLYMAN CONKLIN: Thank you.

Mr. Holzlochner, you represented labor on the Committee?

MR. HOLZLOCHNER: I represented labor on this Committee. Of course you may say, "Well, this fellow is going to speak for the labor interests on this bill because they are going to get some work on it." Well, I think it would be folly for me to argue otherwise because I would be misrepresenting the facts if I didn't say that was the truth. I also want to say this, that the people who build these houses should be the people who live in them. I am one of those fellows who goes back to my home city where I was born and raised, and it isn't far from where I

live - it is down in Elizabethport - and I look at the area down there where I was born and it hasn't changed any in the last forty years that I know of. In fact, my family still owns some property down there and on the zoning maps that I saw a few years ago that particular area is blacked out as uninhabitable, but there are still people living in those houses.

I am wondering what is going to happen to all these cities in the future if all our people move out to the suburbs and grab up this valuable farm land as it used to be and build up there and leave the cities to themselves. I am one of those gentlemen in labor who still believes in free enterprise, one of the few perhaps that they say are Republican too. I can visualize that the cities are going to be left holding the bag when our people go out to the outskirts of the big cities. For instance, take the City of Newark, in which I am very much interested, although I am not a resident of Newark. I see blighted areas there that will never get better unless we get some private enterprise going in those blighted areas and putting up some decent housing for our people so they won't go out of these towns. Public housing is a fine scheme, but I don't know as the city fathers that are now in office want to see Uncle Sam owning all the property in these cities. We have got to try to interest private interests with capital to invest their money in the cities and give them a fair return on their risk of investment;

and I think a law of this sort, while I don't know much about law, - I am just a layman - is a step in the right direction. It may have a lot of flaws in it; I don't know. I hear some people talk about this eminent domain that is in this bill and the taxation problems and so forth. I think it is for the Legislature to figure out what is going to be best and the amendments that can be made to a bill of this sort would make it workable so that private capital can come into these municipalities and not leave them in the condition that some parts are in today and some parts are getting worse. As Mr. Stickel has so ably pointed out, the utilities are all there. You go up in our suburbs in Essex County. There are no utilities in some of these districts and they have to put them in. That costs money. Here we have a town that has them in. Can't housing be erected there to keep these people there? I think that should be done. I think any fair-minded person who has any community spirit would go along with a problem of this sort because if we don't, the big cities are just going to deteriorate and the people as they get a few dollars are going out into the suburbs and I don't think you will ever get them back in the city. I hope that the Legislature will look at this from a very broad point of view and do something to help these blighted areas in the city so that our people can stay in the city near to their work, near to recreation and everything that goes to make a happy community life.

ASSEMBLYMAN COCKLIN:

Thank you, Mr. Holsinger.

Next I have on the list Thomas L.

Parsonnet. I understand Mr. Parsonnet speaks for the bill and for modification. He speaks for the Mayor of Newark, the State Federation of Labor and for the Newark Planning Board.

MR. PARSONNET:

Mr. Chairman, I received a call from the members of the Newark Planning Board an hour or so ago asking me to present to you their points of view. Mr. Maier, the President of the Planning Board, just returned from an extended trip and couldn't get here. Mr. Pete Saviochia, the Vice President of the Planning Board, is ill and couldn't get here. The Planning Board has asked me to present to you their views. They are in favor of this legislation and ask your favorable cooperation.

The State Federation of Labor wishes me to present the same point of view, and although Mr. Holsinger was a bit facetious when he said he may be one of the few labor men who believe in free enterprise, may I point out that labor in general believes very strongly in free enterprise because they know without free enterprise there cannot be free labor. We believe very strongly in private redevelopment of blighted urban areas. We know the threat is upon us and that if there is not private redevelopment, we are definitely coming to the point where there will be public redevelopment primarily through the Federal government and it will develop more and more bureaucratic control which we all deplore. We hope that legislation such as

this will be enacted for the purpose of assisting private organizations to do that which will be done eventually, if necessary, by the government.

The Mayor of the City of Newark has asked me to express one thought concerning modification. On Wednesday of this week the bill was brought to the attention of the City Commission with respect to the tax clause. Consideration of the bill was had, but no conclusion reached because the Commission decided to wait for a report as to the attitude of the City Planning Board. I have given you my report as to the attitude of the City Planning Board, but the Mayor himself has asked me to state to you that he believes Section 26 of the Act on pages 25, 26 and 27 should be amended. There is serious doubt whether or not subsection (b) of that section is not mandatory. There is no provision in subsection (b) for the adoption of an ordinance, or as subsection (a) calls it, an ordinance or local law. I presume that that language is language taken from the State of New York and not needed here. It would, therefore, appear that if a municipal ordinance is not adopted, then by mandate of statute the urban redevelopment company would be declared to be a public necessity and therefore its property would be exempt from taxation except for the tax amount in dollars and cents which was paid before it became a project. That appears to be a mandatory provision which should be modified. Certainly this should be left

to be a community enterprise and the municipality should not be compelled to exempt from taxation, but only permitted to do so.

In addition to that there is the other point that if an ordinance is passed, a municipality is permitted to fix the assessed valuation not in excess of that which existed at the time the project was approved. There should be a provision for the entering into of contractual relationship between the redevelopment company and the municipality permitting either the fixing of such assessment for a period not to exceed twenty-five years or in lieu thereof an understanding that there would be a progressive increase in the assessed valuation so that at the end of the agreed period there would be a full assessment. In other words, as the bill is now written there could not be any progression, but the assessment would have to be fixed and kept stable and suddenly at the end of a given project, whether it be fifteen or twenty years, jump to the full assessment. It is wise the Mayor thinks to provide for progression and not make it mandatory but permissive for the municipality.

Now, with that exception I believe that the Mayor is fully in accord with the idea of the bill. The State Federation strongly supports it and the Planning Board has authorized me to say the same for it.

ASSEMBLYMAN COCKLIN: Thank you, Mr. Parsonnet.

I have only one opponent listed here. He is also one for modification. Mr. Edward C. Moffitt of the

Borough of Roselle --

MR. HOFFITT: Mr. Chairman, in view of our few words before the hearing opened, I think I am privileged to put the two together.

ASSEMBLYMAN CONKETT: Yes.

MR. HOFFITT: I have before me to begin with a resolution of the Mayor and Council of the Borough of Roselle which was adopted at its meeting last night, in which it cites Article I, Section 19, of the State constitution and also says that this bill if passed would provide for the surrender of the municipal taxing power for the benefit of groups formed under the Act and therefore would be unconstitutional. It states that the Borough of Roselle wishes to urge the members of the Senate and General Assembly to defeat the bill and it resolves that I shall be here today to oppose the bill with all force and vigor. I am a little too old to be very vigorous, but I would like to leave this with the Committee so you may have it for your purposes. I might say --

ASSEMBLYMAN CORNELIN: Pardon me, Mr. Hoffitt. I am going to ask the stenographer to have this spread upon the minutes of the hearing.

MR. HOFFITT: I might say in connection with the discussion concerning this bill, the cost of the added services and the loss of revenues that would be entailed, the schooling of children

who would be housed in the rehabilitated areas and all other costs which would go with such a project are, in the minds of our city fathers at least, out of proportion to the benefits which presumably might accrue from the bill. They also with respect to the unconstitutional feature of the act called my attention to the fact - I was a little too young to remember -- that at the end of the last war or a few years thereafter there was a bill passed in the State of New Jersey which I believe provided for five years' exemption in the building of homesteads, etc., which act was declared unconstitutional. This would seem to be comparable except that here ~~the~~ benefits the corporation which is formed under the act rather than the individual. They also spoke of the same factor that was brought up by Mr. Stickel, that the trend to suburban areas is going to continue and that after the war the boys flying planes are going to be out there. The question was asked me if I thought those kids were going to come back into town merely because they had rehabilitated an area. Their opinion was that they would not. Inasmuch as I am supposed to oppose the bill with full force and vigor for the municipality nothing need further be said except that the municipality opposes the bill in toto, mainly because of the unconstitutionality in their opinion of Section 26.

I am here as President of the State Tax Collectors Association. It is really the Receivers and Collectors

Association of the State of New Jersey. Our opinion is not that rehabilitation is not a good thing, but we don't favor the bill in its present form. The Association is aware of the fact that nearly every time a bill is presented which touches upon something which seems desirable, but which can be attacked from the viewpoint of interfering with the home rule principle, the home rule principle is constantly put before them. The Tax Collectors Association believes in the home rule principle. It also believes that there is a great deal of integrity and ability to be found in the men who are the presiding officers in governing bodies of the various municipalities; and that if the home rule were applied, most certainly the ones who could best determine what they wanted to do would be the municipality. And since the municipality itself is the one which is going to suffer the burden, the Tax Collectors Association figures that the bill instead of providing for these corporations and companies for redevelopment or rehabilitation, should provide that any municipality may by proper referendum describing the area in full which is to be rehabilitated adopt a rehabilitation plan of its own. The municipalities can issue bonds and therefore they can interest private capital. They feel that in such case the dedication of the rents to the payment of these bonds with a certain amount required to be dedicated - we will say 1/25th over a period of twenty-five years - should be had in such a bill and that anything

received outside of costs of managing the project should go into the general tax fund in lieu of, and perhaps it would be more than in lieu of, any taxation that might be represented by the increased value.

The Tax Collectors Association also feels that after a period of twenty-five years there certainly will be a pretty sizeable depreciation in the assessment for taxing purposes and that the municipality never would realize what it should realize in taxes from the setup if it were under the present bill.

They also asked me to state that we are realists. May I say first that it was pointed out there is a provision in the bill under which no exemption need be granted if the municipality doesn't feel it should. But let's be realists and ask ourselves the question: What insurance company or what fiduciary or what lender of large sums of money or investor of large sums of money is going to walk into an area and not get the tax exemption if they feel the boys are hot enough for it to want it? Let us also be realists further and recognize the fact that the amount of money that would be involved in this and the amount of savings by way of taxation exemptions that would be granted would certainly supply a fund to the individuals who were doing the rehabilitating, which could bring an awful lot of pressure upon individuals in municipalities where such projects

were contemplated. On the whole the attitude of the Tax Collectors Association is that this should be a municipal proposition all the way through, and an act which would enable the municipalities to do the rehabilitation themselves after a referendum vote giving in full what the rehabilitation is to encompass and accomplish and with the dedication of funds to the specific purposes I mentioned before is the real solution to rehabilitation of blighted areas. They also asked me to express to the members of the Committee who took the time to study this problem and present the bill their compliments and high regards for the effort which was entailed and to ask me to say to the Committee that while we disagree with them, we do not hold back our commendation for the work which they accomplished in presenting the recommendations to the Governor.

The sum and substance then is that our municipality, at least, is absolutely opposed and that the State Tax Collectors Association wants to see modification making the municipality rather than a private corporation the rehabilitator.

ASSEMBLYMAN CONKLIN:

Thank you.

I have here the name of G. Arnel Nutter.

MR. NUTTER:

I am here representing the New Jersey Association of Real Estate Boards. My education has been improved a little since I sat here and listened to the purposes of this bill. We think the bill has merit in encouraging slum

clearance and correction of blighted areas by private enterprise. As I understand, however, from Judge Stickel and other speakers, this is now apparently not to be restricted to either blighted areas or slum clearance, but can take an entire city in or just a city block, and I believe it would be very heartily opposed to that wide power. There is a feeling among some of our members that these projects may be too closely allied with so-called public housing due to the supervision and regulation of the State Housing Authority and that private capital may hesitate to enter the field as set out in this bill. However, we are not here today to discuss this particular feature.

If this bill will accomplish slum clearance, we recognize that certain benefits will accrue. First, we are for improved neighborhoods. Second, we are for lower taxes on real property. Third, we are also for the providing of adequate decent housing for the low income group. We do want to be sure that this bill will only affect blighted areas. That is why I can say we were astonished when we came in to find it may be in contemplation to cover an entire city. Assuming that the desired results will follow, there are two features of the bill that interest us particularly, one favorable, one unfavorable. First, the right of eminent domain, favorable. Second, tax exemption, very unfavorable. With proper safeguards we recognized the necessity of eminent domain to prevent an entire project that had to be opened or done some other way.

from being imperiled by one or more property owners holding it up. As to tax exemption, we are opposed to this feature. It would place an increased burden on local municipalities and local real estate taxed property owners where the owners of real property and others could least afford to pay. We suggest that these projects pay a full tax commensurate with other property locally; and if it is felt that some tax concession is necessary, that it be sought from a broader taxing base other than real estate or through lower interest rates on bonds. We already have in the State of New Jersey between 23 and 25 percent of the total real estate in the entire State tax exempt. In connection with the so-called arresting of tax assessment of valuation, the bill is not confined to this. It freezes only the tax dollars and what I mean by that is that it freezes the payment in dollars of the tax that is on the property at the time the project is begun. That could necessarily mean that due to this project or a number of projects the rate could go way up; that is, the assessment could go way up on other property or the rate itself, and, therefore, there would be no measuring value in a commensurate scheme. I am pleased to find here today that the thought is that it is a provocative bill. There are a lot of things we feel are good and a lot we feel can be corrected. The bill does not seem to provide insofar as we can ascertain a place where an assessment can be placed for local benefits and by that I mean if there were a new street or that the redevelopment corporation could not do any redeveloping that had to be opened or storm sewers later or any other improvement

that would have to be made for a municipal advantage. This project would be completely tax free and would not have to carry any of the burden that the additional surrounding property owners would have to carry. They would have to not only carry their own share, but this also.

Also there are a number of features of the bill open to question. First, while supervision is in the local authority, this seems to stop when the contracts are approved and if you will turn to page 18, lines 124 and 125 I will go back to line 120 for you who do not have the bill in front of you; it says: "If the contracting parties are a municipality, a redevelopment company and one or more insurance companies, or one or more savings banks and savings institutions, or one or more savings and loan associations, which own or will own all of the stock, debentures, bonds and mortgage indebtedness of such redevelopment company," - this is the point - "then the certificate of the supervising agency approving such contract shall terminate the functions of the supervising agency...." No merely question whether that terminates local authority, leaving then the supervision in the State Housing Authority solely.

Also on page 22, the last paragraph, 23, we suggest that some definition be put in there as to what a redevelopment corporation is, and it probably could be handled so that the redevelopment corporation could not be any redevelop-

ment corporation, but one formed under the provisions of this act; in other words, so you would have control of it. We expect to develop a policy for a constructive program which is under study now and this bill may be one that we may want to give some further study to. We believe there is merit in the bill, but that it needs clarification to assure that it does not develop into public housing. We consistently opposed tax exemption and do so now since it places the tax assistance burden on the local municipality and private property owners who are least able to bear and absorb it. Thank you.

ASSEMBLEMAN CONKLIN: Thank you. Mr. James J. Smith -- I believe you represent the League of Municipalities.

MR. SMITH: Mr. Chairman and members of the Committee: I have a statement here that I am going to read and I will enter it on the record. The Legislative Committee of the League of Municipalities has given Assembly Bill 145 careful consideration. We are definitely in sympathy with the object of the bill as given in the statement "to provide a way for municipalities, with the aid of private capital, to arrest blight, stop falling real estate values, and to rehabilitate decadent and substandard areas." We recognize the safeguards in the bill which require the consent of the municipality, the approval of

the local legislative body, before any housing project can be undertaken.

Our sole objection to the bill is the tax exemption feature in section 26. This section provides "against any increase in any local tax assessment valuation, for the lands, buildings and improvements included in any plan or project over the assessed valuations fixed and determined for the said lands and buildings for the fiscal year in which said project is approved." And further states, "it being the intent hereof that for such tax exemption period the redevelopment corporation shall not be required to pay taxes on the assessed value of the improvements erected by it on any plan or project in excess of such arrested assessed value." The period of exemption not to exceed twenty-five years.

Most of the housing projects in recent years have depended to some degree upon the financial aid of some form of governmental subsidy. Such assistance has been provided in the belief that decent living accommodations are a proper social responsibility of government but such assistance is given primarily as an aid to public welfare and with little consideration for the self-liquidating character of the project or its financial returns.

We know that if private capital is to be interested in the housing problem there must be assurance of

a reasonable profit on the investment. But it must not be realized at the expense of the other property owners and taxpayers.

In New Jersey we depend upon the general property tax in the municipality. The burden of taxation is upon real estate and the small home owner which means unless and until new sources of local revenue are found, any form of housing exemption or subsidy must be absorbed by the other taxpayers. There can be no escape from that conclusion. There has been a trend in recent years to extend tax exemption in the face of the rising cost of local government services and steadily increasing tax rates.

The tax exemption provision of this bill which covers a period of 25 years places the burden upon local government of raising the amount of that exemption from the already heavily burdened real estate taxpayer.

It is our contention that urban redevelopment and rehabilitation if desirable and necessary for the public welfare should receive Federal and State aid, rather than look to the municipality for a recurring exemption or subsidy for a period of 25 years.

The League of Municipalities, while in favor of the purpose of this bill, is definitely opposed to the tax exemption provision.

ASSEMBLYMAN CONKLIN: Thank you. Is there anyone else who has anything to say on this bill who has not registered or who has

not spoken?

MR. O'BRIEN:

Mr. Chairman, my name is John F. O'Brien and I speak for the Newark Real Estate Board and the New Jersey Association of Real Estate Boards. It would seem to me as a result of this hearing that very definitely this particular bill should not pass and I make that statement because of statements of both Mr. Vanderlipp and Judge Stickel because they both said that it was not intended that this study that had been made would become the object of a bill. I was glad to hear that because after all this is a very, very important piece of legislation; and no one can doubt the sincerity of Mr. Vanderlipp or Judge Stickel in this matter; and when they say that this bill or this study had not been intended as a vehicle of legislation, then I think the Committee should pay a great deal of attention to that because the care and attention that is called for in a bill that is to become a law certainly deserves more study and more research possibly than was given to this study. I say that without knowing how much research and study was given to it. That is one point.

The other thing that I want to suggest is this: I think there is still on the statute books a law that was designed to accomplish the thing that this bill is presumed to accomplish or designed to accomplish, and that was passed, I think, in 1925 in order to bring about the development of the Third

Ward by the Prudential Insurance Company. That bill carried one of the two features contained in this bill, the feature of eminent domain. Under that bill the Prudential built a very large development in the Third Ward principally for occupation by the negro population and it has been very successful. They had the right of eminent domain but they didn't use it because it wasn't found to be necessary. But the tax exemption feature was not present there. They didn't ask for tax exemption and they haven't received it. Now I am wondering if possibly the Committee might look into that statute to see if the ends to be accomplished by this bill may not be possible under existing law. Of course, gentlemen, you must remember that the crux of this situation, the asking for tax exemption, is merely a commentary on our local taxes. Private capital would go in without anything, and certainly they would rather go in without intensive regulations, if they could be assured of a fair return because there is plenty of capital to do it.

Then the other thing that I want to call your attention to was suggested by Judge Stickel when he said that this was a social problem and it affects all of us. And so it does. The blighted areas which need curing are in the congested areas, in cities such as Newark, Paterson, Jersey City, where there is a concentration of population. There is where your blighted areas are. Now the benefits that accrue, however, from the

clearing up of those congested areas are benefits that are State-wide and it parallels the problem that was present in the relief days and the State recognized then that while Newark or Jersey City or Trenton or Paterson had a relief problem, the curing of that problem wasn't necessarily the problem only of the municipality where it existed. In other words, Ridgewood can't just build a wall around itself and say, "We are not concerned with the relief problem or the blighted area in Hoboken." nor can South Orange say, "We are not concerned with the relief problem or the congested conditions in Newark." They are. So the problem is State-wide and if it is necessary to inject into this thing tax abatement or tax relief or tax reduction or tax arresting in order to make it inviting to private enterprise to undertake it, then that must be spread over a larger area than the local home owner; he should not be asked to subsidize this thing. As somebody said, we are again asking that part of our State and that part of our community and those particular people to subsidize this thing for the general good who are already burdened with high taxes just merely through the technical ownership of real estate. It has been argued that benefit will come to real estate owners and home owners, that the blighted areas affect their value. That is true. But the benefit, gentlemen, is going to other people also. You can benefit me as a home owner by curing up these sore spots. There is no question

Judge [Name] to have an entire area along the [Name] street.

about it. You can't benefit me without benefitting my mortgagee either. If I am benefitted, he is benefitted. You can't benefit me without benefitting industry in the community. As the laboring gentleman said, people should live near their work. If through this rehabilitation we are going to place labor in close contact with industry, then industry is a very, very great beneficiary, and so it goes. The owners of stock, the owners of bonds are all benefitted by this the same as the real estate owners. That being so, then as I say the subsidy should not be restricted to the local man or woman who happens to own their own property. I am merely making these remarks for the benefit of the Committee for what they may be worth.

ASSEMBLYMAN COCKLIN: Thank you, Mr. O'Brien. Is there anyone else who has not spoken?

MR. HOFFMAN: Mr. Chairman, may I be permitted to speak? My name is Samuel A. Hoffman. I speak for myself, although I am a member of the New Brunswick Housing Authority and the Chairman of the Chamber of Commerce Citizens Committee for Housing in New Brunswick and I believe that I reflect their views as well as the local governing body's views in New Brunswick. I want to say that I think that we in New Brunswick are in accord with the principles of this bill. We have a situation, I think, that is not uncommon, but still in New Brunswick it tends to emphasize some of the arguments that were made here by Mr. Vanderlipp and Judge Stickel. We have an entire area along the Raritan River,

which at one time was probably the finest area in the city and the area which produced the largest amount of rateables. That area over a period of years has deteriorated and has become a decadent area and I think we have the doubtful distinction of having the third worst slum area in the State of New Jersey, being surpassed -- perhaps I had better not make any mention of any specific municipality. The point that I am making is that that particular area happens to be potentially the best located area and potentially the best area in the city from the viewpoint of bringing to the city at large the largest amount of rateables. Because of its location on the river it is desirable for residential purposes. The utilities are there, and not only the utilities, but schools and other public buildings. Its proximity to the commercial center of the city, to the transportation facilities of the city, is another factor. It seems to me to be definitely an economic waste and extravagance to abandon an area of that character simply because the buildings located in that area have become obsolete and decadent.

Now, I feel, of course, with some of the gentlemen, that the tax exemption provisions of this bill as I heard them expressed here today should be modified and should be made flexible so that the greatest return to the city consistent with a reasonable attraction to private capital should be made, so that private capital will bear as much of their fair share of the

tax burden as possible. I also feel with Mr. Hutter, I believe, when he says that the operation under a bill of this character ought to be confined as much as possible to blighted and decadent areas rather than being given a wide latitude to come into areas which are now carrying a fair share of the rateables and where the buildings and entire area are not subjected to obsolescence and decadence.

There is perhaps one new thought that I may add to the discussion this afternoon and that is this: I also happen to be a member of the Local Government Board and we have found in our investigation of municipalities throughout the State, particularly those which have come under our jurisdiction under Chapter 187 of the Laws of 1936, which have been declared to be either on the verge or actually in unsound financial condition, that in a great many places the condition has been brought about by unwise developments in suburban areas where developments were started as a result of visionary dreams on the part of developers, where farm acreage was taken and by the simple method of transforming the acreage into lots and by placing the same on paper, fictitious rateables were created as a base for the assessment of real estate. I know in many of these places sidewalks which were laid ten or fifteen or twenty years ago, involving the expenditure of hundreds of thousands of dollars were never walked upon. In many cases sewers were never used, school buildings

were only occupied partially. Now it seems to me this one bill would have one very desirable effect and that is this, that if the bill can be modified so that the principles can be accomplished and at the same time the areas be restricted to the blighted areas and the tax exemption features modified, it would tend to reduce the possibility of new unwise developments in the post-war period, which might again carry with them the germs of further insolvency on the part of many municipalities in the future.

ASSEMBLYMAN CORNELIUS:

Is there anyone else?

MR. HELLMAN:

My name is H. K. Hellman. I am Secretary of the Maplewood, New Jersey, Planning Board. I came here with a question on my mind which I think has been answered, but I would like for just a moment to present the side of our municipality which is probably unique in that we cannot anticipate blighted areas. We are not just sitting back and being happy about that because we feel we have a problem. First let me say I very definitely subscribe to the elimination of blighted areas, but I believe that municipalities where a high standard has been maintained in the past because of the fact that a large percentage, a very large percentage of the houses are owned by tenants, that is, the owners live in their houses, and where they desire to maintain the same standards in the future, should be given an opportunity to do so. I might say that it has been expressed by certain citizens of our municipality who have the interest of the

municipality at heart that an opportunity would like to be had for the bannng together of some members of that municipality into a corporation. That was mentioned quite a while before this bill was ever considered and I would like to respectfully suggest that this question be covered in this act so that we of a

community where we have no blighted areas who desire to maintain the same standard may proceed along some line as outlined in this bill.

ASSEMBLYMAN CONKLIN: Is there anyone else?

(Mr. Parsonnet arises to speak.)

ASSEMBLYMAN CONKLIN: Mr. Parsonnet, we don't want to get down to the common law pleadings, so I will ask you to confine any remarks you have to make to new matter, not in answer to any arguments that were advanced against this bill.

MR. PARSONNET: Perhaps then I had better not speak. Mr. O'Brien referred to the Prudential Insurance Company development; and, if I may, I would like to point out something in that connection which indicates the necessity for tax exemption.

ASSEMBLYMAN CONKLIN: All right. You may proceed.

MR. PARSONNET: Just this - I think Mr. O'Brien's reference to the Prudential development is proof-positive that tax exemption or some other form of relief is utterly essential. Although tax exemption was not granted in that case, yet the municipality gave more than tax exemption by buying all the land on which houses were not actually erected, between the houses, in making a public

park. So the amount that was saved by the Prudential as a result of that assistance of the municipality is greater than if they had had tax exemption. I believe it proves that no elimination of substandard areas can be had without municipal or State assistance.

ASSEMBLYMAN CONKLIN:

Thank you, Mr. Farnsworth.

MR. VANDERLIPP:

May I clear up one matter briefly?

ASSEMBLYMAN CONKLIN:

Yes.

MR. VANDERLIPP:

This is not in any wise in the interest

of low-cost housing. When the matter came before the Committee I suggested the over-all agency to supervise bond issues be the Department of Banking and Insurance. The Committee was opposed to me on this because this was distinctly a housing matter and the State Housing Authority was put into the bill at the insistence of the Committee itself. There is no thought to suggest any agency. If the Legislature wishes to create an agency or knows of a better agency to supervise a bond issue, of course, the State Housing Authority should be eliminated. I wanted to clear that up because it might be misunderstood. I am a member of the State Housing Authority. It was not my thought that the State Housing Authority supervise the bond issue, but the thought of the Committee. There are other things that might be answered, but you don't want answers.

MR. WOFFORD:

May I make one statement which isn't

concerning?

ASSEMBLYMAN CONKLIN: Yes.

MR. ROFFITT: I recall a year or two ago I sat in the august Assembly one evening and listened to the passage of a bill which created in Union County a new township called Winfield. The whole reason for the creation of that township was since it would be federally owned there was no assurance of revenues to Clark Township in which it was located, and this Legislature created the Township of Winfield rather than to put that burden on the other taxpayers of Clark Township.

MR. STICKLER: I was very much impressed by the remarks of my friend, John O'Brien, and I am inclined to agree in the main with his idea that we should not visit the effects of tax arrestment in the interest of urban redevelopment solely upon the real-estate taxpayer and if that is the effect of the bill, I, myself, would be in favor of some modification of it. I don't think it is the effect of the bill, but if there is any question about that, I am quite agreed that the arrestment ought to be extended, because, as I said in my opening remarks, this is a social problem that we have all got to help solve throughout the State and it isn't a problem that any one particular municipality can solve for itself.

ASSEMBLYMAN CONKLIN: Anyone else? If not, I want to take this opportunity on behalf of the Committee to thank all you gentlemen for coming down here today. What we have heard here today will certainly assist us in the study of this proposed bill.

The following resolution was offered by Edward G. Moffitt on behalf of the Mayor and Council of the Borough of Roselle:

"March 23, 1944.

"WHEREAS, there has been introduced at the present session of the New Jersey Legislature a bill designated Assembly No. 143, which bill is stated to be 'An Act providing for urban redevelopment and rehabilitation and for redevelopment companies and investments therein by insurance companies, savings banks, fiduciaries and others' and

"WHEREAS, Section 26 of the said act provides for exemption from taxation of properties held by corporations formed under the said act, which exemption in effect provides a subsidy at the expense of the other tax-payers; and

"WHEREAS, such a provision is in fact in contravention of the provisions of Article I, Section 19, of our present State Constitution in that it provides for the surrender of the municipal taxing power for the benefit of groups formed under the said act; therefore,

"BE IT RESOLVED, by the Mayor and Common Council of the Borough of Roselle that on behalf of the said Borough of Roselle we do urge the members of the Senate and General Assembly of this State to defeat the said bill; and

"BE IT FURTHER RESOLVED, that Edward G. Moffitt, Municipal Collector and Treasurer, be and he hereby is appointed to attend the public hearing on the said bill, to be held in Trenton on March 24th, next, as the official representative of the Borough of Roselle, to oppose the same with all force and vigor.

"Adopted : March 23, 1944.

"Approved : March 23, 1944.

George H. Burt (signed)

Mayor

"Attest :

J. F. Ostrander (signed)

Borough Clerk

(Seal of the Borough
of Roselle)

"I hereby certify that the foregoing is a true and correct copy of resolution adopted by the Mayor and Council of the Borough of Roselle at a regular meeting held March 23rd, 1944.

J. F. Ostrander (signed)

Borough Clerk