
Public Hearing

before

ASSEMBLY COMMERCE AND MILITARY AND VETERANS' AFFAIRS COMMITTEE

"Testimony from various groups and the Department of Commerce and Economic Development concerning the impact of enterprise zones, effectiveness of the zones in meeting the goals of the enterprise zone law and ways to improve the operation of enterprise zones"

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: July 25, 1996
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Joseph Azzolina, Chairman
Assemblyman Joseph R. Malone, Vice-Chairman
Assemblyman Nicholas Asselta
Assemblyman Louis A. Romano

ALSO PRESENT:

Edward P. Westreich
Office of Legislative Services
Aide, Assembly Commerce and
Military and Veterans' Affairs Committee



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ASSEMBLYMAN JOSEPH AZZOLINA (Chairman): Good morning. I think we have four legislators here today and a fifth one is on the way. We'll start the testimony shortly.

We're going to discuss, as you all know, UE Zones. There are a lot of pros and cons on them. They are good and bad, so we will listen to both sides. There is a major report which, I guess, Commerce will come up with some time during the year. Once that report comes out, the testimony we gather here will be given to the consultants, also. Some time in the future we'll have to decide where we're going with these zones.

Before I start, I would like to introduce this young lady next to me. Believe it or not, she is a very attractive young lady. She is a family friend of mine. She visits her family here every summer. I got to know her several years ago, and I kind of escort her around when she is here. She is a judge in Budapest, Hungary. She is on the top court, like our Superior Court. She does all civil work. She said, "You better believe I'm tough." I've seen her in action; she is tough. So she is here visiting, and I told her if she would like to sit here with us today and listen-- She said this is a nicer courtroom than she has so it's a treat for her.

Okay. Who is the first?

ASSEMBLYMAN ROMANO: Mr. Chairman, you have neglected to give us her name.

ASSEMBLYMAN AZZOLINA: Oh, I'm sorry.

ASSEMBLYMAN ROMANO: I just want to make sure she isn't one of the Gabor sisters. (laughter)

ASSEMBLYMAN AZZOLINA: Veronica Gastezzi. (phonetic spelling) She said they do not wear robes in the courtroom in Budapest. They use, by the way, the Roman law system which is different than ours. She sits there with two assistants -- they are civilian people -- and they are the jury. They make the decision. If she doesn't like what they come up with her, then she makes the final decision.

ASSEMBLYMAN MALONE: It's like the thumbs up or thumbs down, is that what it is? (laughter)

ASSEMBLYMAN AZZOLINA: Yes, right. (laughter)

They do use the Roman system, which I think is sometimes a lot better than our own system. They give quicker justice and so forth. If any of you want to talk to her later, you may.

So with that, we'll have Jim, an Associate Deputy State Treasurer.

Jim, are you here today? (affirmative response)

Okay. Jim is an Associate Deputy State Treasurer of the Department of the Treasury.

Maybe you can tell us who your assistants are there. One looks like he is a football player, though. (laughter)

ASSOC. DEP. TREAS. JAMES A. DiELEUTERIO JR.: Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Everything is being recorded today, by the way.

ASSOCIATE DEPUTY TREASURER DiELEUTERIO: With me are Deputy Director Bob Thompson and Deputy Director Harry Fox. Both are from the Division of Taxation.

We would like to thank you for inviting us to testify this morning on the Urban Enterprise Zone Program.

The Department of the Treasury recognizes the value of the UEZ Program. We agree with the mission of the Program to revitalize New Jersey's urban centers by trying to stimulate commerce in those areas through certain tax incentives.

Treasury appreciates the efforts of this Committee to learn from our Department and from others what the impact of the UEZ Program has been, how effective it has been in fulfilling its goals, and how its operations could be improved.

I believe many of those questions will be answered by the completion of this study required by the Urban Enterprise Zone law, which, as you know, will include an assessment of the fiscal impact of the more recently established UEZs, an analysis of the effects on the local economies, and an assessment of the effectiveness of the zones in addressing the goals identified by the Legislature in creating the UEZ Program. It is my understanding that bids are soon expected from the firms that would like to undertake this study.

In the meantime, I would like to share some of Treasury's concerns with the Committee about the actual impact that UEZs have had in their designated areas and on their surrounding communities.

Treasury has received consistent and numerous complaints from businesses around the State that certain vendors are circumventing, at least, the spirit of the UEZ law. These vendors operate storefront businesses in a zone to become eligible to charge the 3 percent sales tax but then solicit sales

from throughout the State. Such activities prevent the transaction of the goods, the investment in the business' property, payroll, and inventory from directly benefitting the zone.

Some of the more serious examples of this circumvention involve suppliers of lumber and construction material. Through their storefront operations, these businesses undermine the efforts of legitimate construction suppliers operating outside of an Urban Enterprise Zone.

To help address this issue, Treasury is currently drafting regulations that would require UEZ vendors to actually handle the goods they sell. The Attorney General's Office has recently advised Treasury that the current UEZ legislation provides the authority for these regulations. I would be pleased to share a copy of these regulations with the Committee once they are completed.

Treasury is further concerned with our ability to monitor the full fiscal impact of the UEZ Program. Based largely on the reduction in sales tax from 6 percent to 3 percent, the annual cost of the Program to the State Treasury is estimated to be between \$60 million and \$80 million.

But in addition to the 3 percent break on sales tax, a UEZ also permits qualified businesses to purchase goods tax free for infrastructure improvements within the zone. Despite the hard work of our compliance and auditing teams, we cannot reliably determine the cost of this exemption. The recent growth of the UEZ Program has compounded this compliance issue.

In addition to providing an incentive for UEZ businesses to expand their infrastructure, the UEZ Program is also designed to encourage municipalities with an Enterprise Zone to use the sales tax revenues they retain

to improve their own infrastructure. Treasury is concerned that in some UEZs, municipalities have chosen to use these revenues for soft costs, such as police salaries, rather than investments in infrastructure that will remain after the UEZ designation expires.

Given the concerns we have had with the UEZ Program over the years, Treasury suggests that the review about to be conducted into the Program should investigate not only the benefits created in the UEZs, but also the adverse effects that UEZs may have on their surrounding communities.

The Department of the Treasury is eager to cooperate with the Legislature to ensure the success of the UEZ Program. We already devote many hours to audits, compliance efforts, and investigations to help enforce the current UEZ laws and regulations.

We look forward to the findings of the upcoming report and to working with you to implement the report's suggestions. We do, however, support the notion that no further expansion of the UEZ Program should occur, at least until the study being conducted by the Department of Commerce and Economic Development is completed.

My staff and I would be happy to answer any questions you might have at this time. Thank you for the opportunity to be heard.

ASSEMBLYMAN AZZOLINA: Are there any questions?

ASSEMBLYMAN MALONE: Yes.

You had mentioned the auditors. How many auditors do you have out checking right now?

DEPUTY DIRECTOR ROBERT K. THOMPSON:
The Division employs about 225 field auditors. We do not devote anyone full

time to UEZ programs. The UEZs are worked right in with our normal workload.

ASSEMBLYMAN MALONE: Okay. So how many investigations have you done on UEZs?

DEPUTY DIRECTOR THOMPSON: We would estimate probably somewhere in the neighborhood of between 100 and 200 investigations a year.

ASSEMBLYMAN MALONE: Have you had any individuals who you have had to prosecute or in some way do some type of action against? How many have you taken action against for violations of UEZs?

DEPUTY DIRECTOR THOMPSON: Well, if action against would include an assessment of additional tax-- I can't give an exact number, but it has not been a major problem in terms of additional taxes because of our inability, in many instances -- as Jim referred to -- to determine whether or not the law has actually been circumvented. We have suspicions, but determining whether--

ASSEMBLYMAN MALONE: The original conclusion was that there is a tremendous amount of fraud or a lot of fraud going on, and then you're ending it by saying you don't know if, in fact, any has been committed.

DEPUTY DIRECTOR THOMPSON: You can't prove it.

ASSEMBLYMAN MALONE: Okay.

DEPUTY DIRECTOR THOMPSON: After the fact, determining whether or not a sale took place in the zone, which is a requirement, is nearly impossible without television cameras or stationing someone there.

ASSEMBLYMAN MALONE: When will you know conclusively that, in fact, the law has been violated and you have a list of violators that you will be able to move against?

DEPUTY DIRECTOR THOMPSON: In those instances where we have determined that the law has been violated, we've already moved against those people and assessed the tax. They have paid. In one instance, we had a court case that went on to court and was determined in favor of the State.

ASSEMBLYMAN MALONE: Okay. So will the study you will be doing include this specific information about violators and the number of actions you have taken against individuals to recover?

ASSOCIATE DEPUTY TREASURER DiELEUTERIO: I don't believe that specific information will be compiled by the vendor in the study Commerce is doing, but we would be happy to put something together for you.

ASSEMBLYMAN MALONE: Because it sounds like most of it-- I believe there are problems, and I believe there are people who are circumventing the law. But I think it behooves us to go after the violators and make sure that they are complying with the law. What I'm hearing is, "Yes, there is," but you are just sort of-- It is nebulous as to what it is and how you are going to go after it.

So I would hope that it would be a rather concise effort to go after violators of the law, and if there is some remediation that has to be done in the law, that we would be able to concisely know what the problem is. So if we draft legislation to correct the problem, we aren't just making more of a mess, that we're actually going after exactly what the problems are.

ASSOCIATE DEPUTY TREASURER DiELEUTERIO: If I could suggest, as the report is being completed -- through the Chair -- Treasury would be happy to put together a companion report that provides some statistics along those lines and some examples of the specific items we've uncovered.

ASSEMBLYMAN AZZOLINA: That would be fine.

ASSEMBLYMAN ROMANO: Thank you, Mr. Chairman. Through you. I believe this testimony rather capsules what we're going to find coming before us today, Mr. Chairman.

Number one, for the first point I would like to make: I'm only too happy that I read now -- or heard from your testimony -- that the bids are soon expected.

You will recall, Mr. Chairman, that we had heard from the Department of Commerce that the last series of new UEZs were to be held up because the report was imminent. Ha, ha, ha.

ASSEMBLYMAN AZZOLINA: Ah, ah, ah, don't get political. Don't get political here. We're not political on this Committee.

ASSEMBLYMAN ROMANO: No, no, no, not political. (laughter) I'm sure my colleague, Mr. Malone, will agree with me, and he is from the other side of the tracks. (laughter)

ASSEMBLYMAN MALONE: What does that mean? (laughter)

ASSEMBLYMAN AZZOLINA: Which side is that? (laughter)

ASSEMBLYMAN MALONE: Does that mean poor or rich? (laughter)

ASSEMBLYMAN ROMANO: I see here, though, you indicate that bids are soon expected. You know, they kept telling us that the results will be out soon. The bids didn't go out yet. I mean, I just make that for a point.

ASSEMBLYMAN AZZOLINA: Okay. Maybe somebody will answer it.

ASSEMBLYMAN ROMANO: No, no. You don't have to answer it. That is just a comment between us.

I have to ask, first of all, how do you want me to address you today? Captain, Commander, or did you get an honorary doctorate along the way like Senator Littell? (laughter)

ASSEMBLYMAN AZZOLINA: No, no. She (indicating) has the doctorate. (laughter)

ASSEMBLYMAN ROMANO: First of all, I would like to go on record, Mr. Chairman. I know I'm only here as a substitute. You must be saying, "Thank God."

ASSEMBLYMAN AZZOLINA: You're not here as a substitute? Are you permanently on the Committee now? (laughter)

ASSEMBLYMAN ROMANO: I hope you're going to share with me a copy of the regulations that you are preparing. I would like to see them. As I indicated before, I think what we have here is the synopsis of what we're going to hear. I don't think there is anybody here -- and I know I can share with my colleague, Assemblyman Malone, because he also has a new UEZ within his district -- who is looking for anyone to violate the law.

My understanding is that the existing regulations would suggest the person who is selling these items must be a bona fide vendor with some sort of inventory which is representative of that particular trade.

Now, if there are people here or people who are operating a storefront -- which is the common term -- with a telephone and two pieces of two-by-four and are selling lumber out of there, well, somebody is not doing their job. But if we have bona fide industries, let's not look to suck the blood right out of the UEZs. I look forward to the report.

Just one comment on another portion of your testimony. When you say, "When they have chosen to use the revenues for soft costs, such as police salaries," I have a question, and I'm sure the Assistant Commissioner from Commerce will answer it.

We talk about police salaries-- Just to clarify the situation, I don't think that-- You may be referring to police salaries at large, but if, in the UEZ, part of this infrastructure revitalization would be the use of police within parking lots because there had been incidences of car jacking or muggings, where these police were designated directly to the UEZ shopping area, what is wrong with paying for police salaries?

ASSOCIATE DEPUTY TREASURER DiELEUTERIO: We're just suggesting that as a position-- As Treasury views this, we think the idea was that the revenue retained by the UEZ should, in fact, be used for infrastructure improvements. If the municipality -- and I understand completely what you're saying -- decides they want to improve the level of security within a zone to encourage people to come in and shop within a zone, we think that is fine. Our only point is that when the UEZ designation expires, the expenditure of

those salaries for things like police salaries and security -- there is no lasting effect in terms of infrastructure improvements, because the designation as a UEZ will expire in 20 years.

Again, I believe the Legislature's intent -- and, of course, I would defer to the Legislature's position on that -- was that the purpose of the Program was to permit the zones to make infrastructure improvements. I know that there is-- Certainly, your viewpoint is valid.

ASSEMBLYMAN ROMANO: Mr. Chairman, we can argue this as like the number of angels on a pin here.

ASSEMBLYMAN AZZOLINA: Yes. We have a long list. Lou, we have 17--

ASSEMBLYMAN ROMANO: Just let me say, though, we talk about policemen being in parking lots or increased security, that helps develop the zone. There is a synergistic effect that goes along with this thing. By making it safer, more people will come and shop, etc., etc. I just thought I would make those points.

Thank you for coming here, Mr. DiEleuterio. It is always a pleasure to hear you.

ASSEMBLYMAN AZZOLINA: You can pronounce the name, huh?

ASSEMBLYMAN ROMANO: Yes. DiEleuterio. (indicating pronunciation)

ASSEMBLYMAN AZZOLINA: Is that Italian or is that Irish?
(laughter)

ASSEMBLYMAN ROMANO: (indiscernible, spoken in Italian)
Are you Hungarian? (laughter)

ASSEMBLYMAN AZZOLINA: Anyway I would like to just--

Does anyone else have questions? (no response)

My problem is, as Chairman of this Committee, we opened up more zones with both these legislators here from one end of the State to the other -- two ends of the State.

Because there is a problem with one community nearby and it created a problem with the next community, now, what I'm faced with is, as his area expands, I'm getting requests from nearby towns up in his area -- up in Lou's area -- that want zones. I've even been getting requests from areas that don't even need them. I mean, the areas are built up nicely.

So I am getting kind of confused. Pretty soon, if we keep going, the whole State will be a UEZ. I don't know where we stop. I know it's been good in a lot of areas. Where I was getting confused was that originally, when the law passed, I always thought it was to help the inner core areas to redevelop. I think in your case and in your case (indicating) that was what it was needed for.

But then -- and I'm not trying to remark on some things that are happening-- Let's just take Elizabeth. I'll use that as an example. I know everybody wants that mall to happen. I know it is going to be good for Elizabeth. But it doesn't help the inner core as the mall will be on the outside as is IKEA. I think IKEA would have come anyway, but that is neither here nor there now.

But, again, when that mall goes up, it is going to affect the other malls. The business has to come from the other malls. Where do we stop? Are we helping or hurting? We help one area and we hurt other areas. Frankly, if I were these other towns I would scream bloody murder. I know the mall -- everybody in government is for it. I know Elizabeth is going to benefit from it. They'll spend the money in the town, I hope. I hope they improve the city.

But the effects are that it hurts other towns. So the problem is, how do we resolve the problem? Do you help a town or city, and then, you hurt another town?

My personal opinion -- and maybe I shouldn't, as the Chairman -- that we're supposed to help develop businesses in the inner cities or urban areas, but it is not exactly doing that. I think this study ought to look at that, because I'm getting kind of confused.

I'm the Chairman. I'm getting a lot of requests now. They're putting in bills. They're doing this and others want to put in bills. I say, "Hold it. Hold it." Because, right now, as far as I'm concerned, no more bills are going to move unless somebody forces me, higher up, until we hear about this report and see the real effects. Treasury will keep getting hurt as more business shifts from one area to another with the lower taxes. You're going to get hurt there. So, anyway, it's just a speech.

Alan or you can answer any of these questions, if you want, later.

Okay, Alan, you're next.

Alan is the Assistant Commissioner of the Department of Commerce and Economic Development.

Another Navy guy, by the way, Lou. A Navy lawyer.

ASSEMBLYMAN ROMANO: But what was your real rank, captain or commander?

ASSEMBLYMAN AZZOLINA: Captain.

ASSEMBLYMAN ROMANO: Captain.

ASSEMBLYMAN AZZOLINA: That is higher than commander. That is like a colonel in the Army. A commander is like a lieutenant colonel. You have it now, Lou? (affirmative response)

You'll introduce your staff, Alan?

ASST. COMMISSIONER ALAN STEINBERG: Yes.

Good morning, Mr. Chairman and members of the Committee. I first would like to introduce on my left-hand side, Susan Rose, who is the Executive Director of the Urban Enterprise Zone Program. On my right-hand side is Mike Hollan, who is our Director of Intergovernmental Relations and our Legislative Liaison.

Thank you, Chairman Azzolina and members of the Committee, for inviting me here today. As many of you know, I served on the Assembly Republican staff prior to the Whitman administration, and therefore, when I appear before any Assembly Committee, I regard it as an opportunity to come back to my alma mater.

As per the designation of Commissioner Medina, I serve as the Chair of the Urban Enterprise Zone Authority. This is both an honor and a serious responsibility as the Urban Enterprise Zone Program is one of the most effective State urban economic development programs in the nation.

The Program has enjoyed bipartisan support in this State, both in the legislative and executive branches of government. The Program was enacted during the Kean administration in 1983 and became operational in 1984. Prior to 1993, there were 10 zones comprising 11 communities -- Vineland and Millville constituting a joint zone.

On January 5, 1994, shortly before leaving office, former Governor Florio signed the legislation that increased the number of zones from 10 to 20. These 10 new zones actually comprised 11 communities, since 1 of the zones is a joint zone including both Asbury Park and Long Branch.

On January 9, 1996, Governor Whitman signed legislation increasing the number of zones from 20 to 27. Accordingly, we now have 27 zones comprising 29 communities.

Thus, as you can see, during this administration, the number of new zones has virtually tripled. It has been the task of the UEZ Division, under the leadership of former Director Gary Garofalo and our new Director, Susan Rose, with a minimal increase in staffing, to assimilate these new zones.

Fortunately, in our Urban Enterprise Zone Division at the Department of Commerce and Economic Development, we have some of the finest individuals you will find in any level of government. They are true professionals, and it is my privilege to work with them.

I am distributing to you, at this time, a copy of our UEZ fact sheet, which enumerates the zone incentive and eligibility criteria. Now, these incentives serve as key tools in our efforts to invigorate the economies of New Jersey's urban areas.

In addition, the Zone Assistance Funds of the respective zones constitute, perhaps, our State's most accountable form of urban assistance, since all expenditures from these funds must be approved by the State Urban Enterprise Zone Authority.

I would also note that due to the efforts of Governor Whitman, Commissioner Medina, and this very Legislature, we now have other new tools to leverage urban economic development along with the incentives provided by the UEZ Program.

You have enacted Governor Whitman's proposed income tax reduction, corporate tax reduction for small businesses, and most significantly, the Business Employment Incentive Program and the Business Relocation Assistance Grant Program. Neither of these latter two programs could have been enacted without the sponsorship and tireless effort of Assemblyman Azzolina.

We thank you, Mr. Chairman.

It is our belief--

ASSEMBLYMAN ROMANO: Here, here.

ASSISTANT COMMISSIONER STEINBERG: I'll wait for the applause to die down.

It is our belief that the enactment of the tax reductions and the new business incentives can provide a spur to the revival of our urban economies. Yet, in creating this revival, we are subject to factors which are beyond the control of any Governor or any Legislature, Democrat or Republican.

During the 1980s, following the severe recession of 1980 to 1983, this nation was fortunate to experience the strongest levels of economic growth in postwar America. The recession of 1990 to 1992 was also followed by an economic recovery. However, the American national economy recovery during this decade has been rather anemic.

As this administration has noted, we have led the entire Northeast during this period of recovery. However, the slow pace of national economic growth has restrained New Jersey's economy as well. In this context, it is absolutely essential that the UEZ Program be as effective as possible.

Since its inception, the Program has created 36,588 new, full-time jobs and has resulted in \$5,947,819,627 of investment in urban New Jersey.

I got it down to the dollar, because I knew Assemblyman Romano would appreciate that.

This Program has also, in our view, stemmed the tide of further economic deterioration in our most distressed urban areas. Specifically, the Program now comprises 5332 businesses with 127,263 full-time employees, many of whom would have left our urban areas had it not been for the UEZ Program. Thus, the UEZ Program is a most effective job-retention program as well.

In order to evaluate the effectiveness of the Program to date and to consider changes in the Program for the future, the Legislature, in 1993, in its wisdom, mandated that the Urban Enterprise Zone Authority conduct a study of the fiscal and economic impact of the Program.

I am distributing to each of you, at this time, a copy of the RFP. We have received five bids, and we will shortly be making our final decision. So the process is well under way.

As you can see, this study shall focus on a number of issues involving both program effectiveness and economic trends. We would respectfully join in the suggestion of Chairman Azzolina to both the Assembly and the Senate as a whole that you refrain from either increasing the number of new zones or enacting any changes in the Program until the study is completed.

In the past, both the executive and legislative branches have worked cooperatively and in a bipartisan manner on issues regarding increases in zones or modifications of the Program. I am confident that this will be the case here as well.

This study should be completed by June 1997, because it is nine months after the bid is accepted, and we will work diligently with the Legislature in evaluating the study's findings.

There are two issues of particular concern to this Department which the study will address. I would like to comment briefly on each of these issues.

First, have we reached our limit in the creation of new zones? We have always believed that you, obviously, could reach a point of diminishing returns beyond which the creation of new zones would simply dilute the effectiveness of the Program. I am not in a position to say whether we have yet reached this point; however, the study will address this issue.

The other issue is that of the proper expenditure of the Zone Assistance Funds. It has been my view for some time that zone funds are most effectively utilized for maximum economic development impact when they are spent on hard costs, that is, brick and mortar economic development projects and infrastructure.

The statutes, however, subject to certain limitation, authorize the expenditure of these funds on municipal services, specifically, police and fire protection. Accordingly, I have voted to approve almost every request of each zone municipality to utilize their Zone Assistance Funds for police and fire protection within the geographic limits of the zone.

I recognize that economic development is inextricably linked with crime and fire prevention. We have witnessed this in New York City where the efforts of former Police Commissioner Bill Bratton (phonetic spelling), in combating crime, also resulted in an upswing in sales by Manhattan retailers. Customers no longer feared to shop in Manhattan as a result of the work of Police Commissioner Bratton.

There are those who feel, however, that police and fire services should, preferably, be funded as part of the regular municipal budget and that UEZ funds should be directed toward hard-cost economic development. Yet, many municipal officials would disagree with me. They, understandably, perceive themselves to possess limited financial resources and, therefore, wish to tap zone funds for regular municipal services as well as within the zone. The study should fully address this issue.

We, at the Department of Commerce, look forward to continuing to work with this Committee and staff in maintaining the effectiveness of the UEZ Program.

Thank you for your courtesy and continued cooperation and for your invitation here today.

ASSEMBLYMAN AZZOLINA: Alan, I couldn't agree with you more. I think you have a lot of good points there, and I think the Committee ought to look at it and study it.

What I would like to see us do as a Committee one of these days is to go out in the field and visit a zone that has actually done something constructive to improve the inner city or inner communities, to really use the money to improve. I know you're going to use fire and police, but that is not enough. I think we have to see the physical, hard construction or improvements, appearance -- whatever -- and that it really did help the inner cities or inner communities, whatever you want to call it. So I think we have to see that.

ASSISTANT COMMISSIONER STEINBERG: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: I don't mind going into the field and doing that. I don't think the Committee would mind doing it either.

ASSISTANT COMMISSIONER STEINBERG: Mr. Chairman, we would welcome this opportunity. Executive Director Rose is now taking a tour of all the UEZs. We would hope to plan this for the future. We could show many examples of this.

One of them, most notably, is in Assemblyman Asselta's district of Vineland where the entire economy and, basically, economic infrastructure

of that municipality has been rebuilt around the effectiveness of the UEZ Program.

ASSEMBLYMAN AZZOLINA: We have to find the models and then have the others follow that model, even if we have to put it into legislation. That is what I would like to see down.

ASSISTANT COMMISSIONER STEINBERG: Absolutely. Elizabeth is another community.

ASSEMBLYMAN AZZOLINA: Whether we've reached the saturation point, I'm not sure. I think we ought to make sure what we have is working.

ASSISTANT COMMISSIONER STEINBERG: Absolutely, and we would welcome the opportunity to conduct this tour. Director Rose, when she goes back to the office, will immediately begin to organize it.

ASSEMBLYMAN AZZOLINA: Okay. Not in January or February with the snow. (laughter)

S U S A N R. R O S E: No, no.

ASSEMBLYMAN AZZOLINA: Okay. Are there any other questions?

ASSEMBLYMAN ROMANO: Yes.

ASSEMBLYMAN AZZOLINA: Briefly.

ASSEMBLYMAN ROMANO: I'll be brief.

First of all, he didn't bring any posters today so he'll understand. (laughter)

Just a couple of comments, quickly. When do you think this report will be done?

ASSISTANT COMMISSIONER STEINBERG: I said June of 1997, and I expected a comment from you.

ASSEMBLYMAN ROMANO: I'm only too happy-- You know, as the old expression, waiting for medicine-- You know, when is the new, let's say, therapeutic drug going to come out? You're talking about June of 1997.

You will recall that we had to wait -- through you, Mr. Chairman, to Joe Malone -- when they said, "Wait for the report." Ha, ha, ha.

ASSISTANT COMMISSIONER STEINBERG: Well, let me make a point, if I may. I understand your concerns.

ASSEMBLYMAN ROMANO: Well, I'll tell you why, because I have one more community, Harrison.

ASSISTANT COMMISSIONER STEINBERG: I have a time line in my file which shows the complete history of the preparation of this report. As you know, under the statute, the report could not be completed until after January of 1996, which was the first anniversary of the four zones which were picked by the Authority in January of 1995. That was statutory.

But before that date, we already had prepared the draft scope of the work. In August of 1995, we finalized and delivered to Treasury and OMB for their approval. In September, Treasury assigned a staff person. Then, for some months -- as you know, the bid process is a very intensive and scrutinized one -- the report was in the Division of Purchase and Property and was being reviewed there.

The bids were finally issued in March of this year. In the RFP -- and you can look at the RFP -- it states that the party who is given the bid will have nine months to complete the report.

I understand your concern, and it is quite a proper one. However, I want to say this, it is not due to any delay on the part of the Urban Enterprise Zone Division. They have had to take on 17 new zones in less than 3 years. To have done that and also to have worked on the preparation of this RFP, I think, is remarkable.

ASSEMBLYMAN AZZOLINA: That is your fault, Lou. You were bugging me on those other zones, you know.

ASSEMBLYMAN ROMANO: Just let me say this, though, I don't want anybody to get the impression where my remarks are, in any way, critical of you, Mr. Steinberg.

ASSISTANT COMMISSIONER STEINBERG: I know that.

ASSEMBLYMAN ROMANO: In the absence of Gary Garofalo-- You notice the way I say it, Garofalo. (indicating pronunciation)

ASSEMBLYMAN AZZOLINA: I know that. You're pretty good at it.

ASSEMBLYMAN ROMANO: I don't know Ms. Rose that well, but I'm sure she is going to do a job. I believe that any questions with the Department of Commerce have always been on target.

But I wanted to make the point only because there are other districts looking for the UEZ. As our good Chairman has indicated, he gets calls from all over. Now you have a good excuse. See me after July 1, 1997.

One other point I just want to make.

As you talk about visiting, Mr. Chairman, I think one of the places you should visit would be Union City, New Jersey.

ASSEMBLYMAN AZZOLINA: Give her your schedule.

ASSEMBLYMAN ROMANO: The point for this-- I want to bring in a new topic here. It is not only the use of the funds for the use of revitalization, it is the master planning done by the community in leveraging other moneys. Now, on Summit Avenue in particular, there has been a combination of -- and this is after the zone had been designated, not prior to -- the use of CDBG money in terms of sidewalks and trees, and as far as the roadway, Department of Transportation funds.

So we talk here, again, of a coalescing, if you will, a melding of various sorts of funds, leveraging one against the other so that the source of funds from the UEZ would be devoted entirely to some of the other hard issues that you're talking about in the UEZ.

So I recommend to you Summit Avenue in Union City -- aside from Bergenline Avenue -- but I have to admit that that work was started before the UEZ.

ASSEMBLYMAN AZZOLINA: Lou, wherever you want us to go, we'll go.

ASSEMBLYMAN ROMANO: I hope you'll ask me to accompany you, because I'm only here as a substitute.

ASSEMBLYMAN AZZOLINA: Absolutely.

Make sure he is invited.

ASSISTANT COMMISSIONER STEINBERG: I had the good fortune last week to be with Assemblyman Romano for the opening of the West New York Zone. Our belief is that the entire area there -- Union City, West New York, and North Bergen -- through the Zone Program, has the

potential for reinvigoration and again becoming an outstanding urban economic hub.

ASSEMBLYMAN AZZOLINA: Very good.

I think Assemblyman Garcia--

Why don't you stay there a minute.

Do you want to say something, Assemblyman? Say it from up here if you want.

ASSEMBLYMAN RAUL "RUDY" GARCIA: Okay.

I'll join my colleague. I'm a little shorter in length.

Thank you very much, Mr. Chairman and members of the Committee, for giving me this impromptu opportunity to speak on behalf of the merits of the UEZ Program and what it has meant to our communities throughout the State and, in particular, some of the communities which I represent in Hudson County.

I don't have any charts today. I don't have any graphs. We don't have any hard-core financial data. What I do have is a true sense of the invigoration that is occurring in Hudson County as a result of the UEZ Program. What you do have is a true sense of how people are now excited, how merchants, who may otherwise leave our communities, are now investing in and opening up new storefronts in these areas.

You have a true sense of how people, who maybe before were either on unemployment, maybe even on some type of social program, are now obtaining jobs as a result of the UEZ Program and the job-creation mechanism which it employs.

So we have a study that is going to be done in July of next year. That is fine. But, Mr. Chairman, I could honestly say -- and I've been through every UEZ in Hudson County, in Jersey City, and certainly in West New York--

I know Stuart Koperweis from the Economic Development Council here in Jersey City. We have Kathy McKelly (phonetic spelling) from West New York, and Michael Parks (phonetic spelling). I know we have ex-Councilman O'Dea here from Jersey City. There are many other people here from the Hudson County community, where you can really see -- and I think they'll testify to this -- that in my own eyes, in my own vision, I'm very excited about the UEZ Program. It is going to mean a lot to us.

There may be some saturation in some areas. Well, Mr. Chairman, let me just say that it is better than the saturation there is on public assistance. It is better than saturation of empty storefronts that would be the result if there was no UEZ Program.

I know for the communities in North Hudson the UEZ Program is going to be the lifeblood of future growth and opportunities. That is why I felt compelled to get out of my Education Committee hearing.

Thank you, Mr. Chairman.

Thank you, Assistant Commissioner Steinberg, Commissioner Medina, and all the members of the Economic Development Council here in this State.

ASSEMBLYMAN AZZOLINA: I'm willing to take a whole day if the Committee is willing to, to go anywhere. Any two days, go north and

south. In fact, we should take one day to visit the north and one day to visit the south part of New Jersey.

ASSEMBLYMAN GARCIA: I would like to join you as well.

ASSEMBLYMAN AZZOLINA: I don't want the south to think they're neglected either.

ASSEMBLYMAN GARCIA: No. I'm sure the same opportunities exist there, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Right. Yes.

ASSEMBLYMAN GARCIA: Thank you.

ASSEMBLYMAN AZZOLINA: Okay. Thanks a lot.

We have to keep moving now, because we have a long list. We're going to ask everyone to be short.

Next is Brian Peters, Director of Workforce Development, Department of Labor. After that, we get into the public.

BRIAN PETERS: Good morning, Mr. Chairman.

Good morning, members of the Committee.

On behalf of Commissioner Calderone, I appreciate the opportunity just to talk very briefly about the Department of Labor's role in the Urban Enterprise Zone Program.

I think Mr. Steinberg touched on many of the important elements of the Program so I won't go into that. But, obviously, the Department of Labor has a fundamental role. I would just like to review a couple of those basic elements with you.

Obviously, we're a member of the Authority and have been since its inception. We are a member of the Project Review Team, so we get the

opportunity to look at each and every one of the proposals that comes before the Authority, even before it is actually voted on by the Authority, so that we can look at the job creation/job potential in many of those projects.

We are also a member of the Evaluation Committee so that we can, again, look at our emphasis on the job-intensive efforts that are going on in each of those municipalities; so that as the evaluation is conducted and the result of those evaluations are known, we will have a better sense on what the job impact has been within each of those zones.

Fundamentally, the Department of Labor's role in the legislation is very simple. It talks about our responsibility to coordinate the delivery of skilled training necessary to make zone employers viable. We take that very seriously.

How do we do that? I think, first and foremost, it give us the opportunity to have the Department of Labor services in the forefront of discussions in dealing with economic development and job training/job retention.

Through our many workshops with employers, that we participate in with the Department of Commerce, through our local employment service efforts -- it gives us the opportunity to bring Department of Labor services firsthand to employers who, quite honestly, have very little understanding about many of the services we offer in the Department of Labor and in government in general.

We also take the opportunity to talk about the Customized Training Program which is specifically geared to employers. This is a program in which we are able to make financial assistance available to employers to

reduce the cost of training. That, in many cases, is an important incentive for them, to think about how they are going to retrain their workforce to keep them competitive in New Jersey and keep them in the State.

I think Assemblyman Asselta has some firsthand experience in dealing with us on those issues. I think that has been very useful for the City of Vineland.

I think the other issue that is very important is also the talk about: What is the future need, as far as a workforce need, of the employers? It gives us the opportunity to talk about the many programs in the Department of Labor in conjunction with the Department of Education regarding school-to-work, youth transition-to-work apprenticeship programs.

Because, invariably, the employers we deal with within the zones are asking the inevitable question: What do I do about a future workforce? There may be existing programs to train current workers, but what confidence do I have that the government is able to begin to address the future employments needs that I have?

It gives us an opportunity to talk about the role of the vocational schools, occupations training, the various community college efforts to produce graduates for those future workers, and the partnerships that are involved with the various agencies in making that happen. So we see that as an important entrée into our discussions with employers.

I think one very brief example, that may seem very bureaucratic to some, but I think is fundamental to how we think we have an impact in what we do with the programs--

Todd Poole, who is the Zone Coordinator for Lakewood, is here. Lakewood approached the Authority -- approached the Department of Labor -- about sharing resources, about having the opportunity for a local office staff person to be physically housed in Lakewood to begin to match the unemployed workers in Lakewood with the jobs that are now being created within that zone in the industrial park and the commercial area. Just in the last couple of months, they have placed more than 60 individuals.

I think that is a good example of how different departments, different programs, different agencies can begin to leverage their resources to match workers. Clearly, that is going to be an issue as we deal with Elizabeth, Jersey City, Vineland, and some of the other cities in which there is important job generation occurring. The inevitable question, again, is: Are we making efforts to match local residents to those jobs? I think that is the role the Department of Labor hopes to improve upon. The Governor's extension of the Workforce Development Program early this year gives us the continuing resources to help make that happen. We think we're going to have an ongoing role.

So we support the UEZ Program. We support, obviously, the evaluation that is going on now and look forward to its results.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

Are there any questions?

ASSEMBLYMAN ASSELTA: Yes. Through you, Mr. Chairman.

Thank you.

I would probably like to, at least to this Committee, reiterate exactly what Brian Peters has said today on how important a component the Department of Labor plays in this role with the UEZs.

Firsthand examples in Vineland are numerous. I think Vineland is the role model for most UEZs in this State. Commissioner Calderone and Mr. Peters here played a strong role in probably uniting and drawing this partnership between our local community college, our business community, and the Department of Labor.

Through those efforts, we have saved many jobs. We have created new jobs. We have encouraged new development in Vineland. Companies that were destined to move out of the State have located in Vineland now.

I would just like to personally thank the Department of Labor today and let this Committee know the great job they're doing out there. I, for one, can testify to that because I am a direct recipient in my district for it.

So thank you, again. I think this Committee should note the great job the Department of Labor is doing on our behalf.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

ASSEMBLYMAN ROMANO: Just one comment, and I will be brief.

Mr. Peters, are you going to be here for the rest of the time?

MR. PETERS: I can, if you like.

ASSEMBLYMAN ROMANO: No, you don't have to then. Let me ask a question.

ASSEMBLYMAN AZZOLINA: Are you in charge now?

ASSEMBLYMAN ROMANO: No, no, but I know we have a long list of people to testify today, and I'm not looking for Mr. Peters to have to stay around. I'll ask the question outright.

I have a testimony -- and I won't even mention from whom -- up front here with a suggestion that some of the additional money set aside for use by the city should be used for job-training programs for the companies. Isn't that a measure already provided under the Workforce Development?

MR. PETERS: Yes. I mentioned it is our Customized Training Program.

ASSEMBLYMAN ROMANO: You have that now?

MR. PETERS: Right. We make available--

ASSEMBLYMAN ROMANO: So I mean for a UEZ area to set aside money actually becomes superfluous, doesn't it?

MR. PETERS: Well, our limited resources, obviously, only go so far. It is a supply and demand issue. We have approximately--

ASSEMBLYMAN ROMANO: You're saying, "Where they leave off?"

MR. PETERS: I would suggest any effort that you can make to supplement the job-training, education efforts that go on to improve the skills of the worker is important.

ASSEMBLYMAN ROMANO: Well, through you, Mr. Chairman. Offhand, while we still have Mr. Steinberg here -- unless he ran out the door--

ASSEMBLYMAN AZZOLINA: No, he is here.

ASSEMBLYMAN ROMANO: Is that an acceptable cost, a job-training program for corporations with the zone, etc.?

MR. PETERS: Not under the current legislation.

ASSEMBLYMAN ROMANO: Not under the current legislation. Okay. It would have to be an amendment.

MR. PETERS: Yes.

ASSEMBLYMAN ROMANO: All right.

Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Thanks, Lou.

Okay. Are there any other questions?

ASSEMBLYMAN MALONE: Yes.

I would like to echo Assemblyman Asselta. I had the opportunity of training the kind of people that he gets hired in a UEZ, and we have been very pleased with the efforts of the Department of Labor in working with the Workforce Development Program. I've had, probably, 100 to 200 people that we have trained through the Workforce Program to go out and go to work.

I guess a little bit of the concern is that-- It is my understanding that there has been some change in philosophy about the Workforce Program, which I think is a much better program than the JTPA Program because of the lack of voluminous paperwork.

I understand that they are thinking about shifting the Workforce Development Program over to the same kind of paperwork that the JTPA is doing currently. Is there any truth to that rumor?

MR. PETERS: Well, with the extension of the Workforce Development Program earlier this year-- First of all, the allotments were

changed to increase the amount of money for customized training. The amount for what we call individual grants or vouchers, I believe, is basically the same.

Obviously, we're trying, in this one-stop environment, to meld the different services of the JTPA -- the Federal Job Training Partnership Act Program -- and the individual training grant program under the Workforce Development into a kind of smoother delivery process.

ASSEMBLYMAN MALONE: Well, let me just put it, you won't. You had a better wheel. Keep your wheel. I'm telling you, from a standpoint of providing educational value in working with students and getting them out on the job, working with the Workforce guidelines was much easier than working with JTPA.

MR. PETERS: Well, we were anticipating, obviously with the block grants, to be able to soften many of those regulations that dealt with the JTPA Program.

ASSEMBLYMAN MALONE: A word to the wise should be sufficient. I'm telling you, you had a great program. Don't mess it up. Don't do what government normally does, mess it up. You had it great. You had it done right once. Leave it alone.

The other thing is the grant totals of \$4000 per person. I guess it is, basically, going to stay the same. This goes along with what, I think, a couple of other people were saying.

Can we possibly look at-- In some cases individuals are not utilizing the entire allotment that they are eligible for. Is there some way of

taking the remaining allotment and utilizing those funds in some type of a job subsidy allotment for an employer?

MR. PETERS: We have had discussions about that. The \$4000 cap is a cap. In most cases, the actual amount of grant used by an individual, on average, is around \$3000. So the individual doesn't get the max and then, essentially, keep the difference, because our connection is with the institutional vendor directly.

We have had discussions about utilizing those individual grants -- more on what is called an on-the-job training process. We're exploring that now, because we do think, obviously, where you have the direct connection to an employer the opportunity--

ASSEMBLYMAN MALONE: I think the transition from the education to the job would be greatly enhanced if an employer got a quarter, or whatever, subsidy to help that transition from the training program over to the job site.

MR. PETERS: We're looking at that now, Assemblyman.

ASSEMBLYMAN MALONE: Okay. Thank you very much.

ASSEMBLYMAN AZZOLINA: Thank you. Thank you very much.

MR. PETERS: Thank you.

ASSEMBLYMAN AZZOLINA: Phil Shaheen from Builder's General.

PHILLIP SHAHEEN: Chairman Azzolina.

ASSEMBLYMAN AZZOLINA: I think Phil is going to give you an example of these storefront operations.

MR. SHAHEEN: I would just like to say that my name is Phil Shaheen from Builder's General.

ASSEMBLYMAN AZZOLINA: Could you talk a little louder?

MR. SHAHEEN: I represent the retail lumber industry. I thank everybody for inviting us to be here today to testify.

I would just like to go on record as saying that we are pro-urban development. The visual degradation of Asbury Park and Long Branch -- I use those towns as an example, because I grew up right in that immediate area -- is very near to my heart. I've watched Asbury Park go from a booming shore-town area to just a blighted situation. I think the revitalization of these areas should be a number one priority in the minds of the New Jersey government.

In terms of the UEZ situation that affects the retail lumber industry-- We have been in business for 65 years. My family has run from one to five lumberyards. We currently have five lumberyards scattered throughout the State.

The UEZ, to us, is an unfair business practice. It puts us in a situation where we have become-- We have gone from being a competitive force in the building supply and material industry to a situation where we are in a position now to actually start to practice unfair business, which we do not want to do.

We were in a situation not so recent -- just so recent, I should say -- where we were going to open up one of these storefront situations in Lakewood. We were going to stock the yard with a minimal amount of lumber and become a UEZ building materials supplier. We were going to take

advantage of the 3 percent. At the last minute, we decided -- my brother and myself -- that this is not the right situation that we want to be in.

We don't want to be in a situation where we are, basically, being an unfair business participant. We backed out of the deal. Many of the reasons-- We backed out of the deal, because the law, for one, is very ambiguous. There is no definition as to what we are supposed to do or not supposed to do.

Our original intention was to go in there and have a storefront, take orders through this storefront, and ship from our other five existing locations. I don't think that is the intent of the law. The violations that are in this State now, that are in our industry now, are widespread.

I'm sure you, members of the Committee, are all aware of the agents-on-location situation which arose in March of 1996 at the Atlantic City Builder's Convention. There was a flyer handed out which basically said, "Agents on location. Save 3 percent on all your purchases. Fax your orders into this storefront in Lakewood. We will take your orders and walk them over to your selected vendor of choice, and we will place your orders. That will satisfy your face-to-face criteria for the UEZ situation." This situation of agents on location, this particular one, ceased.

Now, there is a new one in place in Lakewood. Right now, as we speak, there is agent on location who is employed by any number of builders. For \$25 a week he is employed by a builder. He is an agent representing this builder. You can fax your orders into this agent, and this agent will walk your orders to wherever you want him to go. He is, basically, satisfying the law that

he is an employer (*sic*) of the builder, and he is doing the face-to-face transaction. I don't think this is the intent of the law.

I, myself, and committee members of our lumberyard got together, and we were having our own little Wednesday morning conference. The UEZ has been on this agenda for a long time. We have people in our own organization who are pro-UEZ and who are against the UEZ. Some of the people who are pro-UEZ said, "Everybody in this industry is following the intent of the law. They're doing it the way they are supposed to do."

I was dissatisfied with that answer. I got up from the conference table. I excused myself. The discussion continued. I walked over to a phone, and I called one of the Lakewood building supplies dealers. I posed as a builder. I said, "I'm a builder from northern New Jersey. I'm building 25 houses. What do I need to do to take advantage of this 3 percent sales tax situation?"

The gentleman on the phone said, "You must come down and sign orders face-to-face." I said, "Listen, I'm in northern New Jersey. I can't come down every time I have to place an order." The guy said, "Well, listen, we'll come to you. You sign some POs, and then, you'll satisfy the situation." This is an unfair practice.

This is what we, in the retail building supply business, who are out of the zone, are being faced with. The violations are present.

That is all I have to say.

ASSEMBLYMAN AZZOLINA: Are there any questions?

ASSEMBLYMAN ROMANO: I would like to--

ASSEMBLYMAN AZZOLINA: Go ahead. Lou, if you didn't ask a question of each person it wouldn't be you.

ASSEMBLYMAN ROMANO: Through you.

Phil. Can I call you Phil?

MR. SHAHEEN: Yes.

ASSEMBLYMAN ROMANO: You don't mind, do you, Phil?

MR. SHAHEEN: No.

ASSEMBLYMAN ROMANO: I wouldn't expect you to do something wrong such as what we call the storefront. But when you mentioned before that you had anticipated opening a lumberyard in Lakewood, I would assume -- and like Felix Unger said, you know-- We won't go into that part.

You were going to put in a lumberyard that would have a proper inventory for a lumberyard, but, at the same time, would not have to be a megalumberyard?

MR. SHAHEEN: Correct.

ASSEMBLYMAN ROMANO: That is the second question I have for you. If you, in your own lumber business, every time you sell, let's say, a lumber order -- a big lumber order -- I'm sure that not all that lumber is sitting in your lumberyard, that sometimes you make a direct delivery from the master distributors -- from there directly to the site -- do you not?

MR. SHAHEEN: Rarely never.

ASSEMBLYMAN ROMANO: Rarely never.

MR. SHAHEEN: Rarely never.

ASSEMBLYMAN ROMANO: You have that big of a-- I don't know what size lumberyard you have. I'm talking about the average-sized lumberyard. They have an inventory stock, but they don't have those kinds of numbers. When they order, you'll get a delivery not even from them. It will come from the big distributor, because there are lumberyards, and there are lumberyards, and there are lumberyards.

Now, what you had said about the law-- In every piece of legislation we have what is called unintended consequences. I think -- and my colleagues can jump in all they want -- no matter what law is put into effect, there is always somebody who, while we sleep at night, is awake, thinking about how they're going to give us the business the next day.

MR. SHAHEEN: Correct.

ASSEMBLYMAN ROMANO: So I find very little ways that everything is going to be perfect. There is always going to be somebody out there looking to make a buck or -- how can I put it? -- bypass the regulations. There is no one here, no matter how -- and you can see from our testimony before, we're all interested in the UEZs for our community--

There is nobody here who is going to stand by -- and I have for my own community, too, with the coordinator right here-- They would not stand by and allow someone to flagrantly abuse the law so that would, let's say, precipitate a change in the existing UEZ law to take it away from our community. They just would not approve something of that nature. I'm sure if they became aware of anything of the nature that you are saying now, they would report it to the Urban Enterprise Zone in Trenton -- whichever coordinator covers that -- to look into it with investigators.

MR. SHAHEEN: I can give him perfect examples right now.

ASSEMBLYMAN ROMANO: Well, not my people, because it is not from my town.

MR. SHAHEEN: I understand. I understand.

ASSEMBLYMAN ROMANO: You know who. You have him standing in the back here. Is he still here?

Mr. Steinberg?

MR. SHAHEEN: He took off.

ASSEMBLYMAN ROMANO: Drop 20 cents in the pay phone and see what you can do.

ASSEMBLYMAN AZZOLINA: Okay.

ASSEMBLYMAN ROMANO: I'm through.

ASSEMBLYMAN AZZOLINA: Okay.

Is there anybody else?

ASSEMBLYMAN MALONE: Yes. Mr. Chairman, through you. Is the lumberyard in Lakewood a legitimate lumberyard that is doing this?

MR. SHAHEEN: Yes.

ASSEMBLYMAN MALONE: I mean, it is not just a storefront.

MR. SHAHEEN: No. It is a legitimate lumberyard, yes.

ASSEMBLYMAN MALONE: It's a legitimate lumberyard that is established in Lakewood that is promoting itself throughout the State and selling lumber through these agents?

MR. SHAHEEN: Yes.

ASSEMBLYMAN MALONE: Where are your places located? Are you anywhere in the area there?

MR. SHAHEEN: No. We have a yard in Edison, Cranford, Little Silver, Toms River, and Oakhurst.

ASSEMBLYMAN MALONE: Toms River is near Lakewood, though?

MR. SHAHEEN: Yes.

ASSEMBLYMAN MALONE: Okay. Which lumberyard of yours is being impacted the most? Is it the Toms River lumberyard?

MR. SHAHEEN: I would say the Toms River and the Little Silver lumberyards. Those are the larger of the five yards, and they do the majority of the builder volume.

ASSEMBLYMAN MALONE: Okay. If the lumberyard in Lakewood is a legitimate lumberyard that has a stock of lumber, is there anything wrong with them promoting themselves statewide to sell lumber?

MR. SHAHEEN: Not in my mind there is not.

ASSEMBLYMAN MALONE: Okay.

MR. SHAHEEN: But the intent of the law is face-to-face. I think you all know the article written on the public strategies impact, and I would venture to bet -- and some of my associates may support me -- that 90 percent of orders coming into that lumberyard are either via phone or via fax.

ASSEMBLYMAN MALONE: Okay. So the practice of faxing an order in or phoning an order in is a normal business practice?

MR. SHAHEEN: Yes.

ASSEMBLYMAN MALONE: It is not something unique. So if somebody is going to build 100 homes in the Toms River area and it's builder X, and they call up lumberyard Y and say, "Look, I need 10,000 two-by-fours. I need 2000 two-by-sixes. I need 2800 square of shingles."-- I mean, that is a normal practice for them to do that.

So what you're saying is that you would expect that builder to have to walk in directly, sit down at a desk, and give that order to a salesperson in that lumberyard?

MR. SHAHEEN: If that is the intent of the law, yes.

ASSEMBLYMAN MALONE: Well, I'm not certain it is exactly the intent of the law, but--

ASSEMBLYMAN ROMANO: Mr. Chairman, if you will allow me a yield on this?

ASSEMBLYMAN MALONE: Sure. I'm done.

ASSEMBLYMAN ROMANO: I'm sorry, but in the legislation it has to be on-site, face-to-face. I know we all use the high-tech methods of fax, but that is not allowed in the statute. It is an on-site, face-to-face order. So, however it would be impractical, that is the way it sits.

You'll also recall, in the law, this is specifically against-- Are we talking about a mail-order lumberyard? I mean, that is the other part. We're not talking about mail-order lumberyards, are we?

So it has to be when a person goes in on-site. That situation that was recalled before where the person was an agent--

MR. SHAHEEN: Agent.

ASSEMBLYMAN ROMANO: --well, that is a bona fide situation as an agent. If he or she is, in fact, an agent of that person, hey, they're meeting the ambient of the law. For this person not to be an entrepreneur, to say, "I can make a few bucks by being an agent for many people," that's a broker -- a broker is the work in between.

I'm sorry to interrupt you, Assemblyman Malone.

ASSEMBLYMAN MALONE: That is all right. I was finished.
Thank you very much.

ASSEMBLYMAN ROMANO: Thank you, Mr. Chairman.

You're rather lenient today. You must have had a good day. Is Foodtown going well? (laughter)

ASSEMBLYMAN AZZOLINA: Yes. We had a good week last week.

ASSEMBLYMAN MALONE: Do you sell lumber by any chance?
(laughter)

ASSEMBLYMAN AZZOLINA: No, a little paint now and then.
(laughter)

ASSEMBLYMAN MALONE: Oh, all right.

ASSEMBLYMAN AZZOLINA: Phil, the place you talked about, is it a lumberyard or a storefront? I thought in Lakewood that somebody had just a storefront not a lumberyard.

MR. SHAHEEN: No, it's a lumberyard.

ASSEMBLYMAN AZZOLINA: In Lakewood?

MR. SHAHEEN: Yes.

ASSEMBLYMAN AZZOLINA: A bona fide, large lumberyard?

MR. SHAHEEN: Yes.

ASSEMBLYMAN AZZOLINA: But there are some places, probably, that are just storefronts in the State, aren't there? I don't know.

MR. SHAHEEN: Yes.

ASSEMBLYMAN AZZOLINA: That is what I've been told.

MR. SHAHEEN: We were going to-- One of our original investigations for us, before we looked into Lakewood, was to look into Long Branch and Asbury Park because they were so close to our Little Silver lumberyard.

My brother actually did the phone calling. I don't mean to drop a dime on anybody in Long Branch or Asbury Park, but we called and said we were going to open a storefront, and they said, "Well, you can't really do that." We said, "All right. Well, then we're going to go to Long Branch and do it." They said, "Well, no, if you're going to do that, we would rather you do it in Asbury Park than in Long Branch."

ASSEMBLYMAN AZZOLINA: Okay. All right.

Thank you, Phil.

MR. SHAHEEN: Thank you.

ASSEMBLYMAN AZZOLINA: Jim Lelli. Is it Lelli, or Lelli? (indicating pronunciation) Lelli?

JAMES H. LELLI JR.: Yes.

ASSEMBLYMAN AZZOLINA: Director of Economic Development, Vineland -- that famous Vineland.

What I would appreciate is, some of you may have long written statements which we really don't want to listen to. If you could kind of give

us a summary and get to the meat, because the meat is what is important. All these other words don't mean anything, and we have about 12 other speakers to listen to.

We want to get out of here by 1:00 at least. When the stomach gets hungry nobody listens. So we've got almost two hours, and we want to go through 12 or 13 more speakers.

Okay, Jim.

MR. LELLI: Thank you, Mr. Chairman. Thank you for inviting me.

ASSEMBLYMAN AZZOLINA: You're going to read, aren't you?

MR. LELLI: I'm going to read it. It's only two minutes, and I'll be gone.

ASSEMBLYMAN AZZOLINA: Okay. Some come in with five- or ten-minute speeches, and we don't need them.

Okay. Go ahead.

MR. LELLI: Thank you for inviting me.

Mr. Chairman and members of the Committee, my name is James H. Lelli Jr. I am the Director of Economic Development for the City of Vineland.

I will tell you that the State Urban Enterprise Zone legislation has been, and continues to be, the primary source of funds for the economic development program that we have in Vineland. Practically all of the sales tax dollars collected in the Vineland/Millville Urban Enterprise Zone -- for the benefit of Vineland -- have been utilized to promote economic development in the city.

ASSEMBLYMAN AZZOLINA: Excuse me. Do you know how much you collect in sales tax money, that you get back?

MR. LELLI: As of-- You mean on a monthly basis?

ASSEMBLYMAN AZZOLINA: About. On a yearly basis, about. Last year or whatever.

MR. LELLI: Well, let me tell you, the Program to date-- We have collected \$37,995,000 to the benefit of programs.

ASSEMBLYMAN AZZOLINA: In how many years?

MR. LELLI: Since its inception, because we were one of the original 10, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Oh, you're way back. Okay.

MR. LELLI: The overall plan has been focused on infrastructure improvements to the city, providing industrial grade roadways, drainage projects, and electric and water utility upgrades to the industrial zones, including the city's industrial park.

Appropriate fire, police, and road department equipment were added to provide services needed by existing and relocating industries. Only a fraction of the funds required for this effort could be realistically raised by a local purpose tax.

The unemployment rate is the highest in the State. The average family income remains the lowest in the State despite all of our efforts. One wonders where the city would be without the UEZ. The city is on the verge of building a new industrial park partly funded by UEZ funds, and the rest is coming from the Federal government.

But without a continued Urban Enterprise Zone Program, I am greatly concerned the city will not be able to continue to attract new industries and retain existing industries. These new and expanding industries the city has been able to attract are essential to improving the quality of life to the residents living in the longtime blighted areas.

In our effort to permanently preserve some of these funds from the Urban Enterprise Zone Program, the City of Vineland has developed an economic development loan program known as the First and Second Generation Loan Program. A portion of the sales tax receipts collected in the Vineland Urban Enterprise Zone are being used to create and fund a loan program. This fund features a lower-than-market-rate-interest loan to companies that are willing to relocate or expand their business within the UEZ.

The loan program requires a qualified lender to participate with the UEZ, thereby, allowing the UEZ to leverage its limited funds. As the loans are repaid, the funds -- both principle and interest -- are then used to make additional loans.

The loans funded by the sales tax dollars are designated as first generation loans. The loans funded by repaid dollars are designated as second generation loans. As of July of 1996, the UEZ has approved 11 first generation loans and 56 second generation loans. The outstanding balance of this loan portfolio now exceeds \$5 million and will grow to over \$13 million when the above approved loans are closed. This effort has also resulted in an additional \$26 million of private capital investments in the City of Vineland.

Benefits of the loan program are many, including additional real estate assessments, new jobs, interest income from the loan program, and

increased sales tax revenues as a result of a combination of new retail stores and increased disposable income.

Over the past few years, the city's local purpose tax has stabilized somewhat, and the unemployment rate has remained just below 10 percent. Improving demographics such as these tend to encourage new and national retailers to consider locating in our zone.

Increased sales tax revenue is critical to the City of Vineland Economic Development Program in light of the scheduled reduction of sales tax revenue pending under the existing Enterprise Zone regulations.

As an aside, recently the Millville and Vineland UEZ, in cooperation with the Department of Labor, jointly funded a 10-person station mobile training vehicle for the Cumberland County College to use to provide on-the-job training for new and existing business firms in the UEZ.

But in almost every instance, the low-interest-rate, first generation loan has been the difference in a company's decision to relocate or expand in the city. Future City of Vineland administrations will always have this loan fund available to them, free of any pressure to increase local purpose taxes or pressure to float bond issues, and more confidence to request State assistance for attracting economic development and terminate our city's designation as a blighted area.

I will be happy to answer any questions for you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Are there any questions? (no response)

Okay. Thank you very much.

Is that you, Frank?

FRANK SENEY: Yes.

ASSEMBLYMAN AZZOLINA: Okay. Do you want to say something?

MR. SENEY: Yes, I do. I have a statement to make, too, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Okay. Go ahead. You're next. I forgot to call you up together, but you came up anyway.

Frank is the--

MR. SENEY: We rode up together.

ASSEMBLYMAN AZZOLINA: Oh, okay. You are the Executive Director, right?

MR. SENEY: That is correct.

ASSEMBLYMAN AZZOLINA: Okay. Of the UEZ in Vineland?

MR. SENEY: The Vineland/Millville joint zone.

Mr. Chairman, members of the Assembly Committee, Honorable Judge, and supporters of the S.S. New Jersey (*sic*) behind me. (laughter)

ASSEMBLYMAN AZZOLINA: How about giving us some of that money? (laughter)

MR. SENEY: Well, if you would relocate into the Enterprise Zone, you can bring the S.S. New Jersey down there. (laughter)

ASSEMBLYMAN AZZOLINA: I wish I could. (laughter)

MR. SENEY: My name is Frank Seney. I am the Executive Director of the Vineland/Millville Urban Enterprise Zone, the first joint zone in the State of New Jersey.

I first became involved in this program in 1986 when I worked for the Department of Commerce. At that time, in this Cumberland County area, unemployment was at 24 percent, and the rural cities of Vineland and Millville were in deplorable condition. Companies were downsizing and moving out.

In my years in government I've seen many programs come and go. The farsightedness of then Governor Kean and the Legislature to take sales tax revenues, coupled with tax incentives, have taken Vineland and Millville and enable them to pick themselves up by the bootstraps, put people to work, and give companies the opportunity to restructure and grow.

The result? In 1996, the unemployment rate is now 9.1 percent. Companies are expanding and new companies are moving in. When coming on board in 1993 with the Enterprise Zone, and realizing that this is a 20-year program with decreasing sales tax revenues to work with, the cities have embarked on an aggressive economic development plan using the sales tax revenues to enhance expansion and new development packages.

Vineland being the largest city in New Jersey -- an area of 70 square miles -- is extremely aggressive. Using the aforementioned sales tax dollars have brought manufacturing--

ASSEMBLYMAN AZZOLINA: What is your population there?

MR. SENEY: The population is 56,000.

They brought manufacturing -- which is a dying industry in New Jersey to begin with -- into the industrial park, industries that otherwise would have located elsewhere. Working with local banks, we have provided the capital necessary to complete the financing package necessary to attract industries to the cities.

This, coupled with a ready workforce and a willing Department of Labor, has given us the opportunity to grow and prosper. To date, we have close to \$15 million approved in our loan program to be repaid and loaned out again. So that by the year 2008, when the Program ends, we will have economic development dollars to continue this growth.

It is a great Program without question. But are all UEZ cities going in the same direction? No. We, as the leaders, or as has been aptly put by officials of both political parties, are the model Urban Enterprise Zone.

Is the Program without flaws? No. There are many areas in which the Program can be improved, but I would like to address just two this morning.

The first is the area of employment by small -- I call them mom-and-pop -- stores that have been in the cities prior to the inception of the Enterprise Zone. They provide a necessary service to the center city populations, but the stores are at a distinct disadvantage in competing with larger chain stores who can, because of volume, buy and sell for less.

Under the current guidelines, a business must, in order to qualify to UEZ status, have one more employee than when they started in the Program. This becomes very costly to the small store, and most times they do not have enough business to warrant an additional employee.

The new business coming into the zone, on the other hand, has the advantage of entering the Program with zero employees, hiring just prior to their opening for business. I, frankly, don't think it keeps them on a level playing field. I feel strongly that legislation should be adopted to rectify this

inequity and give the little guy, the backbone and heart of any city, the same opportunity to compete.

The second improvement is for the Legislature and State government to do an in-depth study, which they are about to embark on, to determine how the sales tax money is spent and the return of this investment. If you are providing jobs, new tax ratables, capital investment, and new income tax dollars going to the State, then the zones that are meeting this criteria should be continued using 100 percent of the sales tax to continue to expand and grow to be able to remain competitive with other states that offer incentive packages such as land, building, and capital to attract new industry.

New Jersey is a great State, and for it to be competitive with our neighbors to the south, we must have all the proper tools to work with. This program is just one of many tools, but a crucial one to this urban, rural South Jersey area. I ask you to look at the results and to continue to improve on a program without which neither community would have survived.

Thank you for the opportunity to come before you, on behalf of Mayor Campanella of Vineland, former Mayor Romano of Vineland--

ASSEMBLYMAN AZZOLINA: Did you hear that? Romano. Did you hear that?

MR. SENEY: --Mayor Van Hook of Millville, and my Board of Directors.

ASSEMBLYMAN ROMANO: I'm sorry.

ASSEMBLYMAN AZZOLINA: He just said, "Former Mayor Romano of Vineland."

ASSEMBLYMAN ROMANO: Romano is like Smith.

ASSEMBLYMAN AZZOLINA: Oh. (laughter)

ASSEMBLYMAN ROMANO: Okay? In Hoboken -- if you'll just allow me to say it -- one-third of the people are either named Romano or related to one.

ASSEMBLYMAN AZZOLINA: All the mayors he mentioned, former and present, are all of Italian descent.

ASSEMBLYMAN ROMANO: The second name in Hoboken is Lisa -- L-I-S-A. Figure it out, if you know any-- See, you're shaking your head already. (laughter)

ASSEMBLYMAN AZZOLINA: What did you say the unemployment population is there now?

MR. SENEY: It is 9.1 percent.

ASSEMBLYMAN AZZOLINA: It is 9.1. It came from 24 percent to 9 percent then?

MR. SENEY: Yes.

ASSEMBLYMAN AZZOLINA: Are there any other questions?
(no response)

Okay. Thank you very much.

MR. SENEY: Thank you.

ASSEMBLYMAN AZZOLINA: When were you here in the Department of Commerce?

MR. SENEY: In 1982 or 1983. During the Kean administration.

ASSEMBLYMAN AZZOLINA: Okay. Did you hear that? Good man.

ASSEMBLYMAN ROMANO: Definitely. (laughter)

ASSEMBLYMAN AZZOLINA: Okay. We want--

ASSEMBLYMAN ROMANO: By the way, they mentioned about the S.S. New Jersey (*sic*)--

ASSEMBLYMAN AZZOLINA: U.S.S.

ASSEMBLYMAN ROMANO: U.S.S. But is that in a UEZ?

ASSEMBLYMAN AZZOLINA: It might be.

ASSEMBLYMAN ROMANO: Will it be buried there?

ASSEMBLYMAN AZZOLINA: If they own in a UEZ or in Jersey City.

ASSEMBLYMAN ROMANO: I mean, will there be any benefit from the UEZ for the--

ASSEMBLYMAN AZZOLINA: I don't know. I never thought of it.

ASSEMBLYMAN ASSELTA: You're going to need a harbor there.

ASSEMBLYMAN AZZOLINA: Okay. Donald Scarry, Ph.D. Scarry, I'm sorry. (indicating pronunciation) I misread the *C* to an *E*. And, is it Rick Alampi, coming up together, I think? No?

D O N A L D M. S C A R R Y, P h . D . : He doesn't want to be with me.

ASSEMBLYMAN AZZOLINA: Oh, okay.

DR. SCARRY: I have written testimony and I won't read it, but I have to peek at it.

ASSEMBLYMAN AZZOLINA: Okay, that's fine.

DR. SCARRY: I mean, I have to make sure I make some comments.

ASSEMBLYMAN AZZOLINA: That is fine. We're moving along pretty good.

DR. SCARRY: Okay.

Good morning. My name is Donald Scarry. I'm with the firm called New Jersey Economics. I guess I'm the person in this room least involved with Urban Enterprise Zones at present.

I was a lobbyist for the New Jersey Business and Industry Association when the legislation was first moving.

ASSEMBLYMAN AZZOLINA: I knew you looked familiar.

DR. SCARRY: I was involved in trying to get some relief for the mom-and-pop businesses in terms of alternative investments.

In fact, I was loaned to the Department of Commerce as a Special Assistant to the Commissioner to pick out some of the original zones. Then, in the Florio administration, I served on the Urban Enterprise Zone Authority and Chaired the Committee that reviewed all of the projects. So I think I have some hindsight to share with you on this program, since I saw it from the beginning.

I think the first question is one that everyone has hit and that is: Are there too many zones already? My answer is: I think, yes. There are too many zones already, so that the zones are not necessarily unique anymore.

When the Program started there were 10 zones. They were going to be unique places in the tax surface of New Jersey that were carved out. I think, if we had stayed with 10 zones, we might have less difficulty with the face-to-face issues, and so on. There is a threefold increase in the zones now.

Second, when the legislation was coming together, I don't think that anyone who was involved in it ever anticipated the presence of new, regional malls in zones. Remember, we had attempted to pick the worst places in the worst cities financially -- and not in any other sense -- to set these zones up in. The zones were not necessarily expansive. So the presence of large, regional malls in zones, I don't think, was something that was contemplated when the legislation was put together.

On this point-- The last point is -- and I'm afraid to say this in front of a group of politicians -- there has been a political element that has revolved around winning a zone for your own district. Let me tell you, if I were in the Assembly, I would want to win a zone for the 8th Legislative District, just like everyone else has.

But we have expanded this program threefold without any knowledge of what it really does. I agree with a lot of the assertions that were made here today, that this is a good program and a unique approach to economic development. But trying to look at it from the point of view of an economist, we have no idea whether any of those businesses that moved into those zones moved there but for the presence of the UEZ benefits.

In fact, if you take a look at Jersey City, which has been a very successful zone, I'm not sure -- or rather, I cannot say for sure -- that any of those backroom operations that moved over from New York moved there because of the zone. We just, simply, are collectively ignorant about the benefits of the zone.

I look forward to the Department's study, but I want to point out that our firm did not bid on it because we're not sure it can be done. We're

not sure that there can be enough detail brought of the tax records to answer the questions that you are going to raise -- the legitimate ones.

So my first recommendation is that you should make no more zones, ever, and, at least, no more zones until that study comes in. But I would really like to see none ever.

Second, there is significant confusion on the UEZ Program in terms of costs and benefits. For example, Frank Seney from Vineland runs what is, in my opinion, simply the best zone in the State of New Jersey. You notice that he talked about second generation loans. That is going to be a very powerful thing in that they have set up their zone structure so it becomes almost an annuity for the city.

Yet, some of the zones that have subsidized municipal services, at the end of the 20-year designation period not only will not have any changes in infrastructure that would attract a business, but they also won't have those powerful second generation loan funds.

The third issue I want to talk about is one of misinterpretation. I think maybe-- I'm going to be brief, because maybe I'm saying the same thing. The number of projects that can be legally funded under the legislation is much larger than the number of projects that, perhaps, should be funded under the legislation.

There is a question as-- When that money hits the individual municipality's accounts, there is a real policy question on who owns that money. That policy question comes back to the UEZ Authority in terms of how we make a decision.

Was I, as a UEZ Authority member, entitled to step into your town and second-guess your mayor or second-guess your community and say, “No, you don’t need a pedestrian mall on this particular street. That is a silly project. Why don’t you build this building here or there?” That carries over, by the way, into municipal services. When I was on the Authority, I did so, too, because I wasn’t sure that I was appointed to second-guess local officials.

I think you ought to change the language of the legislation to tie municipal services specifically to economic development services for the zone. I think you ought to exclude police and fire. If there are police and fire issues in a municipality, that should be addressed some other way and not through this special economic development program.

I’ll give you one realistic example of that. The municipality of Vineland came in to ask us, when I was on the Authority, for a new police radio system. They showed us what they had and it looked like a Radio Shack reject. They had these new radios and we had no idea, because the radio signal carries outside the zone, in the zone, and all kinds of places, and you couldn’t use this, this way. So we kind of cut a deal, maybe like Solomon. We gave them the proportion of the cost of the radio system that the zone is in proportion to the whole municipality. In other words, we had no idea what we were doing. We just made it up at the point.

So I think what you ought to put in the legislation, as well, is some indication that while this money is in an individual municipality account that it really is State money, and the Authority should have a little more power to determine what an appropriate use is. Now, I’m not saying the Authority should tell a local official what the use is, but it should have the authority to,

perhaps, negotiate these things. The legislation is totally silent on this matter, and it was a large issue when I was there.

My third comment has to do with enforcement. You've heard face-to-face requirements and employment requirements, and basically, while there are an awful lot of well-intended people involved in it, there is no enforcement.

I mean, Treasury has a certain number of auditors, and they've done a little bit of work on the UEZ Program. I don't mean to take anything away from their efforts, but they don't have UEZ auditors who do UEZ things.

The Department of Labor doesn't have enough people to find out whether this business originally said it would hire someone and has actually done so. So a whole lot of this goes on because there are no enforcement moneys. The Authority, by the way, has no enforcement money. There is no way for them to get a little bit of this money to even do spot checks.

Now, the face-to-face requirement was something that was written into the original legislation to require a specific business practice. I understand your point of view that in lumberyards and other things, much business is done by telephone, but the legislation specifically wanted a person to go into the zone.

I don't think it matters where the goods are delivered from. I think if you have a lumberyard and you can deliver from a series of lumberyards and everything-- But I don't think a fax and I don't think a telephone call suffices for what the Legislature said should be a specific, on-site, face-to-face requirement. Yes, that was posed as a limitation. That was basically one way to address the fact that we wouldn't have mail-order places

in zones, where I could call Camden -- you know, just call it -- and get a new refrigerator delivered.

So maybe the face-to-face test needs some attention by the Legislature, as well, and maybe you need to revisit that issue and find out what you meant exactly by a face-to-face requirement and whether standard business practices would fulfill a face-to-face requirement. I'm not a legislator, but you said it should be face-to-face. You said it should be on-site, and I think that is the way it should be.

Also, without enforcement by somebody, there will be violations not only of the face-to-face rule, but employment violations and investment violations, and human nature dictates that.

There is also a curious problem. Suppose I come into a zone, I have 12 employees, I promise I will hire 3 more, and actually do so. I have an employment of 15. Now, something happens in my business, and I lay 3 people off, but they're not the 3 people I hired. Have I still fulfilled my commitment to that zone? Are you going to force me to let 3 people go so I can keep the 3 people I hired on the zone?

There is a very great difficulty in dealing with the reality of the employment situation in a zone. Someone can come in and, in good faith, say they're going to hire someone, and business reverses may have them let some person go. So I think the legislation may need more flexibility on that part.

My last comment has to deal with what I think is a lack of coordination between government and the host municipalities. This, I think, stems from the fact that we're pushing 30 UEZs at the moment. When we started the Program with 10, I think it was easier for the Department of Labor,

the Department of Commerce, and other departments to focus resources on these 10 or 12 areas. But now that we have almost 30 areas, we're really tapping the resources of State government and coordination is a little bit lacking.

So, in summary, I'm worried about the politicized nature of the UEZ Program; although, I do admit that if I were here I would try and get one for my town, too. I understand that. I think the UEZ Program has taken a backseat to some other economic development programs. Those of us who were involved in the UEZs early on really wanted this to be a program to take care of the worst parts of the worst cities, and I'm not sure it is doing that now.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

I just want to ask you one question.

DR. SCARRY: Yes, sir.

ASSEMBLYMAN AZZOLINA: Do you think, because of abuses, maybe there are certain businesses, even though they are in the zone, that should be excluded from the benefits of the zone? If you think that, maybe you could write us a little note on it, or a letter, give us your opinion, and we'll put it into the record?

DR. SCARRY: Yes, sir. I will do so.

There are some that were originally excluded in the beginning, automobiles and boats. Maybe one of the ways to deal with a problem is to exclude some things such as lumber, and so on. We have precedent in the legislation, and I will write.

ASSEMBLYMAN AZZOLINA: Okay. Thank you, because we want the Committee that is going to study these zones to have the benefit of this hearing, also.

Yes.

ASSEMBLYMAN MALONE: Just one quick question, just so I clarify.

I'm not suggesting that people shouldn't do face-to-face business. But I can't imagine-- I'm going to go back and read the legislation again. If a contractor who is building *X* number of homes has a normal business relationship where he may be in and out of that lumberyard several times a week -- doing business with that lumberyard -- and it just so happens that on this particular day he needs 1000 two-by-fours and he calls on the phone and says to lumberyard *X*, "Send me over 1000 two-by-fours," I can't imagine that the intent of the legislation was that he had to go in on that specific instance and say, "I want the 1000 two-by-fours."

DR. SCARRY: I wouldn't attempt to second-guess any legislator.

ASSEMBLYMAN MALONE: I don't think a court would, in any way, adjudicate against an individual.

DR. SCARRY: But what you posed there was a somewhat different problem. I think you posed a problem where this person had visited the zone, and now--

ASSEMBLYMAN MALONE: I'm concerned about if somebody is faxing information from North Jersey down to Lakewood, never had been in that zone, never had done business in that zone, is just doing it to circumvent the law--

DR. SCARRY: The law--

ASSEMBLYMAN MALONE: --that is wrong.

DR. SCARRY: Yes.

ASSEMBLYMAN MALONE: But if you have a builder who is in, let's say, the Ocean County area, who frequents that store and it just so happens that on that particular day he needed 1000 two-by-fours and he got on the phone and said, "Jim, I need 1000 two-by-fours delivered to my Crestwood site," that that, in fact, was not meeting the intent of the law.

DR. SCARRY: I agree with you. I think that would be a de minimis exception, because you pose a person who goes there.

ASSEMBLYMAN MALONE: I am not in favor of somebody from Bergen County calling Lakewood -- who has never talked to somebody -- faxing an order down and having whatever sent.

DR. SCARRY: Maybe the Legislature could deal with that in specifying what a follow-up to a face-to-face order is.

ASSEMBLYMAN MALONE: I don't think it was intended to stop normal, interactive business practices that people normally do. It is done to stop fraud, and I think it is fraud to go from Bergen County by fax to Lakewood to get building supplies so you can circumvent and get the 3 percent.

DR. SCARRY: Well, there is much of that going on.

ASSEMBLYMAN MALONE: Okay, and I think that is wrong.

ASSEMBLYMAN AZZOLINA: Let me give you another example, because I'm in the supermarket business. Forget me.

Two competitors in Lakewood -- because I know the area: a nice, modern supermarket in the modern shopping center, there are a few empty stores in it, and just down the road a couple of miles -- originally, I thought Lakewood was going to be inner city, but I didn't know what Lakewood was to the highway -- is a Shop Rite just off of Route 70. Come down Route 70, there is a Shop Rite right there. There is a new A&P down the road. Forget us, because we're a has-been store there, but there is another Pathmark down the road and not that far away. That supermarket has the benefit of -- whatever he sells -- the 3 percent, and down the road-- People can travel back and forth if they want to do that. That is unfair competition unless there are supermarkets in the inner city of Lakewood. I have no objection to that. I'm using that because I know the business.

I can understand Phil with the lumber business, and there are others who are going to testify, too. So where you have that problem, how do you resolve it?

DR. SCARRY: Well, first--

ASSEMBLYMAN AZZOLINA: Excuse me. Then, maybe, by you -- but I don't even know your area -- there could be a supermarket right here (indicating) and just over the border there could be another supermarket. That is unfair. You're just robbing Peter to pay Paul. I don't think that is fair. I don't even know how you can address that. That is why I said to you, "Are there certain fields that should be exempt?"

DR. SCARRY: Yes. There are two observations I would like to make about that.

First, there has been some indication, not in New Jersey literature, but in national literature, that people really do not tend to move much for a 3 percent difference in sales tax. That doesn't cover your example, but to buy a refrigerator it would be very difficult for me to drive the 22 miles to Camden to save 3 percent on a \$1000 purchase. So when there is some distance people don't move.

But the worst case was in Senator Scott's district where there was a unified shopping district. I forget the name of the district, but it was a street that we could all walk down. We could not tell we were going from one municipality to another, because there were all kinds of stores. When I was on the Authority, we designated one town and not the other, and it cut right in the middle of that shopping district. So if you went into a candy store on the end of a corner, you could buy something at 3 percent, but if you were in the middle of the block, it was the full 6 percent.

Senator Scott went ballistic, got subpoena powers, and called us all in. The issue went away because the legislation really doesn't give the Authority any power to make this into a surface or anything. I think this has come from what, I think, is an unwarranted proliferation in the zones.

ASSEMBLYMAN AZZOLINA: Well, to the credit of the Department of Commerce, Lakewood also extends down to where there is a Home Depot and a Top's Appliance, and all the stores are fairly rented. They were going to be in the zone eventually. I think Brick and a few others nearby -- Toms River -- really put the pressure on, and they eliminated that section of Lakewood on Route 70, but they left other sections in.

I know Lakewood is depressed itself. You get into the center core and certain areas of it, and it does need a lot of help.

DR. SCARRY: Well, these are like congressional districts now.

ASSEMBLYMAN AZZOLINA: Yes. So that is the problem. How do you handle it?

Did you want to ask more?

ASSEMBLYMAN MALONE: No, that's okay.

ASSEMBLYMAN AZZOLINA: Yes.

ASSEMBLYMAN ROMANO: Just quick, Mr. Scarry. I just have one comment, two actually, but the first one--

Before you had said that people don't actually move to go for the 3 percent. In your own testimony you have the fact that the County Salem-- This was a piece of special legislation.

DR. SCARRY: Yes, sir.

ASSEMBLYMAN ROMANO: We all responded as legislators to the pleas of now Speaker Collins, because they had proven that the people went across the bridge into Delaware to do their shopping.

DR. SCARRY: Yes, sir.

ASSEMBLYMAN ROMANO: Somehow they even took -- I don't know how legal it was -- the license plates of the people in the shopping lots in Delaware and ran them through to see where they lived. Many of them had come from Salem County.

On another note, are you aware of Bergenline Avenue in Hudson County? Have you ever been up in that area?

DR. SCARRY: I grew up in Hudson County in Jersey City. I lived on Summit Avenue.

ASSEMBLYMAN ROMANO: Okay. Now, you know the story of why it was important for the most recent UEZs. When they designated Union City -- and they deserved to get it as a community who needed the revitalization -- but then stopped at the border of West New York-- They had in one store, by the way, one half of the store is in West New York and the other half is in Union City. So that would be, "Which side of the store are we going to put the furniture in?"

DR. SCARRY: Well, you would put the nontaxable items on one side of the store.

Those problems exist and the Authority-- The Department-- I can't speak for the Department of Commerce. The Authority has no power to change that.

ASSEMBLYMAN ROMANO: I'm well aware, because we--

DR. SCARRY: So you may want to address that issue.

ASSEMBLYMAN ROMANO: We tried to move heaven and hell to have it done under the existing statute, and we had to have special legislation.

But since you are from Hudson County-- Now, let's go back to Hudson County for a moment. Those people who live in northeast Hudson County-- If you recall Bergenline Avenue, what it was in its heyday.

DR. SCARRY: Yes, sir.

ASSEMBLYMAN ROMANO: All right. Then we had the malls. We have Mill Creek, Harmon Cove, Newport. Now, what were those people supposed to do? They needed some sort of revitalization.

DR. SCARRY: Yes, sir.

ASSEMBLYMAN ROMANO: So when you do it-- You had to make an entire--

I have to, at this time, publicly, let me say again, due to your magnanimous decision to allow the bill to move, Mr. Chairman, Captain.

ASSEMBLYMAN AZZOLINA: Well, you cried enough, so that is why I let it move. He cried, too. (indicates)

ASSEMBLYMAN ROMANO: Okay.

You saw fit to allow us to go through--

ASSEMBLYMAN AZZOLINA: Bipartisan. Democrat or Republican. I was not political.

ASSEMBLYMAN ROMANO: --on the last one. But, see, this is the other part.

Just the way we had to respond to Speaker Collins' plea-- We all understood what it was, that people were leaving the county and going right into Delaware to do purchasing. We have that in areas in Hudson County.

I'm going to give you the last one. You heard me mention the name before. How would you like to be Harrison, which is completely surrounded between Jersey City, Kearny, and Newark? Not Jersey City. Yes, they touch Jersey City, as well. Jersey City, Newark, and Kearny-- So I have to tell them when I finish the meeting that you can expect the report to be filed in July of 1997. But that is another situation of an island.

What is the real answer? We don't really know. All we're trying to do is meet the crises as they are presented to us. I did not invent the UEZ. It was here when I got here.

ASSEMBLYMAN AZZOLINA: Okay. Thank you.

I have to get another gentleman on. He has to leave at noon. Is that okay?

DR. SCARRY: Thank you very much.

ASSEMBLYMAN ROMANO: Thank you.

ASSEMBLYMAN AZZOLINA: Okay. Anthony -- how do you pronounce it? -- Martorana. (indicating pronunciation) Now, you are Madison Township Lumber?

ANTHONY J. MARTORANA JR.: Right, in Old Bridge.

ASSEMBLYMAN AZZOLINA: My constituent. Well. (laughter)

MR. MARTORANA: I'll make mine short and sweet.

I don't have a problem with the UEZ Program. However, when it comes to selling lumber and building materials, it is killing my business in Old Bridge. An average house of lumber and building and materials is between \$20,000 and \$40,000, so let's say, \$30,000. Any lumber company in a UEZ has a \$900 advantage over myself. How am I going to compete? For \$900 they will drive an hour to save. Thirty dollars, they're not going to save, they don't care. But to save \$900, \$1000, \$2000, they will drive an hour or two hours each way.

My business is off 30 percent in the last year. When Lakewood opened up I should have closed my doors. I have laid off two people due to this decrease in business. You have exemptions on automobiles, trucks, and

other items. Lumber and building materials are just as expensive as most cars today.

ASSEMBLYMAN AZZOLINA: Now, autos are exempt?

ASSEMBLYMAN ROMANO: Yes, autos are exempt.

ASSEMBLYMAN AZZOLINA: Okay. I thought so.

MR. MARTORANA: I have two solutions.

One, eliminate lumber and building materials from the 3 percent tax.

Two, all lumber and building materials to have 3 percent sales tax statewide, to make it fair for everyone.

I cannot compete with a lumberyard in Lakewood, Newark, or any other areas when most houses are \$30,000 to \$40,000. You're killing-- It's killing other areas quickly. It is not a refrigerator or a TV or anything of a small purchase. These are major purchases. In Monmouth, Ocean, and Middlesex Counties, windows -- a houseload of windows -- are \$15,000. That is \$450.

The margins are not like jewelry or the fur industry where there is 50 percent markup. We work on 10 percent or 12 percent. You take 3 percent off our bottom line, it is a cancer. It is a cancer killing us very quickly. Waiting for these reports? We're dying very quickly. I don't want to sound morbid, but that is the bottom line. It is killing us. You're taking from one area and you're giving to another. We should just all close our doors, move to Lakewood or move to West New York or move to Trenton. That is the bottom line.

I appreciate the time to let me speak.

ASSEMBLYMAN AZZOLINA: Thank you very much.

Are there any questions? (no response)

I think we got the point.

Okay. Rick Alampi, New Jersey Lumber and Building Material Dealers Association, Springfield.

You're the Lumber Association person, President, or something?
Are you a lumber company or what?

RICHARD ALAMPI: Something is a good word for it.

ASSEMBLYMAN AZZOLINA: Okay.

MR. ALAMPI: I am the Executive Director of the New Jersey Lumber and Building Material Dealers Association. We represent New Jersey's 450 retail dealers and distributors.

I did submit some testimony. I won't read from it, but I will try to summarize a couple of things I don't think have been brought up.

I'm not here to debate the issue of whether UEZs are good or bad. It is an issue that has, quite frankly, divided the Association, because we have members who are in zones and we have members who are outside of zones. We have members with multiple yards, some are in zones and some are not.

There are no absolutes, but I would say most of our members in UEZs appreciate the benefits of them and can make a good case for how that has benefitted them and the community. Most of our members outside of UEZs can present, as you heard from the previous speaker, the disadvantages.

In trying to wrestle with it, we put together a committee made up of dealers who had businesses both inside of zones and outside of zones. We tried to balance it to come up with a summary solution.

We presented these recommendations to Treasury in February. We thought they could do this via regulation. I'm pleased to hear they are drafting regulations. We'll review them. If they do not go as far as we think they should, we might come back to you for statutory language.

It really focuses on a couple of things. It deals with trying to define further what constitutes -- and, again, I'm not concerned about the authorities or the hiring practices here -- from our industry standpoint-- What comes about is what the previous speaker just indicated. It is the 3 percent advantage as far as a sale goes.

We tried to figure out how we could best balance that on those interests. We felt that it certainly needed more definition. If you look in the statute, there is not a lot of definition of what constitutes a valid sale to qualify for a reduced sales tax.

I am going to go through this again, because I think it is not a technical solution, but it is a practical solution. You must be a specific customer and a specific vendor. That seems pretty obvious. The quantity and type of product must be specified. The reason here is no generic, standing, or block orders.

In other words, a contractor couldn't come and say, "I'm going to need X amount of shingles for this job. It's a big job. I'm going to need X amount every week for the next 10 weeks." We're saying, "No, that has to be a specific order."

We're saying a specific price must be assigned to each product. So a specific invoice must be generated for each sale and, if applicable, specific payment terms. If applicable, there must be a specific shipping address or, in

the case of shipment of construction materials to a job site, lot and block numbers shall be acceptable. Again, the intent there is to get away from a standing order with a general contractor, that we are, indeed, trying to enforce the language of the existing statute where the customer must come in and place an order with the vendor.

As far as fulfillment goes, the order must be placed in person at the zone location by the customer. We define customer as someone who is the principle of the company or a bona fide employee of the customer. The intent there is to get away from the agent scenario. We do recognize that as a problem, as an abuse.

As far as your question, sir, getting into what happens in the normal course of business when a contractor calls in off the job site, it is a 6 percent sale. That is not to say that the sale cannot be fulfilled or consummated. If you talk to some of our builders in zones, they'll say that, perhaps, only 70 percent of their sales qualify for reduced sales tax. This is a -- not to get on a high horse -- privilege, not an automatic. Just because you're in a zone, not every sale you're going to make is going to qualify for reduced sales tax.

This one is a little bit sticky. I'll preface it. It deals with-- A lot of the controversy has dealt with what constitutes a valid inventory. What is the difference between a real lumberyard and a storefront? We recognize that it is somewhat analogous to the Supreme Court trying to define pornography. You can probably recognize it when you see it, but to try to define it is a huge problem. At any one time, no yard, no matter what their size, is going to have 100 percent of inventory 100 percent of the time.

We wrestled with this for quite a while. Our solution to it is that we said, “The product must be picked up at or shipped from the UEZ business location.” If you maintain a warehouse or depot in the same UEZ, the product may be shipped from that warehouse or depot, but in no case may the product be shipped directly from a location other than the UEZ where the order is placed.

We recognize that could be a hardship. We recognize that that is not a good business practice, as far as drop shipments go, but lacking the wisdom of Solomon, that is the compromise we came up with. We also recognize, as far as the spirit of the UEZ law, that that would create jobs, because someone would have to load/unload the truck, or at the very least, record that the truck had been through the zone site to pick up the PO or the shipping order.

As far as record keeping goes, there is no standard from Treasury as far as what the criteria would be. We wrestled with trying to put together specific criteria. We left it blank. Instead, we said that records/orders must be maintained in a manner to provide for verification; that the orders were placed in accordance with the previous things we mentioned; and in the case of shipped materials, a customer’s signature attesting that the order was placed in accordance, whether that is an affidavit or something that indicates that the customer verifies that they were there face-to-face and ordered this according to a specific quantity and price. We felt that these records kept in this way would assist auditors in their enforcement.

Last, but not least, we talked about penalties. We felt that in the case of willful and/or repeated violations, the Division of Taxation should have

the right to revoke the right of the business to offer the reduced sales tax on products. Again, recognizing that this is a difficult issue, we thought that these were, at a minimum, a first step to try and correct some of the problems that have cropped up through the proliferation of doing business in zones.

I thank you very much for your consideration.

ASSEMBLYMAN AZZOLINA: Good comments.

Are there any questions?

ASSEMBLYMAN MALONE: Just one.

ASSEMBLYMAN ROMANO: Just two.

ASSEMBLYMAN AZZOLINA: We have to move on.

ASSEMBLYMAN MALONE: I understand.

The list that you have here -- again, I'm going to go back to normal -- looks to me, in some way, that what you're trying to do is almost create a situation that seems to be the way I would go to Channel or Rickels or someplace to buy lumber and not the way normal contractors would buy lumber through a major lumberyard. Is that true?

MR. ALAMPI: The normal-- In a larger situation what you would have is you would have outside sales people going out to the contractor, to the job site, taking orders. In other words, it is a service business. That is what separates our independent lumber dealers from the large chains. They service the people, and one of the service options is to go out and assist the contractor as far as materials they might need and what is available.

So, yes, I would say--

ASSEMBLYMAN MALONE: So what you have here is a model of me going to Channel to buy lumber.

MR. ALAMPI: What we have is a recognition of an unusual situation.

ASSEMBLYMAN MALONE: Okay, but would you classify this characterization the way I would go to Channel or Rickels to buy lumber?

MR. ALAMPI: Yes, sure.

ASSEMBLYMAN MALONE: So it is not really reflective of what really, in essence, takes place between a large home builder and a true relationship with a lumberyard.

MR. ALAMPI: You will hear, I'm sure, from some of our yards that are in zones that operate according to these provisions that are down there now.

ASSEMBLYMAN MALONE: Okay. But it is sort of a home owner going to a place. This is the normal way it would operate, a home owner going to a small lumberyard, a Channel, or a Rickels.

Okay. Thank you.

ASSEMBLYMAN AZZOLINA: Next is William and Marc Schwartz. One is President of Blackstone Company, and one is Vice-President.

What do you do? (laughter)

You'll tell us, okay? Who is the President?

MARC SCHWARTZ: Three guesses.

WILLIAM A. SCHWARTZ: I am.

ASSEMBLYMAN AZZOLINA: Okay.

MR. W. SCHWARTZ: Actually, I'm his father. (laughter)

ASSEMBLYMAN AZZOLINA: You're his father. Okay.
(laughter)

MR. M. SCHWARTZ: Right. That is clean living.

ASSEMBLYMAN AZZOLINA: Okay.

Where are you located, also?

MR. M. SCHWARTZ: We have three locations: Old Bridge, New Jersey, East Brunswick, and South Brunswick. We have been in business since 1957. We employ 350 people, and we distribute--

ASSEMBLYMAN AZZOLINA: Is your microphone on? The red light -- do you have a red light on?

MR. M. SCHWARTZ: No. Oh, okay, there we go.

We distribute lumber and building materials for new home construction throughout the State of New Jersey.

Initially, I think that we, like many of the people in the room, felt that the Program was a good one. It has helped a lot of people. It has helped a lot of inner-city areas. But I think Assemblyman Malone hit the nail on the head just now in pointing out that ours is really not a retail business.

We distribute for new home construction. We sell through outside salesmen over the fax, over the telephone. This is the way it has been done for a long time. We do not sell to the end user the way a traditional retailer would. We're selling to a builder who is then reselling to the home purchaser. We do charge sales tax, because of the contractor exemption in the Sales Tax Act.

But when you try to fit the lumber and building materials industry into the model of the UEZ Program, you're really trying to jam a round peg

into a square hole. We are wholesalers in every sense except for the strict sales tax sense, because what we sell becomes capitalized as part of capital improvements and we really need to collect and remit.

Certainly, we've run into all of the examples of abuse that Phil Shaheen spoke about before, and then some. Many of our competitors never have anybody visit the location or will have somebody visit the location once, sign a sheaf of blank orders that will last for a year, notwithstanding the face-to-face requirement.

We're not located in a zone, obviously. Our customers almost never come in to purchase for new construction because, as Assemblyman Malone pointed out, it would be monstrously inefficient to do so. But then again, they're buying from a wholesale outfit. They recognize that and we recognize that, but, unfortunately, the law doesn't and the UEZ Program doesn't.

Another poignant example -- to draw on Assemblyman Romano's point of Salem County -- that has come back to bite the State, because we are all now competing against a Delaware lumberyard that has opened a storefront location in Salem County and is shipping out of Delaware even into South Brunswick where we are located. They are supplying a job in South Brunswick and charging 3 percent, but the lumber and materials are coming from Delaware.

ASSEMBLYMAN ROMANO: Excuse me, Mr. Chairman, if I may interrupt you.

ASSEMBLYMAN AZZOLINA: Yes.

ASSEMBLYMAN ROMANO: When you said they opened up, what did they open up?

MR. M. SCHWARTZ: They opened up a facility which as some stock in it, some stock of engineering lumber materials, but not the types of materials that are being shipped to this one job that we're familiar with in South Brunswick. People have even spoken with their drivers and asked where they are originating from. The loads are being built and shipped out of Delaware. So this is a Delaware business that is benefitting from--

ASSEMBLYMAN ROMANO: Do they do your sort of business? I gather from what you're describing--

MR. M. SCHWARTZ: Yes, exactly.

ASSEMBLYMAN ROMANO: --here, you don't have a lumberyard per se.

MR. M. SCHWARTZ: We do have a retail location that does do some point-of-purchase sales in Old Bridge. I would say that 98 percent of our business is to home developers.

MR. W. SCHWARTZ: To the residential builder and the professional contractor.

MR. M. SCHWARTZ: And not to the point-of-purchase trade, to the walk-in trade. This competitor from Delaware is substantially the same as us.

ASSEMBLYMAN ROMANO: Yes, but what has he or she opened up? What have they actually opened?

MR. M. SCHWARTZ: They opened up a small lumberyard in Pedricktown, New Jersey, in Salem County with, as I said, just a small

inventory -- because we have had our own people go down and take a look -- of what is called engineered lumber, which is used sometimes now in construction.

ASSEMBLYMAN ROMANO: By engineered, you mean?

MR. M. SCHWARTZ: These are called joists and truss joists. This is the newest thing in lumber.

MR. W. SCHWARTZ: It is lumber that has been--

ASSEMBLYMAN ROMANO: We're not talking about raw two-by-fours or--

MR. W. SCHWARTZ: That is correct. The developer in South Brunswick is buying from them. It is being delivered from Delaware with Delaware plates on the truck, Delaware material.

ASSEMBLYMAN ROMANO: Excuse me, again.

I'm sorry, Mr. Chairman, but this is important.

You and I had spoken one other time.

MR. W. SCHWARTZ: That is correct.

ASSEMBLYMAN ROMANO: They have engineered lumber, but are they selling then raw stock of two-by-fours, four-by-sixes, etc.?

MR. W. SCHWARTZ: Yes.

ASSEMBLYMAN ROMANO: Do they have them in inventory?

MR. W. SCHWARTZ: No.

MR. M. SCHWARTZ: Not in New Jersey.

ASSEMBLYMAN ROMANO: Well, see, here is what we're coming to. If everybody did what they were supposed to be doing, that person

should not be able to sell that because he does not maintain an inventory. This is what I'm talking about here.

MR. M. SCHWARTZ: It has been--

ASSEMBLYMAN ROMANO: But, by the same token, without saying it, I agree with Assemblyman Malone about how business is done. I know the problems that you have. In fact, I was the one who said to you, "Why don't you open up a small lumberyard within the UEZ?" Am I correct?

MR. M. SCHWARTZ: But my feeling is that there is no way that somebody in our end of the business -- supplying to new home builders -- could, in good faith, comply with the Program. It just isn't--

We all ship throughout the State. I don't believe it was the intent of the Legislature to give wholesale distribution operations, who are not attracting point-of-purchase sales, this sort of an advantage.

The inner-city store where people do come in to make their purchase, maybe they buy something up the street, they have lunch; it has done a lot of good. I think we all recognize that. But when shipping depots are located, be they in East Brunswick, South Brunswick, or Lakewood, they are not attracting commercial traffic.

Lumber gets shipped in by rail, sometimes by truck, shipped out by truck, the orders are taken over the phone, or more often in the field by outside salespeople.

ASSEMBLYMAN AZZOLINA: We're seeing here, gentlemen -- maybe there are women, also -- trying to run a legitimate business and they are being circumvented. That is what-- We have to help these people some way.

ASSEMBLYMAN ROMANO: Well, this is the point I was about to mention, if you will allow me, Mr. Chairman.

The prior person, Mr. Alampi, now he had a different aspect.

Now, your business, according to-- Unless I'm wrong, Mr. Alampi would not want your sort of business, because you would operate on a telephone without having a lumberyard. Am I correct?

MR. M. SCHWARTZ: We do have lumberyards, but they're distribution facilities. They don't--

ASSEMBLYMAN ROMANO: Now, we're talking--

MR. M. SCHWARTZ: Oh, I'm sorry.

ASSEMBLYMAN ROMANO: No, no. Don't be sorry.

ASSEMBLYMAN AZZOLINA: They are not retail stores.

ASSEMBLYMAN ROMANO: We're not here to bury anybody. I came down here today for this meeting because this is important. I appreciate the concerns. I have spoken to Assemblyman Corodemus. Assemblyman Malone and I are always in constant communication. If there is something that can be an outgrowth of this that will help everybody, fine. The Chairman knows that I'll be on board.

But I think this is the other part: There is no perfect legislation, sadly, there is no perfect. There is always the other side. But here, a line there must be. One side of the line or the other side of the line here.

This situation about the individual who is coming in from Delaware, well that should be reported to the State, and the State would have to take a look at it, because the local municipality is not going to step in.

MR. M. SCHWARTZ: It has been reported repeatedly.

ASSEMBLYMAN ROMANO: Well, that is something that-- He was here. They left already -- Mr. Steinberg. We were out in the hall with another individual and he said, "Please call me if you have a problem." So I am saying to call him again, especially after this hearing here.

But then, what are you actually looking for the Legislature to do in your particular type of business?

MR. M. SCHWARTZ: Well, two things ideally, because I feel that the UEZ Program is simply not suited for what is really a wholesale business. I think that new construction sales of lumber and building materials should be carved out in the same way as telecommunications and automobiles. Cigarettes are a different story, I suppose. I believe boats, by now, are carved out, because these are all examples of products -- big ticket sales -- that did not seem to comport with the intent of the Legislature. That would be the ideal.

In the interim, enforcement of the face-to-face requirement is crucial. It should be a true transaction, not a transaction over the phone where a straw man or a cutout then drives back and forth in a car just to poke their head into the facility. The transaction really should take place in the zone. That is what was intended. The idea-- Certainly, everything that Phil Shaheen talked about, and more, is going on out there. True transactions are not taking place within the zones.

ASSEMBLYMAN AZZOLINA: All right. If you have any problems getting anybody moving in State government, call Deb Smarth here. She is the Committee Aide. She will make sure I get it and that I get on the phone. Okay?

MR. M. SCHWARTZ: Thank you.

ASSEMBLYMAN AZZOLINA: Her phone number is 609-292-5339, or my office is 908-671-4906. I'll give you my card.

ASSEMBLYMAN ROMANO: I'm sorry, I believe I cut off his testimony. He wasn't completed.

ASSEMBLYMAN AZZOLINA: I'm sorry, yes.

It is about done, I guess, right?

MR. M. SCHWARTZ: Yes, I think we've said what--

ASSEMBLYMAN ROMANO: I apologize.

MR. M. SCHWARTZ: Oh, no. That is fine. If anybody has any other questions, we're glad to answer them.

ASSEMBLYMAN ASSELTA: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Yes. We have to get moving, because we have quite a few left.

ASSEMBLYMAN ASSELTA: Okay. One quick question.

Mr. Schwartz, thank you, again, for coming. We have talked. We have had a very good meeting.

My concern is, once we start eliminating, as you call, big ticket items, where do we stop? Do the appliance people who sell appliances come in to us next and testify before this Committee and have the same concerns and needs out there because they're not in the zone and someone else is in the zone who sells refrigerators? Today, kitchen equipment costs well into the thousands of dollars. Right now, they are the type of big ticket items that are funding these UEZ Programs and helping them create the kind of revenue that is helpful for economic development.

So that is my concern with that issue, and I think you are well-informed on it. I appreciate the testimony today, but I think we're really going to open ourselves up to quite a few other hearings on that level.

MR. M. SCHWARTZ: Okay, to answer, I think the distinction with our industry is that we are not selling to the end user. The distributor of refrigerators and appliances-- With appliances there generally will be a face-to-face. People will go and take a look at what they want to buy. They will buy it for use in their home.

We are not selling to the end user, so we are not retailers in the sense that I believe the Legislature intended. I don't think this is going to be the start on the slippery slope, because there is a distinction between our industry and some of the others.

ASSEMBLYMAN ASSELTA: Well, there are builders that I know of -- and my family has been in the construction business for quite a few years -- that buy bulk refrigerators for condo units and that type of thing through UEZ businesses. So I understand your point, but that can also be said for appliance stores. Builders do go to appliance stores and say, "I want to order 10 stoves of this particular model to put in a condo unit."

So, in that respect, I hope you understand my point that I think once we open a door and start exempting certain businesses, we're going to deplete the revenue sources that are helping to economically revive some of these stricken communities.

ASSEMBLYMAN AZZOLINA: Okay. We have to move, otherwise we're going to have to-- I have to start, because you guys are the

ones who are giving me a tough time about running these meetings long, and you're doing the talking, including me. (laughter)

Mark Schoenberg (phonetic spelling), Fogel Stationary, Linden, representing the National Federation of Independent Businesses? Are you here? (no response)

Mark Goitein, Apex Lumber Mart, Trenton.

ASSEMBLYMAN ROMANO: Ask him if he is in the zone before he starts.

ASSEMBLYMAN AZZOLINA: Yes, he is in the zone, so you'll hear the opposite now.

Okay, if Mark Schoenberg shows up, he'll have to give us his written statement.

MARK L. GOITEIN: Good morning.

ASSEMBLYMAN AZZOLINA: Good morning.

MR. GOITEIN: My name is Mark Goitein. I am currently the President of the New Jersey Lumber and Building Material Dealers Association. You have heard our Executive--

ASSEMBLYMAN AZZOLINA: What was the other one? Oh, same group. Okay.

MR. GOITEIN: Yes. Rick Alampi, who is our Executive Director has given testimony this morning.

I am not testifying on behalf of the Association. I am testifying as an owner of two businesses -- lumber and building material businesses -- in the State of New Jersey.

The first business that I am involved in is Apex Lumber, which is located on South Broad Street here in Trenton. In 1985, we became--

ASSEMBLYMAN AZZOLINA: Where is your other one at?

MR. GOITEIN: The other one is in Trenton, also.

ASSEMBLYMAN ROMANO: Excuse me, are they in the zone at all, or what?

MR. GOITEIN: They are both in the zone.

ASSEMBLYMAN ROMANO: They're both in the zone. Okay.

ASSEMBLYMAN AZZOLINA: I think all of Trenton is in the zone probably.

MR. GOITEIN: In 1985, Apex became an approved Urban Enterprise Zone business. At that point in time, we had 25 full-time employees, and we operated on a combination of owned and leased property in the City of Trenton.

Over the last 10 years, or since that period of time, Apex's full-time employment has more than doubled. We now have over 50 full-time employees. We are currently in the planning stages of a \$2 million construction project in Trenton that consists of 100,000 square feet of retail and warehouse space.

The second business is called Ace Plus Lumber and Millwork, which is sort of a specialty lumber and millwork business. Ace was previously operating in Philadelphia for 30 years. In September of 1995, last fall, we moved that business from Philadelphia to Trenton. The combined result of these two companies is the creation of more than 50 new full-time jobs and \$2 million of permanent improvements in the City of Trenton.

I can assure this Committee that if it were not for the UEZ neither one of those two events would have occurred. As a matter of fact, probably the opposite would have occurred. Apex would have moved out of the City of Trenton. There would have been a net loss of jobs in the city.

I believe the UEZ Program is a good one and has accomplished much towards achieving the goals of creating employment and investment in the designated zones. The Program is not perfect and should be improved where possible. I support the efforts of the New Jersey Lumbermen's Association to help try to clarify the criteria necessary to qualify for a reduced rate in sales tax and for increased enforcement of current UEZ regulations and any possible new UEZ regulations.

A lot of the discussion today involved, obviously, lumber and building materials. Again, I support the Association's recommendations to require that materials be shipped from a zone business to qualify for the reduced rate in sales tax. That would eliminate the situation that was described with the Delaware company operating out of a storefront. It would alleviate, I believe, a lot of the current problems with the Program. There is a place for legitimate lumber dealers to do business within the UEZs under proper guidelines and operating under those guidelines.

Businesses that are not operating in the spirit of the law are hurting everyone. They hurt the State Treasury. They hurt businesses that are not in the zones, and they hurt legitimate businesses which are in the zones.

The problems need to be addressed, but surgical legislation designed to carve out a particular industry would be counterproductive. It would pull the rug out from under the businesses that have, in good faith,

made significant financial commitments within the zones. It would also deter others from making similar commitments for the fear of losing, at some future point in time, the incentives that brought them to the zone in the first place.

One last comment is, there has also been a lot of discussion about unfair competition. I have to respectfully say that I disagree. Testimony given by other lumber dealers this morning would seem to indicate that they have been precluded from doing business within a UEZ. Many of these people have multiple-location businesses. There is no reason that they could not make the same financial commitment toward investing and operating a business in the zone that other people have.

Thank you.

ASSEMBLYMAN AZZOLINA: Okay. We'll move on then.

We have Directors from various-- Well, let me get the last: Haddonfield Lumber, Tom Baird. Haddonfield Lumber.

THOMAS H. BAIRD: Yes. I am Tom Baird. I am Vice President of Haddonfield Lumber. The President of Haddonfield Lumber is Dave Baird IV. He is not here today. He asked me to testify.

ASSEMBLYMAN AZZOLINA: Can you make it short?

MR. BAIRD: Excuse me?

ASSEMBLYMAN AZZOLINA: Can you make it short?

MR. BAIRD: I'll try and make it short. In fact, I will make it short. I just want to give you a little background on Haddonfield Lumber, because I think it is important that you understand who we are.

The Baird family has been in the lumber business for many years. Not too much history, except that we had Baird Lumber and Spars under the

Ben Franklin Bridge in Camden in the 1860s through 1947. Haddonfield Lumber was established in 1953, a mom-and-pop lumberyard established by our dad, David Baird III.

Haddonfield Lumber, now, has risen to having nine yards; seven in New Jersey, two in Pennsylvania. We are the largest independent building material dealer -- retailer -- in the Delaware Valley and number two in the State of New Jersey. We have 350 employees, and last year, we did \$93 million in business.

In reference to UEZs: We support the UEZ Program. We have Urban Enterprise Zone yards in Vineland, which we established in 1993, Lakewood, established in 1995, and Mount Holly in 1995. So three of our nine yards are in Urban Enterprise Zones.

You may ask, "Why are we in the Urban Enterprise Zones? Is the primary factor for being in them strictly that program? But why do we have yards there?" I can say it is a factor. It was not the factor for moving to those locations. Major factors are geographic locations, road networks, and where the housing markets are. We have to move to where the business is.

Haddonfield Lumber has done several things that I would like to mention. We have invested millions of dollars in these properties in the Urban Enterprise Zones. We have totally fulfilled the hiring requirements in those zones. We have done approximately \$23.5 million in business in the zones in 1995, of which \$700,000-plus went back to the communities. We established detailed controls to ensure that the guidelines of the Urban Enterprise Zone were fulfilled. We have detailed logs. We have builders come in and place the orders, and I am the enforcer. That is my job.

In respect to that one question concerning somebody wanting 1000 two-by-fours: If that order had not been placed under a previous order, i.e. a household -- a specific household -- we would not have delivered it without them coming in to place the order. So we have the controls in effect. We knew we had to have the controls to control our people. We feel there are controls that should be put into effect.

As far as the specific situation a little earlier, concerning Lakewood: We have a Lakewood yard. I asked -- concerning that load -- as to whether that involved us, from the gentleman who was up here from Builder's General. He said, "No." Not to blow our own horn, he did make the statement, "Haddonfield Lumber might be one of the few that actually fulfills the requirements."

So we do believe in the Program, but we know it has to be enforced. We oppose any violations. We think that people should be prosecuted, fined, whatever is necessary, whether it be storefronts, sending agents, or sending a salesman out with a delivery ticket, etc.

So, in summary, we support the zones. We believe in the zones. I sit on one of the Councils for Economic Development in Mount Holly right now, myself. They invited us to participate in that community. We feel that for our business it is important. We have invested money, and as a result, we want to do business out of those zones and contribute to those communities.

That concludes my remarks. Are there any questions?

ASSEMBLYMAN AZZOLINA: Are there any questions? (no response)

Okay, we'll move on.

Thank you very much, sir.

Now, we have the Lakewood Development Group. A UEZ, I assume. We have Perth Amboy's UEZ. Then, we have four people from Carteret, and also, the Elizabeth Development Company. So there are four groups representing UEZs, I believe.

How do we want to handle this? You guys will go on and on forever. So if you will each take--

ASSEMBLYMAN MALONE: Ask them to raise their hands and see if they're in favor of the UEZs.

ASSEMBLYMAN AZZOLINA: Well, they are. They're all in favor of UEZs. So does one want to speak for-- Can each come up and speak for just a few minutes? (affirmative response)

Okay. Suppose we get Elizabeth first -- whoever is here from Elizabeth. Bill O'Dea is one. He is the Deputy Director. Whoever else is there--

Lakewood will be next. Perth Amboy, next. There are about four people from Carteret; some are residents.

WILLIAM O'DEA: The UEZ Program of New Jersey is a national and global model. It rewards success, while most other government zone-type programs reward failure. What I mean by this is, most entitlement, empowerment zone-type programs in this country give you more money when you fail and less money when you succeed. The New Jersey UEZ 3 percent sales tax rewards and encourages success. It empowers the city and its business community to rebuild its zone.

In July of 1994, Mayor Bollwage formed a private/public partnership with the Elizabeth Development Company to administer its program. At that time, only 370 businesses were participating in the Program. It was generating only \$4.5 million annually. In two years, Elizabeth has more than doubled the number of participating businesses, reaching over 800.

ASSEMBLYMAN AZZOLINA: Are you reading all of this. I don't want you to read it.

MR. O'DEA: I'm just going to skim through it.

ASSEMBLYMAN AZZOLINA: Okay, because otherwise I won't--

MR. O'DEA: As of July of this year, revenue has grown to \$7.5 million and \$9.5 million generated for this fiscal year.

We have shown that the more you participate, the more investment and more jobs have been created. We now fund facade grants, extra-duty security, streetscape improvements, and we feel that now our inner-city business districts are, in fact, beginning to strengthen and thrive as, at one time, before this program began--

ASSEMBLYMAN AZZOLINA: Are you improving your inner city? That is my main concern.

MR. O'DEA: Absolutely.

ASSEMBLYMAN AZZOLINA: Now, what are you going to do when the mall is built? It is going to destroy your inner city. Am I correct?

MR. O'DEA: Absolutely not.

ASSEMBLYMAN AZZOLINA: I bet it does. I don't mean to be belligerent, but I am anti these kinds of things. If you develop outside the city

and you destroy your inner city, I don't think that is a purpose zone. I know the Governor and everyone else is for this mall going up.

MR. O'DEA: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: I'll tell you, if the inner city doesn't improve -- I'm going to tell you right now -- we're going to be strong forces to change things. Because if the inner cities don't improve -- Newark, Elizabeth, and those other inner cities-- We want to see them improve. That is our game.

MR. O'DEA: Mr. Chairman, I would think that it is almost--

ASSEMBLYMAN AZZOLINA: I don't mean to be threatening you, but you are here.

MR. O'DEA: It is almost incumbent upon you to come and visit Elizabeth, because I believe that the inner-city business districts of Elizabeth--

ASSEMBLYMAN AZZOLINA: I want to know, when the mall is built, if it is going to destroy the inner city.

MR. O'DEA: Well, I disagree with you. I think in preparation of that occurring, the City of Elizabeth, just in this last year alone, has invested over \$3 million of its UEZ money in streetscape improvement for midtown, loan programs for midtown, facade grant programs for midtown. When that mall came before the city council for approval--

ASSEMBLYMAN AZZOLINA: I'm just challenging you, that is all.

MR. O'DEA: Well, I like being challenged, but I think you're being unfair.

ASSEMBLYMAN AZZOLINA: I'm not. I have seen malls destroy many towns.

MR. O'DEA: Well, maybe some malls have, but I'm not sure how those towns prepared for the coming of those malls. I don't believe those towns had the resources that the City of Elizabeth has through its Urban Enterprise Zone Fund to invest in those neighborhoods.

You're absolutely right, but I-- I invite you to come, and I think if you look at downtown--

ASSEMBLYMAN AZZOLINA: I will. We will.

MR. O'DEA: While the mall is a major project, next to the city's center business district where the train station is, there is \$100 million development project undergoing, which is going to bring office buildings, which is going to bring 400 additional units of housing, renovation of a historic train station, that is going to bring additional customers and additional users of the stores in those center-city business districts.

Most of the other business districts in the zone are neighborhood business districts. We don't expect that there will be any adverse effect at all by the construction of the mall. What the mall will do, which is what IKEA has done, is provide us with the revenue to be able to invest in those areas, to put police officers on those streets, to provide loans, to provide facades, to provide amenities and advantages, so those center-city and inner-city business districts have things that they never had before, even money for marketing.

So I think-- You kind of got me off of my comments.

ASSEMBLYMAN AZZOLINA: That is all right. We don't want to hear the prepared remarks. These are the kinds of things we want to talk about.

MR. O'DEA: Okay. You already have them. I find that--

ASSEMBLYMAN AZZOLINA: Okay. Because that is all canned stuff, but I got my message from you, and you got my message.

Does anybody want to ask questions?

ASSEMBLYMAN ROMANO: Just one comment.

You both used the word challenge. I want you to understand something; you could have been a challenger.

MR. O'DEA: Contender.

ASSEMBLYMAN ROMANO: Contender. (laughter)

MR. O'DEA: I may still be. I'm still young.

ASSEMBLYMAN AZZOLINA: Okay. Very good.

MR. O'DEA: We look forward, Mr. Chairman, to having you come to Elizabeth in the near future.

ASSEMBLYMAN AZZOLINA: We'll come down to visit you.

Thank you.

Lakewood is next. Short. No prepared statements. You got me?

T O D D J. P O O L E: Understood.

ASSEMBLYMAN AZZOLINA: You're a friend. You're a neighbor.

MR. POOLE: Well, I feel that it is appropriate that I am up here, since Lakewood has been lambasted all day long.

ASSEMBLYMAN AZZOLINA: That is okay. There are reasons for it.

MR. POOLE: Good afternoon, Mr. Chairman and Committee members. I'll keep it very brief.

ASSEMBLYMAN AZZOLINA: This is Todd Poole, by the way.

MR. POOLE: I am the Director of Economic Development for Lakewood Township.

Lakewood Township was brought into the Program in November of 1994. At that time, it had an unemployment rate of 8.6 percent. Today, Lakewood Township's unemployment rate is 7.7 percent; 809 new jobs have been created, 427 of which are in the manufacturing and wholesale industries.

As a matter of fact, Ocean County, or more specifically, Lakewood Township -- with its Urban Enterprise Zone businesses within the manufacturing and wholesale industries, which, as you know, are the higher paying industries -- leads the State in terms of job creation. I do have to attribute a substantial part of that to the successes of the UEZ Program.

We talked here about lumberyards a great deal. What probably hasn't been said enough is the fact that in Lakewood, where we probably have more lumberyards than any other municipality in the State, there are many legitimate transactions that do take place. My staff and I do try to monitor that as much as we can. When we do hear of infringements of the rules, we do report that and check up on that as much as possible.

With respect to the 3 percent sales tax and how that may be adversely affecting lumberyards outside of the UEZs: I think it should be remembered that, within the spirit of the law, the 3 percent was put in place

to allow for those businesses operating within urban areas to mitigate or compensate for the higher land costs and the higher labor costs that they experience vis à vis some of the suburban areas and those competitors that operate within those areas. So it is not simply an absolute situation, but relative, and that must be kept in mind by the Committee.

Finally, can improvements be made? Yes. No question. I think everyone here has hit it on the head with respect to stronger monitoring practices. There needs to be funding mechanisms for the State to be able to do that and bring everyone into compliance, because this program is successful and it shouldn't deserve a black eye because of a few bad apples.

Thank you very much.

ASSEMBLYMAN AZZOLINA: Thank you. You get an A.

Perth Amboy. Is Melvin Ramos (phonetic spelling) here? (no response)

Now, we have four people from Carteret. John DuPount, (phonetic spelling) a board member, I guess. John Dinicola, (phonetic spelling) are you here? (no response) How about Mike Menzoff, (phonetic spelling) Carteret resident? (no response) There is nobody here from Carteret? (no response)

Okay. Roberta Farber.

Did you ever hear the name Farber down in Middletown at one time?

ROBERTA FARBER: No.

ASSEMBLYMAN AZZOLINA: She was murdered--

MS. FARBER: Well, I'm still here, thank God.

ASSEMBLYMAN AZZOLINA: --by a doctor. (laughter) Any relation? (laughter) You have to throw a laugh in there.

MS. FARBER: Good afternoon. Thank you for the--

ASSEMBLYMAN AZZOLINA: He was an anesthesiologist. He gave her the needle, I guess. (laughter)

MS. FARBER: Lovely.

Well, I am here. I am Roberta Farber from the City of Paterson.

ASSEMBLYMAN AZZOLINA: Are you going to keep it short?

MS. FARBER: I promise I will keep it short.

ASSEMBLYMAN AZZOLINA: Okay.

MS. FARBER: I represent Mayor William J. Pascrell -- Assemblyman Pascrell. I am also the Urban Enterprise Zone Coordinator for the city.

Paterson was designated in 1994. We are 8.3 square miles and 140,000 people. We are one of the densest populated cities in the State, and I truly believe that the Urban Enterprise Zone Program was made for municipalities such as Paterson.

ASSEMBLYMAN AZZOLINA: Is the whole city in the zone?

MS. FARBER: No, 30.4 percent of the municipality is within the zone.

ASSEMBLYMAN AZZOLINA: Is that the commercial area, basically?

MS. FARBER: It is commercial and industrial areas, yes.

We are also the oldest industrial city in the State and the country, which means that we have quite a bit of remediation problems. A lot of the land is not able to be used because of remediation.

One of the areas-- Since this was supposed to be a positive and what can we do to help UEZs in legislation, I would like to see something come about with the Department of Environmental Protection in trying to create some new legislation for Urban Enterprise Zones and remediation of certain properties within those zones. We need it. It is something that Paterson especially needs to have done.

Paterson also brings in approximately \$160,000 a month in Urban Enterprise Zone funds for projects which we just started doing last year. We are doing a Main Street revitalization program. We are doing cleanup programs, garbage can programs, banners, and various other things to improve the municipality.

ASSEMBLYMAN AZZOLINA: Now, the EDA, they have a small remediation fund, don't they?

MS. FARBER: They do. I'm talking specifically for zones, though, which would help us do a little bit more.

ASSEMBLYMAN AZZOLINA: Will it take a lot of money? I guess it will, right?

MS. FARBER: Probably. We can use Urban Enterprise Zone moneys to cleanup some of the sites, but it is not enough to really make a dent in the problems that we do have within the city. So that is something that we would like to possibly have addressed, as well as to ditto Frank Seney's

comments about the mom-and-pop stores. It is very, very important to revisit that issue for the zones.

ASSEMBLYMAN AZZOLINA: Is that important for your city, also?

MS. FARBER: Absolutely, yes. Most of our businesses within the city are five employees or less, and it is a very, very important issue that we need to address.

As far as the lumberyards are concerned: I know that there are many other Urban Enterprise Zone Coordinators, who are not here today, who are also very interested in seeing where that bill does go, whether or not lumberyards are going to be excluded. They are not here today. We did not know that this was going to be a hearing primarily about lumberyards today, or I'm sure they would have been--

ASSEMBLYMAN AZZOLINA: It was about anything. It just happened to be-- Do you have lumberyards in your--

MS. FARBER: We have two. I have two lumberyards within the City of Paterson.

ASSEMBLYMAN AZZOLINA: Are they in the zone?

MS. FARBER: They are in the zone, and without having the 3 percent sales tax, some of them would have closed their doors. It is a very, very important factor for cities such as Paterson to be an Urban Enterprise Zone.

ASSEMBLYMAN AZZOLINA: Would you back up a minute? You said something about it ought to be excluded, what did you mean?

MS. FARBER: No, not excluded. No. Absolutely not.

ASSEMBLYMAN AZZOLINA: Oh, no excluded. Okay.

MS. FARBER: It is very, very important for them to be included. There was a comment before by one of the lumbermen that was speaking about having warehouses for the supplies. If Paterson, as small as it is with only 8.3 square miles, was going to have a store for lumberyards, as well as having to worry about warehouses as well, that utilizes a lot of space which we do not have.

We are unfortunate. Such as Elizabeth, we do not have the acreage to be able to build a mall, so we have to utilize every piece of property that we have that is in existence now. Lumberyards are an important factor to bringing in dollars to us for improvements for other parts of the city. So it is very, very important that we keep them within the zones.

Also, we would like to thank the administration for being as cooperative as they have been through the State offices, as well as-- You talked about coordination and us following examples as Millville and Elizabeth. The Coordinators all work extremely well together. We do not steal companies from one another. We exchange ideas. We work well together. It has been a terrific opportunity for myself to work as an Urban Enterprise Zone Coordinator.

So I thank you for that opportunity.

ASSEMBLYMAN AZZOLINA: Thank you.

Are there any questions? We have two more speakers.

ASSEMBLYMAN ROMANO: Not of this person. I have a final comment.

ASSEMBLYMAN AZZOLINA: Well, we're not done yet. We have two more speakers.

ASSEMBLYMAN ROMANO: Oh, you have two more speakers.

ASSEMBLYMAN AZZOLINA: Yes. We have a couple of others who popped in later on.

Okay, thank you.

MS. FARBER: Thank you.

ASSEMBLYMAN AZZOLINA: Tell Assemblyman Pascrell you get an A because you were much shorter than he would have been. (laughter)

Howard Opdyke. Are you here?

HOWARD J. OPDYKE II: Yes.

ASSEMBLYMAN AZZOLINA: New Jersey-- What are you? Okay, you can tell us who you are. Opdyke Lumber Company?

MR. OPDYKE: Thank you, sir. I will be very brief for you.

ASSEMBLYMAN AZZOLINA: Frenchtown. Is that South Jersey?

MR. OPDYKE: Frenchtown, New Jersey, Hunterdon County.

ASSEMBLYMAN AZZOLINA: That is way south?

MR. OPDYKE: Hunterdon County.

ASSEMBLYMAN AZZOLINA: Oh, Hunterdon.

MR. OPDYKE: I am Howard Opdyke, Vice President of Opdyke Lumber.

I have many stories I can tell, but I think you have been bored enough. I don't want to go on and on and on about it, except to say we are very aware of the abuse that has been going on. It is rampant.

I can tell you stories of builders who have never been in a UEZ in their lives, but yet are taking advantage of the 3 percent. I can tell you stories of an employee of mine who has ordered materials for his own home out of a

UEZ, never visited it, never asked for 3 percent, but was automatically charged the 3 percent sales tax.

We all sympathize with the urban situation. I don't think there is a person in here who would say, "Let's not do something about it." But I think to create a totally unlevel playing field isn't fair, and I don't think it is what our State government was intending to do.

We recently had a Urban Enterprise Zone open in Warren County. We immediately saw business leave -- talked to builders who said when their margins are what they are today on a new home, they have to take advantage of it. What our margins are today in this industry, we can't absorb 3 percent. Very much like the food industry, sir, we are a high-volume, low-margin business.

ASSEMBLYMAN AZZOLINA: When he said 12 percent before, he meant 12 percent gross profit not net profit.

MR. OPDYKE: Gross.

ASSEMBLYMAN AZZOLINA: That is what I thought.

MR. OPDYKE: They are doing very good if they are getting 12 percent on some lumber loads today. So when you are talking about giving anywhere from possibly 25 percent to 33 percent of your gross profit away, in order to be competitive, it is setting an unfair, unbalanced playing field for the lumber dealers.

So, as I said, that is my brief story. I know everybody wants to get out of here today.

I thank you, Mr. Chairman, for the opportunity to speak before you this morning.

ASSEMBLYMAN AZZOLINA: Thank you for staying this long.
Does anybody want to ask any questions?

ASSEMBLYMAN ROMANO: Just one comment.

MR. OPDYKE: Yes, sir.

ASSEMBLYMAN ROMANO: Are you in Hunterdon County?

MR. OPDYKE: Yes, sir, I am.

ASSEMBLYMAN ROMANO: Have you lost any business due to ticks?

ASSEMBLYMAN AZZOLINA: The who?

ASSEMBLYMAN ROMANO: The Lyme ticks.

MR. OPDYKE: No, no. None at all.

ASSEMBLYMAN AZZOLINA: Oh.

ASSEMBLYMAN ROMANO: I just wanted to know if people didn't want to go to Hunterdon because of the Lyme ticks.

MR. OPDYKE: We have a few sick people from it, but we haven't lost any business.

ASSEMBLYMAN ROMANO: Where did the Governor get that tick from? What county?

MR. OPDYKE: Pardon me?

ASSEMBLYMAN AZZOLINA: What county did she get the tick in?

ASSEMBLYMAN ROMANO: Hunterdon. Hunterdon.

MR. OPDYKE: Probably Hunterdon. That is where she lives most of the time.

ASSEMBLYMAN ROMANO: What is with you, Captain?

ASSEMBLYMAN AZZOLINA: She lives in Somerset, doesn't she?

MR. OPDYKE: Tewksbury.

ASSEMBLYMAN ROMANO: No. Hunterdon. My God.

ASSEMBLYMAN AZZOLINA: Hunterdon. All right, I didn't know.

MR. OPDYKE: Thank you.

ASSEMBLYMAN AZZOLINA: Okay.

Lowell Jaeger?

UNIDENTIFIED MEMBER OF AUDIENCE: Mr. Chairman, he had to leave.

ASSEMBLYMAN AZZOLINA: Oh, he did.

Is there anybody else? Did you want to say anything?

Mr. Bodman, (phonetic spelling) do you have anything to say about anything? (negative response)

All right. Anybody on the Committee here? We're all done.

ASSEMBLYMAN ROMANO: No, no. I just have a comment, because I don't want to be--

ASSEMBLYMAN AZZOLINA: You always do.

ASSEMBLYMAN MALONE: Tell him we're all done, Joe. I think we've done all the appropriations. Strike your gavel.

ASSEMBLYMAN ROMANO: I don't want to be quoted incorrectly.

ASSEMBLYMAN AZZOLINA: It would be--

ASSEMBLYMAN ROMANO: You recall when Dr. Scarry spoke, and we talked about the Salem County situation. It dawned on me afterward, though, I don't know if that legislation requires them to be bona fide vendors. Does it? Is it the same?

Mr. Chairman.

ASSEMBLYMAN AZZOLINA: I'm sorry, go ahead.

ASSEMBLYMAN ROMANO: That 3 percent that they have in Salem County, that is not part of the real UEZ enterprise. That is special. We talked about that Delaware firm shipping in with a storefront. I really don't know if that firm is able to do that, even legally, because I don't believe that this Act -- when we passed it that time -- covered the jurisdictions of the UEZ.

Is there anyone here from the Urban Enterprise Zone? (no response) No, no, no. I mean, from the State.

ASSEMBLYMAN AZZOLINA: There she is, right there. (indicating)

ASSEMBLYMAN ROMANO: Who?

ASSEMBLYMAN AZZOLINA: Right here. (indicating) She has her hand up.

ASSEMBLYMAN ROMANO: Excuse me.

DOROTHY M. AICHER: (speaking from audience) I work for the Division of Taxation.

ASSEMBLYMAN ROMANO: Okay. Now, that situation in Salem County--

ASSEMBLYMAN AZZOLINA: Hold it, hold it.

HEARING REPORTER: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Yes.

HEARING REPORTER: I won't know who that witness is, nor will we have her on the record unless you request her to come up to our table.

ASSEMBLYMAN AZZOLINA: Come on up, please.

ASSEMBLYMAN ROMANO: Come on up, over here.
(indicating)

I apologize.

HEARING REPORTER: Thank you. Thank you.

ASSEMBLYMAN AZZOLINA: She is an important person. She works at Treasury.

ASSEMBLYMAN ROMANO: Please identify yourself. Are you now and have you ever been-- (laughter)

ASSEMBLYMAN AZZOLINA: Lou, how many questions are you going to ask? You're not going to ask too many questions, are you?

ASSEMBLYMAN ROMANO: No, no. I just want to make sure I am not quoted incorrectly. Salem County is Speaker Collins.

ASSEMBLYMAN MALONE: Lou never asks questions, it's the statements.

ASSEMBLYMAN AZZOLINA: At 1:00, we're walking out on you, Lou. (laughter)

ASSEMBLYMAN ROMANO: This here, the Salem County 3 percent, are they covered under the same regulations as far as a reputable vendor with an inventory, etc.?

MS. AICHER: My recollection is that the law requires them to not be a mail-order business. That is the only test. But that is similar to the requirements for Urban Enterprise Zone businesses.

ASSEMBLYMAN ROMANO: Mr. Chairman, I only did that because I didn't want to send you down the garden path. I don't know how that is affected here, or if that is something that we would have to take a look at.

ASSEMBLYMAN MALONE: That is different. It is not a UEZ situation.

ASSEMBLYMAN AZZOLINA: It is not a UEZ.

Okay.

ASSEMBLYMAN ROMANO: Thank you for the opportunity of allowing me to sit today, because we have had recent situations where people were not allowed to sit, but I knew that you wouldn't stop me.

ASSEMBLYMAN AZZOLINA: Where is that? Lou, you can be on our Committee anytime.

ASSEMBLYMAN ROMANO: It is my pleasure to come here.

ASSEMBLYMAN AZZOLINA: You add a lot of humor.

ASSEMBLYMAN ROMANO: Up with Foodtown.

ASSEMBLYMAN AZZOLINA: Now, not too long. Is that your statement?

ASSEMBLYMAN ROMANO: That is it.

ASSEMBLYMAN AZZOLINA: You're all done?

ASSEMBLYMAN ROMANO: I'm all done. (laughter)

ASSEMBLYMAN AZZOLINA: I don't believe it.

ASSEMBLYMAN MALONE: I don't believe it either. I have had to suffer for six months with him making statements all of the time, and he is very short and quiet today.

ASSEMBLYMAN ROMANO: Well, if you're really looking for a statement--

ASSEMBLYMAN AZZOLINA: No, no, no, no.

ASSEMBLYMAN ROMANO: --I would have said it. I don't believe we should start a capitation on what is allowed and what is not allowed, or a maximum value. I agree with everything that Assemblyman Asselta said. He didn't say much, but I agreed with what he said.

ASSEMBLYMAN AZZOLINA: Is there anybody else? (no response) Others didn't show up, so it made our time perfect.

I want to thank everybody for being here and the Committee coming out for an extra session this summer.

We will look at all of the material. I think we have a lot of good information here, today. As I said before, we are going to submit it to the study consultants to look at, but we're not going to wait until next June. We're going to look at some of this material as soon as we get the transcripts and see if there are some things we may be able to change before that. There are some discrepancies and some minor things that probably have to be changed, like taking care of the small retailer. I think we ought to look at that pretty pronto.

So thank you very much, everyone. Have a good summer.

(HEARING CONCLUDED)