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# ***Public Hearing***

before

## ASSEMBLY LOCAL GOVERNMENT AND HOUSING COMMITTEE

### ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY CONCURRENT RESOLUTION NO. 145 (1R)

*(Proposes amendment to Constitution to authorize Legislature  
to permit municipalities to replace single tax rate system  
with site valuation system for school and municipal tax purposes)*

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**LOCATION:** Committee Room 8  
State House Annex  
Trenton, New Jersey

**DATE:** May 17, 1999  
11:00 a.m.

#### **MEMBERS OF COMMITTEE PRESENT:**

Assemblyman Michael J. Arnone, Chairman  
Assemblyman Peter J. Biondi  
Assemblyman Jerry Green

#### **ALSO PRESENT:**

Robert H. Levin  
Joyce W. Murray  
Office of Legislative Services  
Committee Aides

Anthony Carabelli Jr.  
Assembly Democratic  
Committee Aide



*Hearing Recorded and Transcribed by*  
The Office of Legislative Services, Public Information Office,  
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

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**ASSEMBLYMAN MICHAEL J. ARNONE (Chairman):** The meeting will come to order. This is a Public Hearing in regard to ACR-145. We've discussed this issue on numerous occasions -- the public hearing we had at the committee hearing. We have a lot of people here that want to speak. Now, I am going to try to get to everyone, and I would kind of hope that anybody that feels they are being repetitious would please try to-- If a group has three speakers and they are all on the same theme and they are saying the same thing, I would appreciate one of the speakers coming forth.

I'm going to start off with Mr. Vincent.

Tell us where you are from, Mr. Vincent. Tell me whom you represent, and spell your name if you don't mind for the--

**J O S H U A   R.   V I N C E N T:** Okay, am I on? (referring to PA microphone)

Good morning, my name is Joshua Vincent, and I practiced the spelling part. It's V-I-N-C-E-N-T. I am the Director for the Center for the Study of Economics in Columbia, Maryland.

I am here speaking in support of ACR-145. I should say that one of the most important reasons why I'm here, even though I'm from out of state, is that my foundation was originally founded in 1926 by the City Assessor of Pittsburgh, Pennsylvania, as well as by several other elected officials at that time, City Councilmen. We were established to educate other elected officials to what they considered, in 1926, the obvious and undeniable benefits of site value taxation.

The Center for the Study of Economics, of which I am the Executive Director, was established in 1980 to carry out informed and

professional studies for jurisdictions that were considering the use of site value taxation. Attached you will find a list of elected officials in the state of Pennsylvania who have employed site value taxation in their communities. They are available to tell you their experience with site value taxation.

I stress the word experience with site value taxation. They do not have to spout conjecture, supposition, or guesswork when it comes to site value taxation. They will tell you that a program of lowering taxes on buildings and making up the revenue difference on a higher tax on land values makes their community a better place to live, to do business, and to make money. These elected officials who, like you, were elected to do the people's bidding have seen the positive effects of site value taxation. They have seen those that have kept the faith in the community enjoy lower taxes. They have seen new construction and reconstruction started by those who are attracted to lower taxes on improvements.

A site value taxation is being discussed quite a bit lately, and some have said that it needs to be studied more, it needs to be examined more for the State of New Jersey. Site value taxation, SVT, has been studied in New Jersey. We shouldn't forget that the Cahill Commission in 1972 recommended that cities be allowed to enact SVT. The only stumbling block then, as now, is the permissive and constitutional power. Enough time has been wasted.

Now, what makes SVT different and what makes Assemblyman Arnone's efforts different is that this is a universal application of the benefits previously opened to the few. Many of those in opposition to ACR-145 enjoy the benefits that SVT would deliver to the community at large. Huge tax

abatements on new construction that lasts for years are routinely doled out to enthusiastic recipients by city governments eager to get underused land onto development. SVT tries to get homeowners, small business, working people, and entrepreneurs onto the same development page as their more fortunate neighbors with their big ticket projects. A homeowner or a start-up capitalist should have the same equality, fairness, and uniformity under tax law as anyone else.

This is an option. SVT-- It should be stressed that this is an option. I say this because it has been lost in some of the brew ha-ha that ACR-145 is in no way a mandate for a certain tax policy. ACR-145 would permit the Legislature to give cities the option to use SVT. If opponents of SVT are right in their opposition, and best evidence shows that they are not, then they should clearly have the right to go to a city council and make their case like every other citizen does against SVT. However, I don't think it's proper to take away what could be a clear benefit to a distressed community.

Those in opposition to ACR-145 have yet to explain why places where the '90s boom has passed them by, Plainfield, Camden, Asbury Park, I could go on, should never have a viable and proven option for economic development and an incentive to those who have kept the faith in the community.

We ask simply that the right of economic choice be granted so that all can benefit. In the cities where this has been used, the poor, the working class, and entrepreneurs have benefited. In Allentown, for example, 92 percent of homeowners saw some tangible tax cut with site value taxation. Industrial properties, many with tenuous financial positions, textile mills being a great

example, steel rolling mills, the small-scaled steel factories -- these places with many union jobs saw large tax cuts with SVT. Those are the sectors of a community that actually make a community, the employees and the employers.

In Pittsburgh, the Downtown Business Partnership, a collection of almost entirely commercial property owners, has seen fit to fund itself entirely by a charge on site values. It's an 11 mill charge.

In communities that have already been studied in the State of New Jersey, the experience would be repeated in varying degrees. For example, in Jersey City, some of the very opponents to site value taxation would see their already abated properties be hit with a far lower tax increase when the properties come off an abatement. And, as in Pennsylvania, those who have no programs designed for them, and have never had programs designed for them, would see a benefit in the large majority of cases. We are talking about Joe and Josephine Homeowner, the people who just pay their taxes year-in and year-out and don't have the ability to go to City Hall and ask for abatement and, indeed, can not be given one if they ask for it.

In closing, I would like to again stress that all that is being asked of the Legislature is the option to enact a program that has been demonstrated again and again to responsible elected officials just like you that it works for the community, for the whole, for all of us.

And I thank you.

ASSEMBLYMAN ARNONE: Thank you very much, Mr. Vincent.

One of the things that impresses me with the concept-- You know, I have in my county a community, Asbury Park, that it's pretty far down. It

probably has had two building permits in seven years, and some of its most valuable real estate that's along the oceanfront that's just not even developed.

Would you say this would be a tool that could help that community?

MR. VINCENT: I surely do.

ASSEMBLYMAN ARNONE: Have you-- You spoke about it. I mean, who are the winners and who are the losers here?

MR. VINCENT: In Asbury Park, specifically, the losers are those people that are sitting on top of arson-reduced properties right off of the boardwalk. As many of you know, if you go to Asbury Park, you've got a gorgeous beach, you've got a gorgeous government-built boardwalk, and then you have a wasteland. You have places that look like German or Japanese cities after World War II. Then you go further, maybe three or four blocks, into the downtown business district, you have good solid buildings that are purely vacant.

Your suggestion-- I went to Asbury Park about a year ago, and I did the test that I usually do in a test if a town could use this program. At about 12:00 noon, I stopped at the main crossroads at the street light, turned off my car, got out, and walked around my car a few times, and nobody honked, nobody looked at me to see what I was doing. The central business district of Asbury Park was essentially vacant at high noon.

Then the people that are paying the high preponderance of taxes in Asbury Park are the homeowners, the people that are left, the very few that are left. And they still would see a decrease in their taxes if there was a site value tax program in Asbury Park, but they are the ones that are paying the



preponderance now of the property tax, not what is potentially the most valuable land, both for business and also for the tax coffers of Asbury Park.

ASSEMBLYMAN ARNONE: Now, you know, since we are on the subject of Asbury Park. Just recently this appeared in the *Asbury Park Press*. It's a story written by a reporter by the name of Nancy Shields. We have one of the most elegant structures in the town which is the Berkeley-Carteret Hotel. It's a massive hotel. If any of you been to Asbury Park, you probably can remember it. Well, it's just been purchased, and it's purchased by a gentleman by the name of Daniel Ahn who wants to make improvements to the hotel. Now, the improvements that are so reported in this story are going to involve \$2 million in renovations and then an additional \$5 million, with a total of \$7 million in renovations. And the town has said they are going to reassess him, and he said he's not going to do the renovations because he is going to have to have the add-on assessments and the project won't work.

Now-- Which leads me to the concept of a law that says -- a property tax that says, if you run your property down, we will give you a tax break, but if you fix your property up, we are going to penalize you and charge you more taxes. I say that's a tax made in hell, and I say that has got to be changed. And it doesn't have to be changed throughout the state, but it certainly has to be changed in areas in need. And if anybody gets emotional on the issue when they leave this room, get in the car, go ride to Camden, and I want to know if there is anything that I can do to make that town worse than it is.

That property tax does not work. Assessed value of their homes has got to be in the 20s. There is no development taking place. We've seen

massive public investment occur there. We have seen an aquarium which does nothing for the town. We've seen the James J. Howard Transportation Center in Asbury Park do nothing for the town. So the question is, why do we want to deny these people the right to take this permissive tool? Now, permissive. This is not a mandate. Towns don't have to do this if they don't want. If a town is progressing smartly, fine -- an urban area. They may not want it, and that's up to them to make that decision.

And I do not feel that this amendment in any way is a panacea. It is not. Urban areas will not revive themselves until we put good people in the government and forget about solving all their social and spiritual types of issues that they have. But this is just another tool for them. They may not use it.

I mean certain cities like, for an example-- Have you done any work in Jersey City?

MR. VINCENT: I have indeed.

ASSEMBLYMAN ARNONE: What kind of numbers do you come out of Jersey City with, with the application of a shift?

MR. VINCENT: Okay, interestingly enough, I got full cooperation from the administration in Jersey City, and I'd like to thank them. The assessment department is very assiduous. They have ongoing reassessment all the time, so they are pretty good assessments. And the experience of Jersey City is a lot like the experience of, say, Allentown, Pennsylvania, towns that have actually used it.

What I do at the Center for the Study of Economics is actually do a parcel-by-parcel study. And the numbers are pretty much what we see in

Pennsylvania. And they would be stunning to some people, but if you know how cities are built, it's not stunning to me. If you look at the whole property tax roll, 32,900 properties would save on their taxes or break even; that's 72 percent. So right off the bat the vast majority of properties in Jersey City would see an actual tax reduction under SVT. Why? Because they have on their site a building. They have, in some cases, a very good building.

Now, if you look at homeowners in Jersey City, there are 31,300 parcels, 29,300; that's just about 94 percent would save or break even on their property taxes. That's a tremendous figure. But again it's nothing different from what we have seen in Allentown, Harrisburg, or other places that don't have SVT but we have studied, like Fairfax, Virginia.

Half the commercial properties would save, and half would pay more. A lot of the pay-more properties are cash rich or automobile intensive businesses. We're talking your 7-Eleven, that kind of thing. Places that have a lot of parking and have lots and lots of cash flow. And so the theory of ability to pay plays out in this. But I think what's most astounding is that the hard-pressed residential sector of Jersey City, which is dense, close-impact housing that is becoming more and more preferable as far as homeowner taste, sees such a huge percentage of savings or at least break even.

And the pay mores are, of course, those large swabs of underused, abandoned in some cases, land owned, in many cases, by the usual suspects, absentee, out-of-town landlords.

ASSEMBLYMAN ARNONE: Thank you.

Mr. Houston.

You can sit right there (indicating), Mr. Vincent, just in case any questions of your testimony.

Mr. Houston, would you please spell your name for the court stenographer, please.

**DAVID HOUSTON:** H-O-U-S-T-O-N.

ASSEMBLYMAN ARNONE: Could you tell us where you're from and what type of business you're in.

MR. HOUSTON: I'm President of Colliers, Houston, and Company. We are commercial real estate brokers. I have been a developer, a real estate broker, a consultant, and I've been recognized by the courts of this state as an expert in both evaluation and marketing of commercial property. I'm here testifying on behalf of the National Association of Industrial and Office Parks, as well as the Northern New Jersey Commercial Real Estate Board. And I am opposed to this constitutional amendment for several reasons.

First of all, just constitutionally, I think any attempt to amend the 1947 Constitution should have very serious and unmistakable benefits and shouldn't be based on something like this.

Number two, this won't work. I hear statistics such as what was cited before that 72 percent of the property owners in Jersey City will have lower taxes. Well, I work for the city of Jersey City. I was an expert in the tax appeal for the city on Newport Towers. And that means that a tremendous amount of money has got to be raised from some other group because there is no free lunch in life. If 72 percent of the homeowners in Jersey City are the

taxpayers who have improved property are getting a tax break -- I don't understand that.

Number two (*sic*), as a developer, I will tell you raising the tax on vacant land will not -- will not -- stimulate development, only economic conditions will. I've worked for the New Jersey Economic Development Authority in cities like Jersey City, Elizabeth, Linden, Bayonne to develop economic strategies to improve what were debilitated areas, and in each case there was a different solution.

I think Mayor McGreevey, for example, in Woodbridge came up with an excellent idea in Keasbey when he found the problem. And as a result of the Environmental Empowerment Act that he enacted in programs that he enacted in Keasbey, Roadway, a division of Federal Express, is building an 88-acre facility there. People will not spend millions of dollars to renovate, to build on property, indeed, in Jersey City, they build high-rise buildings because their land tax went up. Either the economic conditions are right or they are not.

Secondly, unquestionably in many areas will stimulate more dense development. Who is going to pay for the infrastructure? If you raise the tax on vacant land or on land per se and lowered on improvements, then the natural tendency will be to have less open space in our urban areas, if the urban areas are the ones that are going to be the qualified cities, and to build more intensely, which means infrastructure issues that have to be addressed. So I don't think this will happen.

The study in Pennsylvania admits that some of the results are mixed. I think if you are concerned about Camden and you are concerned

about Asbury Park, and I've suggested this to Assemblyman Doria and others, then what this Committee ought to do is create, perhaps through the EDA or some other organization, a panel to study those cities, see what the problems are in those submarkets within those cities, and to put together programs that will specifically address those issues.

This is a Band-aid, okay. I know it's permissive legislation, but it's still amending the Constitution, and I feel very seriously that this is not the reason to do that amendment, but I think that those cities are owed some answer for their economic plight. And I think to provide grants and to provide studies, to provide economic, if you will, empowerment zones in those communities like Michigan has done-- Michigan has a very successful program that has demonstrated the creation of some 8000 jobs by creating economic empowerment in both rural, suburban, and indeed urban areas where the per capita income was significantly below -- and I don't remember the exact statistic, but that program has worked very, very well as a solution to some of the ills of our urban areas. This won't work, and because I don't believe it will work, I don't believe we should amend the Constitution for this purpose.

I am also deeply concerned that this will simply open up the taxation of property in New Jersey to more-- For example, the classification of property. Yes, if a property-- Right now, under the '47 Constitution, we are required to assess all property at fair market value at an even assessed rate, which means a poor property-- If the community is run down, the community can pass other remedies other than taxes, but if a property is undervalued, fine.

Now, if somebody wants to fix it up, there are existing programs. There is the five-year step-in of taxes. There are other programs that can be

put in place to solve the problem of the gentleman who bought the hotel. But the problem that you are talking about in the hotel is one that this isn't going to be solved because you can't tell me that this can make up for the assessed value, whatever the ratio in Asbury Park is, on \$7 million.

So I don't think that would solve this gentleman's problem. And I really wonder, when people are saying, "I'm not doing this because of my increased assessment, I'm not improving my property" -- I must confess I find that fairly incredulous as a statement that you buy a piece of property knowing you are going to put \$7 million into it and you don't expect the assessment to go up.

ASSEMBLYMAN ARNONE: Are you into land speculation in Jersey City?

MR. HOUSTON: No.

ASSEMBLYMAN ARNONE: Then you wouldn't be affected by this.

MR. HOUSTON: There are very-- Let me put it this way. Legitimate developers in New Jersey-- I haven't sold in the 27 years that I have been involved because of the political risk and the cost of holding land. Legitimate developers, those that are building in Jersey City, those that are building in many of our urban areas today, do not go buy land and speculate with it. Nobody has ever called me up in 27 years and said sell me some land I can speculate on.

ASSEMBLYMAN ARNONE: Mayor Whelan thinks so down in Atlantic City. He thinks it's a big problem they have down there. He feels it is.

MR. HOUSTON: Well, let me confess that Atlantic City is one area where I have absolutely no professional knowledge.

ASSEMBLYMAN ARNONE: Okay.

MR. HOUSTON: So whatever goes on in Atlantic City I can't answer, Assemblyman.

ASSEMBLYMAN ARNONE: Yes, I appreciate that.

MR. HOUSTON: But in the rest of our communities, in terms of commercial development, that is not a major problem.

ASSEMBLYMAN ARNONE: Let me say to this to you. I'm a suburban legislator, in essence. I'm from Monmouth County. And I kind of feel we save our cities, we save ourselves. Because, you know, developers I don't feel are people with horns in their head. They want to get up in the morning, and they say, "Let's go out and destroy the pristine areas of our state, and let's go build down there." They go down there because that's where they can make money.

MR. HOUSTON: That's--

ASSEMBLYMAN ARNONE: Now, it's a market axiom that incentives work, incentives work. If you give a guy the incentive to improve a property without taxing him to death, he will improve the property. So we are talking about we want more living spaces, we want mercantile businesses. If we allow people to develop without being punitive to them, I think they will develop. That's the history that I have seen. This is a pioneered study. This has been going on since 1913.

Now, are you aware of the fact that Governor Tom Ridge has approved 996 more towns in Pennsylvania to use dual-rate taxation and it



went through their legislature, their Assembly and Senate, as a consent vote? Do you know that this is working its way through the New York legislature with Senator Johnson from, I believe, Queens? I'm not sure. In Queens it's working through. Connecticut is anticipating it. Maryland now has, in their constitution, the right to do this. So this is not a real hairbrain-type concept. This is a pioneered concept right now being utilized in 16 or 20 towns down in Pennsylvania.

I appreciate your concerns, and I certainly appreciate your testimony, Mr. Houston.

MR. HOUSTON: Let me just-- You made a statement that I completely agree with but doesn't reflect this bill, which is that if the market forces are there and you provide economic incentives, and the Michigan Program is a good example of that, then you can encourage development. But by raising taxes as a punitive measure of those who hold the vacant ground, you will not stimulate development. And that's my very point. I think we should be looking for some form of economic empowerment zones for those areas such as Camden.

And, by the way, Pennsylvania is looking at the Michigan Program. Governor Ridge is also doing that. And also, just because Pennsylvania and New York adopt things, I question New Jersey--

But I agree with your premise. I just don't think the bill that you have introduced, and this constitutional amendment--

ASSEMBLYMAN ARNONE: I appreciate that. I know where you're coming from.

Thank you very much.

Professor Nicolaus Tideman, please.

**T. NICOLAUS TIDEMAN, Ph.D.:** I spell my name T-I-D-E-M-A-N, and I am a professor of Economics at Virginia Tech, but my views are not those of the university, of course. They are my own.

I've come today because I testified at a previous hearing and passed out papers, and I find that my words have been put in to such a way to make it seem that I meant something other than what I meant. The Coalition for a Fair and Uniform Taxation in New Jersey has put out a statement in which they quote me as saying -- well, Florenz Plassmann and Nicolaus Tideman concluded that Pennsylvania cities with two-rate taxes enjoy significantly higher levels of construction than they would with one-rate taxes but noted to that, visual inspection of the data does not reveal higher levels of construction in two-rate cities and early investigation by various authors did not show a statistically significant impact of two-way taxes in Pennsylvania.

Well, let me explain what is going on. If I say that "visual inspection of the data does not reveal higher levels of construction in two-rate cities, what I mean is you need a sophisticated investigation. You can't just look at a piece of paper and say it is obvious. And if I say that earlier investigations by various authors did not show a statistically significant impact to the two-rate taxes in Pennsylvania, what is really going on is that-- Well, let me read from a couple of pages later in my text.

It is important to emphasize that these studies did not establish that the two-rate tax does not have a positive economic impact. The lack of statistical significance can result from inadequate econometrics techniques, insufficient data, or because the data may be biased against finding a tax effect.

The footnote to the fact that a lot of the cities have adopted these things have been very depressed cities. The estimated coefficients in all studies have large estimated standard errors, so the true impact could potentially be positive and very large.

What I'm saying is a lot of the people who studied this before my colleague and I didn't have the best statistical technique, they didn't have very much data. And they concluded the effect could be anywhere in this area. It could be zero, or it could be very large. It doesn't mean that it's small. It means that they wound up without a conclusion. And if I may say so, my colleague and I had a lot more data, we had a much more sophisticated statistical technique, and therefore, we were able to reach a conclusion.

And if I may just read a couple of sentences from our conclusion. The impact of the tax differential on overall value of construction can now be determined. For an average municipality, an increase in the adjusted tax differential of 1 mill will yield an expected increase in total value of construction of 1.58 percent. If you have a tax differential of 10 mills or 1 percentage point between the tax rate on land or the tax rate on buildings, you get a 15.8 percent increase in construction in an average city. There shouldn't be any doubt that our study showed that there is a very substantial positive effect.

Now I'd like to just take a moment to address a question of who loses because that came up in earlier testimony. I think that we shouldn't look at the people who have vacant land as losers. They are actually gainers because they have property that isn't burdened by a building, and when you give them an incentive, they are in a position to take advantage of it. The act of shifting

taxes from buildings to land comes closer than almost any other tax reform you could have. It's something that benefits everybody.

The people who have lots of improvements benefit because their taxes go down. The people who have no improvements benefit because now they can build and have no taxes. There are a few people who come out worse but not very many and not very much worse. The people who have a business of selling used cars because they need relatively a lot of land and relatively little instruction often come out somewhat worse, as do people who have a profession of speculating in land. But the overwhelming majority of people come out better off as a result of this, and it does stimulate construction.

ASSEMBLYMAN ARNONE: Thank you.

Have you completed?

DR. TIDEMAN: I have.

ASSEMBLYMAN ARNONE: I want to thank you very much. I know you came a long way. I read some of your writings, and I'm quite impressed with the fact that you were one of President Reagan's economic advisors.

DR. TIDEMAN: Not President Reagan. I was on the staff of the Council of Economic Advisors during the term of President Nixon.

ASSEMBLYMAN ARNONE: Nixon, sorry.

I knew that you had some very impressive credentials, and I want to thank you very much, Professor, for coming here.

DR. TIDEMAN: Thank you.

ASSEMBLYMAN ARNONE: I hope I didn't insult him with the Reagan thing. (laughter)

DR. TIDEMAN: I'll give advice to whoever wants it.

ASSEMBLYMAN ARNONE: William Pascrell.

**WILLIAM J. PASCRELL III, ESQ.:** Good afternoon, good morning, Mr. Chairman. It's been a long weekend. My name is William Pascrell III. I'm with Princeton Public Affairs Group. We represent the over 2000 commercial real estate brokers in the State of New Jersey. Mr. Houston is a member, so we have full disclosure of our association. It's a pleasure to be with you this morning.

Mr. Chairman, with all due respect, as you know I am a lifelong resident of the third-largest city in the State of New Jersey, the city of Paterson. And I would love to see as a homeowner in that town my property taxes go down as a result of any legislation that is put forward.

As an urban dweller and as someone who continues to live in an urban city, third generation, it's my opinion that if you raise the tax rate on land, the value is going to go down. It's a basic premise. And people will appeal those rates and--

ASSEMBLYMAN ARNONE: Is that bad or good?

MR. PASCRELL: Well, I think ultimately it's bad. I don't think you would have the development community out enmass, the labor community, the business community. And many of us went to institutions of higher education, and we respect academia. My father is originally a college professor, so I have respect for that profession, but I would say that I also learned that it's important to talk to people where the rubber meets the road, where the shovel meets the sand if you will.

Having been very involved in the Florio administration on economic development issues, I know that our urban centers need a great deal of attention. And you should be commended for your efforts in doing that unequivocally. But I think that the story of Jersey City and New Brunswick and Newark and some other towns needs to be emulated. Those towns were able to turn around. The economic boom of the '80s passed by Asbury Park and Paterson and Camden, but I don't think this bill would have changed that. I think there were some other factors going on.

So I don't want to belabor the issue. I appreciate you calling me up so soon. Mr. Chairman, I wish you good luck and good day.

ASSEMBLYMAN ARNONE: Thank you. Thank you very much.

Mr. Batt. William Batt.

**H. WILLIAM BATT, Ph.D.:** My name is William Batt, B-A-T-T.

ASSEMBLYMAN ARNONE: You're a doctor in a medical or--

DR. BATT: I'm a former professor, political scientist -- doctor I suppose -- who left academia to work on the staff of the Speaker of the New York State Assembly for a decade. And I left in the early '90s, and now I consult on issues of public finance.

I'm here to say that this is an opportunity where everybody, or almost everybody, comes out ahead. Labor people should love this because what it does is this shift in taxes, revenue neutral, creates jobs. Now, most taxes discourage behavior. You tax savings, and people will save less. You tax income, it tends to discourage people from working. Tax sales, and people will be discouraged from consuming, and so on. But when you have a tax on something which is fixed supply, it does not reduce the supply of that item.

In the case of land, there is a fixed amount of land out there in any given place, so therefore, a tax on land does not in any way discourage its use. And, in fact, the more you tax it, the more it encourages those people who are the title holders to invest in the land in order to recover their carrying costs. That's the reason a tax on land is called incentive taxation.

Now, when you tax land, it encourages the title holder to use it to the full extent of its value. Now the land value in the very center of the city tends to have higher value than land out at the periphery. Looking conceptually, you could see land as kind of -- land value as kind of a mountain. At the very centers, the highest value as you go out further and further the land value declines to the point where some infinite point way out that land has no value at all.

So what we want to do is to tax the land in such a way that those people with the highest value land will be induced to recover the costs of what it is really worth. And that is the incentive taxation. Now, by shifting the tax off buildings, you are removing the penalty for a person improving their parcel. Right now the person improves their building, say it's depreciated and run-down, by taking the tax off that building and inducing that person to improve the parcel he is not going to be penalized for improving his parcel.

So this is a win-win situation all around. I should say that earlier speakers said something about the fact that putting a tax on things reduces its value. Well, there are really two contrary effects going on. In one sense, yes, it would tend to reduce the value, but on the other hand, since the tax is going to induce more activity, there will be a countervailing effect which will negate the first effect so that, if anything, sometimes the land value even improves,

even increases. So this is a win-win situation because current taxes typically cause friction in the economy and reduce its overall effectiveness.

And this, I might add, totally cuts across conventional party lines as a result. It can support both democratic principles and conservative republican principles. This shift in taxes enlarges the pie so that just about everybody comes out ahead. It creates more productivity and more wealth for everyone.

One study showed that the economy could be about 20 percent more efficient if we got rid of what is called the dead weight loss resulting from certain kinds of taxes. That is we all as a society could be 20 percent richer if we just have the right kind of tax structure in place. And a tax on land moves us in the right direction. There is a reason why eight Nobel prize winners have called the land tax the perfect tax.

Thank you.

ASSEMBLYMAN ARNONE: Thank you, Mr. Batt.

Pascal Berman, is he here? I don't see him here. Did he leave?

UNIDENTIFIED SPEAKER FROM AUDIENCE: He didn't necessarily want to testify.

ASSEMBLYMAN ARNONE: Oh, he didn't want to testify.

Michael McGuinness.

**MICHAEL G. MCGUINNESS:** Good morning. Thank you, Mr. Chairman and members of the Committee. I am Michael McGuinness, Executive Director for the National Association of Industrial and Office Properties New Jersey Chapter. We employ about 25,000 people, represent



over 300 million square feet commercial, industrial office space, and pay over \$300 million a year in taxes to the communities in which we build.

Like you, Mr. Chairman, we are very committed to development where it's needed in the urban centers, and this is a difficult issue to deal with. Nonetheless, we firmly believe that this bill will not do what you intend it to do, which is to spur development in these areas.

In our experience, we believe that the heavy tax burden on land allowed under this bill will ultimately prove to be a real detriment to the business community. We also believe that it is not wise public policy to change our Constitution for a proposal with questionable benefits and possible negative impacts. Allowing towns to tax land and vacant parcels at higher rates as if they were improved we believe is an odd way to attract industry and jobs. Why not consider other more simplified alternatives that can start working much sooner?

I'm going to give you three thoughts. And one is I'm just echoing what we have said in the past. Dave Houston said this morning tax-free zones. This is what Michigan is doing and Pennsylvania is doing as well. Whereby certain distressed areas are designated to be virtually tax free for any business or resident moving into that zone. The concept is designed to provide select towns with the most powerful marketbase incentive -- no taxes -- to spur new jobs, investments, and residential development.

Another idea is again along the lines of what Mr. Houston had said. Municipal aid for economic development consultants. We can set up a grant bank through the New Jersey Economic Development Authority for

grants to higher economic development consultants to assist urban areas in developing and implementing urban revitalization plans.

Another thought would be long-term loans to help demolish abandoned properties. Establish long-term loans to help towns demolish buildings, repair sites for economic development. That would need much more thought. Given the economic (indiscernible) that New Jersey is currently enjoying and that has finally made its way into our cities, we believe, thanks to the Brownfield legislation, urban rehabilitation subcode -- we do not see any valid reason to upset the current uniform method of taxation. Rather, more time is needed to allow those programs to reach their full potential. It's only been a little over a year -- a year and a half -- since those programs have been in place.

Studies of the Pennsylvania experience have yielded mixed conclusions in our estimation. It is interesting to note that some real estate tax experts and economic development professionals in western Pennsylvania have been identified -- where in those towns and cities that have been identified success stories do not necessarily attribute the increased construction activity to this tax system. Rather, other forces such as roadway expansions and incentives were responsible.

We also do not believe that it is wise to compare the economic dynamics of southwestern Pennsylvania, which has never recovered from the cutbacks of the coal and the steel industries over the past two decades, to the New Jersey market. New Jersey has many thriving industries, pharmaceuticals, tourism, etc., and it is well positioned between New York City and Philadelphia, unlike southwestern Pennsylvania.

If the Legislature is to give any further consideration to ACR-145, it is imperative that a projective assessment of its likely economic impact be performed for New Jersey. ACR-145 has been labeled as a powerful urban revitalization tool. We do not believe this to be the case. In reality, ACR-145 may actually be the very tool that will shut urban development opportunities for some time.

Thank you for having provided me with this opportunity to make these comments, and I am happy to respond to any comments or questions.

ASSEMBLYMAN ARNONE: Thank you, Michael.

You know, please do not interpret my remarks to be argumentative. I'm really not intending that. But if I were in the type of business where I had the wherewithal to build these big skyscrapers, these big buildings, and I had the wherewithal to take some property and keep it off the market for a while until the market conditions were optimal, and then I had the staff to work through the swim of figuring out to get some welfare, some State welfare, and get some incentives, and get some tax abatements and things like this. I would think this property tax as it now stands is a pretty good deal. I don't think there is anything wrong with it. I think you might view this as being perfect, but I suggest to you to go ask some poor guy trying to pass property taxes somewhere, that can't keep up with it -- go ask him what he thinks of the property tax as it now exists.

And I think that you know how to work this system. You work the system very well. You make it work to your advantage. And maybe, if I were one of these large developers like that, I would think it's a pretty good system, too. I wouldn't want to see it changed.

MR. McGUINNESS: Mr. Chairman, would you object to that concept that is being employed out in Michigan and Pennsylvania, the tax-free zones where you would--

ASSEMBLYMAN ARNONE: Everything is a transference. If you get something tax free, someone else is picking that up. Someone else is paying for that. So if you go in and you receive tax abatement to cover the services that are in that community, someone else is paying for that. So it's a general rise in other people's taxes. If they turn around and give you an interest-free loan or a loan reduction or anything like that, someone else is picking up that tab. Now, somebody has got to be concerned about the other guy. He doesn't have any representatives here. He doesn't have any high-powered lawyers to come up and represent him, and he doesn't have any lobbyist, and he doesn't buy tickets to go to any political functions.

So this poor, silent guy that's sitting out there, paying his property taxes needs some kind of relief, and I suggest this is a tool that he might be able to get it. Now, maybe the town may not want to do it. If a town is doing very well and they see their property progressing very nicely, I'm sure Sharpe James wouldn't want to do it. I'm sure that maybe Bret Schundler might say, "Hey, we are going along so smooth here we don't want to disturb anything."

I would suggest that's the forum that you go and say to him. We've got property in this community, and here is our plan to develop it, and if you do this, you're going to disturb that, he won't do it. Let's not look at the so-called crazy mayor and crazy council concept where these guys get up in the morning and they say to themselves how can we go and destroy business? What can we do? Let's reclassify the property, let's do this, let's do that.

I am going to suggest to you tools that local governments have right now at their disposal -- if they want to do that, they could do it. They could do it. They could go rezone their town, they can zone business out, they can do lots of things to their town and do more economic tax harm to a developer than anything this thing could possibly do.

The most thing that this could do is not work. And there is also a reverter mechanism is you go back to the other way if it doesn't work. But I'd like to know -- here again-- I want someone to answer me what harm could this do in Camden? What can it do? Where's the harm?

MR. McGUINNESS: Mr. Chairman, you may be right. I don't know about Camden, I really don't. Maybe Camden is a unique--

ASSEMBLYMAN ARNONE: Maybe if someone from NAIOP were to go over there and see maybe if they could develop something in Camden. And wonder how you are going to-- There are a multitude of problems there. But, here again, I'm not putting you on the spot, Michael. Please don't think that.

MR. McGUINNESS: No, I think cities-- I can't speak to Camden. I know Asbury Park is, I think, finally coming around, and this bill is not in place. But I am aware that there are some developers that are--

ASSEMBLYMAN ARNONE: Asbury Park is absolutely-- If I had to write a book about it, I think I'd call it coma.

MR. McGUINNESS: To date absolutely. But I think if you--

ASSEMBLYMAN ARNONE: I got to tell you there is nothing happening there at all. It has no movement, it has no construction, and their property tax is a highly regressive tax. And as a matter of fact, the shift of land

has -- I think, Mr. Batt maybe eluded to or didn't. As far as equity, as far as equity of taxation, this makes the property tax progressive. In other words, it takes it from being a regressive tax to more of progressive tax, which certainly helps the poor, working guy.

And I'll tell you something -- here again, I don't want to wander too far, but I got this thing that was faxed to me at 4:00 on Friday, and I want to thank Mr. Woodford for doing that. He gave us a little heads up of what is coming down here. But I mean I was a little bit surprised at some of the comments that were in there, and certainly the one where Dr. Tideman was completely confused -- confused his entire concept, very misleading. I don't say it's deliberate, but it certainly is an extreme thing to reduce to writing to one of the leading exponents of dual taxation. And to put them into the category of being an opponent of them is really truly a stretch. And then to go and get Charlie Wolkanik (phonetic spelling) to sign on in opposition of this.

Well, if there is anything that's really a labor-oriented type of measure, anything that's a poor, working man's type of bill, this is it. And how he does that I want to give some credit to whoever talked him into signing that. And when I see Mr. Wolkanik, I will certainly tell him that personally, too.

I want to thank you Michael. Thank you very much.

MR. McGUINNESS: Thank you, Mr. Chairman.

ASSEMBLYMAN ARNONE: Al Hartheimer, please.

You're a newcomer to our meeting, Mr. Hartheimer. I have never met you before. Would you please spell your name for the court stenographer and tell us what you do.

**ALBERT HARTHEIMER:** My name is Albert Hartheimer, H-A-R-T-H-E-I-M-E-R. I live in Lanesborough, Massachussetts. I am Vice President of the Center for the Study of Economics, and I am on the board of the Robert Chachenback Foundation, both of which advocate land value taxation.

I was born and raised in Jersey City. I lived at 230 Hutton Street until I left for college. I graduated from Public School No. 25 and Dickinson High School. I received a fine education in those schools. My mother was born in Newark, but she and her four siblings grew up in Jersey City at 437 Hoboken Avenue, a house that still stands. Their father ran a butcher shop at the corner of Hoboken Avenue where it intersects the five corners. In 1919 my mother, then Julia Levy, was editor of *The Legislative Manual* of this Legislature. I am proud of my New Jersey heritage.

Land value taxation is an idea that can help reduce urban sprawl and can encourage redevelopment within cities and do this with no government investment. Presently people who build are penalized with a tax increase. If you let your building go to rack and ruin, you can go to the assessor and get your assessment reduced and be rewarded for letting your building go to hell. If you own vacant land, your carrying cost is very low, which is a great reward. This is exactly backwards. What you want to do is get the tax off buildings and onto land. By reducing the taxes on buildings, you encourage people to build.

I've talked to mayors in many, many cities, and people hate it when they put an addition on their home, and their taxes go up. And they are right, it doesn't make any sense. People do all kinds of things to avoid that. They build without building permits. They remodel the inside of the house

and not the outside to try to fool the assessor. So it's a very human thing to want to make improvements and not be taxed, and it should be that way.

When a potential employer is considering a location, the first thing he asks is for a reduction in his real estate taxes. The problem with that, as was pointed out by Assemblyman Arnone, when you have special privileges to one group, those taxes not paid by that group have to be picked up by everybody else. With land value taxation, everyone gets a reduction in his building taxes.

There are two ways to regulate human behavior. One is by regulation and the other is by incentive. When you try to do it by regulation, people are very clever, and they always figure out to get around the regulations. You are undoubtedly familiar with the law of unintended consequences. You pass a bill for one thing, and somebody else reads it and figures out another way to go. But if you provide people with incentive and-- You know, there is a lot of discussion here about these people who represent industries, and so forth. This bill -- the primary result of this bill will be people improving their homes. When people know they can improve their homes without a tax penalty, they will do that.

Incentives are much more effective than regulations. I'm proud that the Mayor of Jersey City supports this idea. The so-called Coalition for Fair and Uniform Taxation opposes this bill. They claim it will retard development, will increase tax court disputes, and will increase foreclosures. If this is true, how come Pittsburgh, which has used this idea since 1913, has not experienced these effects? If this is true, how come 15 or 16 other



Pennsylvania cities, which use land value taxation, have not experienced these deleterious effects?

If this is true, how come Mayor Reed of Harrisburg, Pennsylvania, considers land value taxation as one of the tools that has reduced the number of vacant stores there from 1200 units to about 400? If this is true, how come Mayor Spossey and the Council of Washington, Pennsylvania, continue, year after year, to shift taxes off buildings onto land? If this is true, how come Pennsylvania just passed the law extending the choice of using land value taxation to the thousand boroughs of Pennsylvania?

This action by the Legislature and by the Governor of Pennsylvania affirms that this is a beneficial idea. It permits the people of these thousand boroughs to consider this idea. It does not mandate that they consider it, but it permits them to consider it and, if they like it, to adopt it.

The bill that we are talking about does not mandate anything. It simply gives those taxing jurisdictions that want to use this idea the right to consider it and to do so. Communities that consider land value taxation will study it and its possible effects thoroughly before adopting it. It is not something that will be adopted willy-nilly.

To deny these taxing jurisdictions the right to consider this idea would indicate a lack of faith in the judgment of the people. I believe that is what underlies the opposition of the so-called coalition. They obviously do not want people to consider this idea. They obviously do not have faith in the judgment of the people. They want to deny them the right to consider this idea.

This permissive legislation will provide the people of New Jersey with the right to consider this idea. It will be considered at great length by communities and then adopted very gradually. Any community that has concerns about it will not adopt it. Any community that does not like its effects can rescind it. There is nothing mandatory about this. I urge you to permit this legislation to move forward and become the law of the State of New Jersey.

I would like to comment about some of the things I've heard here this morning. The discussion indicates to me that people expect, when the law is passed, that overnight all taxes will be dropped from buildings and applied to land. That won't happen. This is an evolutionary approach. If this happens, it will happen very gradually, and the effects will come over a long period of time.

The question is raised, who are the winners and who are the losers? In my view there are really no losers. If you live in a city like Asbury Park and you own land in Asbury Park, you have no chance of selling that land at this time. If you reduce the taxes on buildings, you will encourage more economic activity in Asbury Park. As the result of that activity, there will be an increase in the demand for land. And if you are the owner of property, even if you have to pay a little more in tax, you will be better off than you were under the present system.

We as a people subscribe to the idea of progressive taxation where the rich pay more and the poor pay less. The land tax is a perfect vehicle for this. The poor own no land and use very little. The middle -class own only the land under their homes. I don't know of any middle-class land speculators.

Most large tracks -- all large tracks -- of land are owned by large corporations or wealthy individuals, and they will pay the most in the land tax.

ASSEMBLYMAN ARNONE: I guess that's what you're trying to say.

ASSEMBLYMAN BIONDI: May I just ask a question?

MR. HARTHEIMER: Yes, sir.

ASSEMBLYMAN BIONDI: As you were referring to large tracks of land, my district is very rural, Somerset County and part of Morris.

MR. HARTHEIMER: I know the question. The question is, how about the poor farmers? Is that the question?

ASSEMBLYMAN BIONDI: No, and I won't doubt your perspicacity, but that's not the question. (laughter)

My question is large tracks of land, farmland, my area, wouldn't that -- if some of that vacant land was land banked, wouldn't that then encourage development in my district? And that's why I appreciate--

MR. HARTHEIMER: Well, you're saying if some of that land were land banked--

ASSEMBLYMAN BIONDI: Now, currently. Let's say some developers have 200 acres. We are going to raise the tax on that vacant land that is going to encourage them to rush to develop that.

MR. HARTHEIMER: Well, you have to-- It's very difficult to preempt the numbers. You have to look at each taxing jurisdiction, and that's what we do. We study these taxing jurisdictions. I am not familiar with the ones you are speaking of. But you could take the city of Rome, New York. The city of Rome, New York, is one of the physically largest cities in the state;

although, it has 20,000 people in it. You could take the taxes off all of the buildings in Rome, New York, tomorrow morning and spread it on the land in that city, and you wouldn't have much of a tax increase on anybody.

You can not jump to conclusions about this idea without studying it. That's why this bill is so important because it is permissive and it gives each taxing jurisdiction the right to study this for that taxing jurisdiction. It mandates nothing. That's why I say I believe the opposition is really to the idea of empowering the people, of letting the people consider this idea. If you oppose this, you oppose letting people consider the idea. I find that--

ASSEMBLYMAN ARNONE: It's *I* and *R*.

MR. HARTHEIMER: Yes, I find that really reprehensible.

Mr. McGuinness said that he had read studies of western Pennsylvania cities and that responsible people there did not credit the increase in construction to land value taxation, or site value taxation.

The one study that I know is definitive is the study done by Oathes and Schwabb (phonetic spellings) of the University of Maryland. They studied Pittsburgh. They studied 15 cities similar to Pittsburgh. They took two periods of time from 1960 to '79 and from '79 to '89. They compared the dollar value of construction in the second period compared to the first period in those 15 cities -- the average annual dollar value of construction.

In 13 of the 15 cities, there was less construction in the second period as compared to the first period, anywhere from 5 percent to 60 percent less. Two cities had an increase in construction. Columbus, Ohio, had an increase of 5 percent. Pittsburgh had an increase of 70 percent. When they

first found these results, they thought there was something wrong with their data, and they rechecked their numbers.

In the first publication of this report, they bent over backwards to credit everything but land value taxation for this difference. The only basic difference between Pittsburgh and the other 14 cities in the study is that Pittsburgh had used the two-rate tax since 1913. And since 1913 they increased, they have not decreased, the portion of the tax on land. To the point now where in Pittsburgh for the city tax the rate on buildings is in the range of \$35 to \$40 a thousand, the rate on land is in the range of \$160 to \$180 a thousand.

The merchants of downtown Pittsburgh recently voted to tax themselves as an improvement district for certain services that they wanted. And they voted to apply that tax totally to the land. So again I say this bill is permissive. It will permit taxing jurisdictions to consider the idea. It will not mandate anybody to do anything. The only basis that I can see for opposing this bill is a desire to stifle public discussion.

Thank you.

ASSEMBLYMAN ARNONE: Thank you very much, Mr. Hartheimer.

You know a little thought came to mind. I don't know how much vacant land exists in the cities in the State of New Jersey, and I don't know how much exits in cities throughout the United States. I saw figures of 15 percent of land, urban land, today that is vacant. I can say that the city of Philadelphia has more vacant land today than it did at the turn of the century there now. As a matter of fact, some of that valuable urban land there is being

used for, believe it or not, farming. Agriculture seems to be an industry that is on the rise in the city of Philadelphia.

But, in any event, a thought came to mind. If a city were to have vacant land of anywhere from 15 percent to 20 percent, 10 percent to 20 percent is a loose figure, I would say that services that are provided in that city this vacant land is receiving none of those services. They don't need fire, they don't need police, they don't need sewers, they don't need anything. It's vacant land. So the cost of services for that city is spread over to the taxpayers of that city or it's spread over the other people of the city that are carrying that particular load so that when improvements are made, of course, the value of that vacant land goes up, but the contributions are very little.

I don't even view it as a tax on vacant land. I view it as more or less of a cost for services rendered from the rest of the community to it.

We have Mr. Magrini.

**A L L E N J. M A G R I N I, E S Q.:** Good morning, my name is Allen Magrini, M-A-G-R-I-N-I, and I'm here on behalf of Hartz Mountain Industries, Inc.

First of all, I'm a resident and taxpayer of the State of New Jersey, and also my company is domiciled and is large taxpayer in the State of New Jersey. By way of brief background, I am employed by Hartz Mountain Industries. Prior to that I was an attorney practicing with a large real estate firm in Newark. Prior to that Director of Economic Development for the city of Paterson. I hold a master's degree in city planning and a law degree from Seton Hall University.

ASSEMBLYMAN ARNONE: Good school. It's my school.  
(laughter)

MR. MAGRINI: Between my education and my background, I have spend a lot of times in urban redevelopment, both in terms from a city government perspective for nine years, and as a private real estate developer.

I am here today in my capacity of Hartz Mountain Industries. Hartz is New Jersey's largest private real estate company, and in the past 20 years we have developed an excess of 35 million square feet of commercial real estate and still manage some 32 million square feet here in New Jersey. That development portfolio includes some 2000 acres of land. The vast majority of Hartz' real estate portfolio is located in the urban counties of Hudson, Essex, Passaic, Union, and Bergen counties, as well as some properties in New York City.

By the way just to give you some idea of the background, some of Hartz's major projects are in the city of Newark. We have developed and currently own in excess of 3.2 million square feet; in the city of Jersey City in excess of 1.1 million square feet of building space; in Elizabeth in excess of 500,000 square feet; in Ridgfield Park 1 million square feet; Weehawken 1.8 million square feet; North Bergen 1 million square feet; and in Harrison in excess of 1.2 million square feet.

In addition to these about 10 million square feet of space, Hartz is the owner of some additional 15 million square feet in these urban counties. And in properties within these areas, we can support an additional development of an excess of 4 million square feet. Those are vacant lands we can develop on, 4 million square feet.

I just mentioned that by way of background to give you some idea of Hartz's portfolio, it's background. It is truly an urban redeveloper. We've had projects in all of these cities. I think we have been a major portion of all their economic development programs.

Throughout the years, Hartz has been involved and utilized the New Jersey Redevelopment Statutes and Programs, the City Tax Abatement Programs, the New Jersey Economic Development Tax Authority Bonds, Local Development Financing Fund Programs. We're actively involved in the Urban Enterprise Zone. I sit on the board of directors of two special improvement districts in downtown Jersey City and downtown Newark. I've been involved currently in some Brownsfield Programs. Tenants of ours have utilized the New Jersey Business Incentive Employment Program, and we have also been involved in the Federal Urban Development Action Grants.

So not only have we been active in these cities, we have utilized all of the government programs here to create in excess of 75,000 employment opportunities in the State of New Jersey. That's what those programs are set up to do, and they have been very successful in doing that.

Hartz is a major redeveloper of urban properties, and I submit that the development or the amendment of the Constitution under ACR-145 is a program that will not, in fact, encourage urban economic development, that will wind up discouraging it. The way it is currently proposed is it's provided for qualified municipalities which are not defined and is really an open item.

It now has been amended to also provide -- or allow counties to utilize this type of a program. I have not been able to understand, if municipalities can opt in or out and only qualified municipalities are allowed



to utilize it, how does a county utilize the program? Does it utilize it only in those qualified municipalities? Is a county forced to have two separate tax rates? I believe the way it is currently structured you would have multiple tax structures in counties. One by each different municipality having different ones, and then the counties themselves being able to structure their tax rates for qualified municipalities and nonqualified municipalities.

ASSEMBLYMAN ARNONE: I don't know what you are talking about. Could you stop right there. I'm not quite sure I understand what you are saying about the county.

MR. MAGRINI: Well, under the bill now--

ASSEMBLYMAN ARNONE: That taxes paid by that municipality that feeds into the county is one thing, but the county doesn't have to, in any way, alter taxation for any-- Let's say in Monmouth County there is 56 communities. Maybe if one or two uses this, those are the one or two that pay at that rate from that municipality for their county taxes. The other county and other town is not affected by it.

Am I correct in assuming that?

MR. MAGRINI: The legislation was just amended to allow counties to utilize--

ASSEMBLYMAN ARNONE: Yes.

MR. MAGRINI: --a value taxation methodology.

ASSEMBLYMAN ARNONE: In the affected communities, communities that opt to employ this.

MR. MAGRINI: But also to allow the counties.

MR. LEVIN (Committee Aide): Do you want to see a copy of the bill?

MR. MAGRINI: Am I incorrect? The counties can not use land value taxation?

ASSEMBLYMAN ARNONE: Show him a copy of the amendment.

MR. MAGRINI: So the county-- My mistake. It would apply to county portion of the tax bill, also.

ASSEMBLYMAN ARNONE: Right.

MR. MAGRINI: It would be taxed on the same way.

ASSEMBLYMAN ARNONE: The reason I stopped you there, I didn't know far you were going to build on that concept. I just wanted to straighten it out.

MR. MAGRINI: But that is an amendment to allow the portion the county bill also be taxed that way.

ASSEMBLYMAN ARNONE: Right.

MR. MAGRINI: With regard to the comment-- It seems to be multiple reasons for this being put forward today. One has always been to deal with the "urban land speculators," and I submit, like Mr. Houston, that is not a breed that is a very large breed that controls much real estate. Development companies such as Hartz buy properties to develop properties. The idea of sitting on urban land and speculating on it is not a win situation.

ASSEMBLYMAN ARNONE: I agree with you.

MR. MAGRINI: I think you have to look at that in light of the development process, again which we have done many times to many successful projects.

In the development process there is numerous cost. One is the cost of the acquisition of any given property which is often substantial. There is site clearance costs, especially in many of the urban areas. There is environmental testing analysis and remediation costs, especially in urban projects which can take numerous years to accomplish through the State programs and through the State bureaucracy.

You have the engineering, architectural, and design cost, the cost of obtaining and the time of obtaining governmental approvals, legal expenses, cost of installation of on-site infrastructure and off-site infrastructure in order to make the project work. And I submit to you all of these things here to bring any type of a large-scaled project to fruition takes multiple years.

If, during that time, the government is allowed to feast upon your elevated real estate taxes, which by the discussion here are of a punitive nature in order to force you to move or get off your land, I submit to you developers will not look to qualified municipalities. If during that time period, which can take five years at times to do a decent project in an urban area, the town can force additional real estate taxes on you at a punitive level, you will look to nonqualified municipalities. And I submit to you that's in direct opposition to all of the State programs looking to encourage economic development in New Jersey's urban cities and in New Jersey's State Redevelopment Plan.

This is not one of the tools that you should be looking to put into place. If you have problems in specific municipalities, amending the

Constitution as special purpose legislation for Asbury Park and Camden is not the solution. I think there are many other programs. There are tax incentive programs, there are development incentive programs, and the increase of real estate taxes on vacant land is not a tool that is going to encourage development. It would only force and encourage developers to look elsewhere.

I submit that the Constitution is poorly drafted, provides very little guidance or direction. I don't believe it will encourage and gain the results that it is looking to achieve. It is special purpose legislation geared for a very short number of municipalities. And all the discussion you hear, it's really geared for two municipalities. It is directly in opposition to the goals and will have results in opposition to the goals of the State's Redevelopment Plan and many of the State's programs that have been developed to encourage urban economic development. I believe it's both bad policy and public planning to encourage this type of legislation.

Finally, there has really been no -- and you haven't heard any review by the State of New Jersey, the Treasury Department of the State of New Jersey, or any of the State departments involved in urban economic development. This is something that has not really been studied well in New Jersey. It's being moved along at breakneck speed, I believe, with a very, very weak base behind it. I don't think there is a lot of knowledge of New Jersey of this program, nor has a sufficient study been done to determine if it's appropriate.

I think if you look at the results that have happened in Pennsylvania, and Pennsylvania is a very different state than New Jersey-- But if you compare during those same time periods the activity in New Jersey to

Pennsylvania, I think you will be very pleased with what happened in New Jersey. I think this is a program that is being sold here. I don't think it is something that is appropriate in New Jersey or has a place in the New Jersey Constitution.

Thank you.

ASSEMBLYMAN ARNONE: Let me clarify a few things here.

First of all, the towns that would qualify for this has not been determined. That is going to be done in the enabling legislation. The reason you don't, in the amendment, try to put this town, that town, this town, that town is because who knows in three years or four years what crisis can hit, what municipalities may want to take advantage of this. You would have to then amend the Constitution again, and that's why it's been left a little bit broad.

But how many projects has Hartz Mountain done without government incentives? Have you done any?

MR. MAGRINI: Probably 25 million square feet of our space is done without government subsidies at all or participation. Probably three-quarters of our portfolio.

ASSEMBLYMAN ARNONE: You know, I'm certainly not an expert. I am going to certainly recognize you as an authority in the field. I'm certainly not, but my feeling is that all incentives are not created equal. I think there are some incentives that do have a good effect and some incentives are just plain giveaway programs, whether we see it with ball teams and places like that.

We have the spectacle of this guy Allen who out in Seattle owns the Seattle Mariners, and he is a gentleman who is one of the founders of Microsoft, along with Bill Gates. He's a multibillionaire. He told the city of Seattle, "Unless you build me a new ball park I'm leaving." This guy can build that ball park, but he wants them -- the public investment -- to build him a ball park, so he can pay his athletes \$6 million or \$7 million a year, and so a family of four can pay \$300 to go see a ball game.

And the question is, why is it the responsibility of a citizen to have to subsidize these kinds of things that they get no direct benefit from? Now you can put all the Keynesian multipliers in this thing and say, "If we build that, this is what is going to happen. We are going to create this job, we are going to create that job." The bottom line is sometimes it doesn't work out. Twenty-one ball parks are built in this country, and 19 are losers. They lose money for the taxpayers.

I can't-- We are trying to desensitize. Some of the government is going to have to be the answer to do anything. This is a pro-enterprise, free market, incentive type of program that a municipality may or may not-- Now, on your properties that you own in Jersey City, you're net winners. You are going to win. You are going to pay less taxes on property that Hartz Mountain owns in Jersey City than you do right now.

I don't know what your holdings are, where they are, and what your objectives are, whether or not you would even oppose Asbury Park to use a program like this. I think you're taking a position that you don't want anybody to use it. You don't even want them to have the opportunity to do this -- to make that decision. Am I correct?

MR. MAGRINI: I believe this is bad public policy to--

ASSEMBLYMAN ARNONE: All right, so you don't want Asbury Park, you don't even want Camden to use it. You don't want anybody to use it. I understand that logic. Frankly, I'm lost with that logic.

MR. MAGRINI: I believe there are numerous programs--

ASSEMBLYMAN ARNONE: These are people, these are urban people. They are not asking you for a handout. They are not looking for anything. They just want an opportunity to help themselves. It's a tool-- It's included in the-- It's in the tool kit that they have with the various other programs. This is an opportunity for them to pick themselves up by the bootstraps if they so think it is necessary.

And I'll tell you this -- and you're a very articulate guy, extremely articulate. You're very knowledgeable. You're very familiar with Jersey City. I'm sure that if this issue were being discussed with the Jersey City Council, you should just go there and explain it all to them, and if they put the numbers on it, they look at their tax rolls, they say that if we apply it this is going to happen, they won't do it. It's not mandated, they don't have to do it. It's permissive.

MR. MAGRINI: I just believe it's bad policy to have--

ASSEMBLYMAN ARNONE: Well, you keep saying that. I don't know where it is, but you keep saying it. I don't know why you say it.

MR. MAGRINI: I believe that New Jersey has a very aggressive urban economic development program with many programs that just have to be properly applied and applied to the specific areas, and I think there could be results.

The other piece that is always missing is, in any real estate development -- and these are not sports teams. This is real estate development that in the Hartz properties has over 75,000 jobs, of which probably about 150 are Hartz employees, the rest are all the economy in the State of New Jersey. This is not a ball team. This is not a giveaway for no reason.

The-- I think those programs have to be put together. A concerted effort has to be made to apply those to those towns. And the other piece that always has to be there, there is a need for a real estate market. If there is not a market, it doesn't make a difference.

ASSEMBLYMAN ARNONE: I think--

MR. MAGRINI: You can tax all you would like.

ASSEMBLYMAN ARNONE: I think the best investment tool that a community can have in an urban area is to have good schools, is to have safe streets, is to have a good educational system, is to have a good transportation system. I think if you build a good, healthy community, they will come. I think people will come there and they will build. And I don't think--

Did you want to say something?

ASSEMBLYMAN GREEN: Yes.

I realize when you made the statement that we are talking more other than just ball teams, but that mind-set is even within the business world today. I just hear your prime example in Plainfield. We are trying to do everything possible to bring economic development in, and still we have to give away the kitchen sink, just like you're saying, in order to even get the attention of someone. I had a conversation with a developer that was willing to pay



almost \$20 million for some property in Linden. Yet still here in Plainfield I have to give him almost \$10 million in order to come into my town.

So I disagree in your argument in terms of when you try to identify with just a ball team, etc. This is the mind-set of business in general in terms of if you happen to be behind the eight ball and nobody is going to help you out at all. And I agree with what you're saying in terms of this gives us a chance with the opportunity to move ahead economically. And if we don't have this opportunity -- and I'm talking about having been involved now for 20 years, and now I'm at the point that I'm willing to give land away. That's not even enough. Clean the land up, tax free, whatever might be the case. So I'm a witness to what he is trying to explain to you.

MR. MAGRINI: And all I'm saying, if you take that exact same scenario and you don't say to this gentleman it's tax free, but I'm going to raise your taxes and I'm going to increase your taxes while you are going through that long-term development process, he is only going to leave your office faster. The specter of increased real estate taxes is not going to get him to stay in your town.

ASSEMBLYMAN ARNONE: Do you want to say something, Mr. Vincent? Do you want to contribute something to that?

MR. VINCENT: Yes.

Essentially, the message is that if you do have higher land taxes, you are going to drive development elsewhere, and that's the bottom line here. Everybody from our office on to academics at the University of Maryland, the Pennsylvania economy league, the league of the cities -- what they do to measure the impact of a land value tax is to measure building permit issuance

and compare it to a like community 10 miles, 20 miles, 30 miles away. And all the studies have shown that if you have a high enough tax on land and after going into the gradual process of adapting the land tax, you see that building permit issuance in the surrounding communities tails off. And I mean taxable building permit issuance. I'm not talking actually about a stadium or something off the tax rolls tends to increase.

And although it's not entirely relevant to New Jersey, Dr. Lusht (phonetic spelling) of Penn State has studied the land value tax communities in Australia and New Zealand where they don't have any tax on buildings at all, and they see the same result. That actual investment, that actual square footage of building, goes to where there is a land tax in the long run. This isn't just my office that comes up with this. It's the disinterested academics, people that just want to find out what the answer is. And in Pennsylvania it has been notable that building permits increase in the community that has the land tax and tend to decrease in the neighboring jurisdictions.

ASSEMBLYMAN ARNONE: Thank you very much.

MR. VINCENT: Thank you.

ASSEMBLYMAN ARNONE: Thank you, Mr. Magrini, and I hope you carry back to Emanuel Stern that we do appreciate everything he has done in the State of New Jersey, so we don't view him as a bad corporate tenant, which is not the case at all.

MR. MAGRINI: Understood.

ASSEMBLYMAN ARNONE: Ted Gwartney -- Professor Gwartney.

**TED GWARTNEY:** Good afternoon, Committee members. My name is Ted Gwartney. That's spelled G-W-A-R-T-N-E-Y. My introduction: I have been involved in real estate--

ASSEMBLYMAN ARNONE: What is your employment, Mr. Gwartney?

MR. GWARTNEY: Presently I'm the Executive Director of the Robert Schalkenbach Foundation in Manhattan, and I'm a professor at (indiscernible) College of Real Estate Appraisal.

ASSEMBLYMAN ARNONE: And what is your speciality?

MR. GWARTNEY: I'm a real estate appraiser. I was an assessor for 20 years, and I have been involved in consulting on municipal finance and assessment work.

ASSEMBLYMAN ARNONE: Thank you.

MR. GWARTNEY: And I have been involved in real estate my entire career, also including even selling real estate and ownership, and so forth.

I've heard a lot about Pennsylvania, but I don't want you to think that you're using Pennsylvania only as an example. There are thousands of communities around the world that have adopted land value taxation to one extent or another. And as an assessor I was involved in bringing higher revenue from land and lower revenue from buildings in over 100 jurisdictions. Basically it is pro-incentive, and we found that in the communities that I've worked in that the business community has supported the idea of reducing taxation of improvements and accepting greater taxation on land.

We found the acceptance of this by industry. We have found this in the interest of the Chamber of Commerce and others. So what I'm saying is that it's not just a limited group of people. It goes far beyond homeowners, and it goes far beyond what we have been talking about so far. This is something that is definitely in the interest of community development, builders, developers, and so forth. And it is popular where it's been applied and used.

As an assessor, I'd like to say that in introducing this, there was always the fear and concern that would it work? Well, I found in my own experience that it worked very well. First of all, we found that the public understood it, accepted it. We found that the appeals to the courts were substantially reduced because people understand basically what their land values are, and as their building taxes are being reduced, they saw this as a benefit.

In terms of implementation, it's much less costly to value land than it is to value buildings. It's much easier to value land than buildings, and we were able to see efficiencies and assess with administration.

I've heard a lot today about increasing taxes, but we are really talking about is reducing taxes. The taxes that people really feel are the taxes on buildings -- those are the ones that really bother people. And my first job as an assessor -- we put out a brochure in which we merely said that assessment policy was not to raise taxes when you made minor improvements on your property. That began in that community a great movement towards making improvements, and gradually this was expanded on where we would reduce the

taxes on all buildings in the community and take a corresponding amount from land.

I should also mention that I lived in Livingston, New Jersey, before I moved to New York where I now am.

I guess that I am advocating this because I believe very much that I have seen the benefits from it from my experience in my life. I have seen communities substantially improve. I've seen business development go on. I've seen the entire community better off than it had been before. And I think that to give the citizens of communities within New Jersey the opportunity to adopt this, even if it's on a small scale -- it doesn't have to be a big change, just a small little bit -- it gets people motivated, it gets things happening. And you're amazed at how it spurs development and how it spurs people to improve their properties and to continue on.

We have seen that in jurisdictions that start out in a small way, they gradually want more and more of it. And they gradually want to have less and less taxes on buildings, and they are willing to pay a higher rate on the land to offset the building taxes being lost.

So I looked at this really as being an effort to remove the penalty for maintenance of property and to remove the penalty for the people that want to build improvements. I should say also that in my experience I have been dealing a lot with farm properties and open space and environmental groups. I find now that many of the environmental groups throughout the United States see this as a keystone part of their program towards protecting open space and the environmental space that there is. They see that by having more efficient use of land within a city, that there is going to be less imposition

of people moving out into the open space. There is going to be less need for developing open space when there is more development within the city. The farmers see that this is the opportunity to continue farming without having to be burdened with speculation, with people moving out into their farm areas. So we have seen that this is a great benefit for the environmental people and for the farmers.

Again I see this as an opportunity to try, maybe in just a few cities, in New Jersey initially, and I think that once it starts, you will see that similar to Pennsylvania and other countries and other states that this is something that will be wanted by more and more people.

Thank you.

ASSEMBLYMAN BIONDI: I just have a question, if I may. You stated that by creating development in the inner cities, it will place less of a demand on farmland and open space. Can you explain that to me?

MR. GWARTNEY: Yes.

ASSEMBLYMAN BIONDI: Having heard there is not that much available space in the cities.

MR. GWARTNEY: Let me correct that.

ASSEMBLYMAN BIONDI: Okay.

MR. GWARTNEY: Let's just take two cities, for an example, that I am familiar with, Los Angeles and New York City.

ASSEMBLYMAN BIONDI: Can we bring it a little closer to home here?

MR. GWARTNEY: Okay, let's take Newark.

ASSEMBLYMAN BIONDI: Because we are talking about farmland and my district.

MR. GWARTNEY: All right, let's take Newark.

What I'm saying is let's take any city. The average city in terms of land that can be developed -- that's land that is not currently being used for any purpose, but it does include wasted land such as slums, and so forth. There is hardly any city in North America that's using more than two-thirds of the land within the area. And some of our larger cities are using less than half of the land within their area. Now, if we are only using two-thirds of all the land within our city, obviously there has to be suburbs, and there has to be people going out other places because that third of the land, or in some case half the land, that is not being used is forcing people to go and find places to live that are in the rural areas.

What I'm saying is we must use the city land that is vacant or in slums right now efficiently. And the best way to do it is to remove the burden of taxation from buildings. If you do that, you then want people to fix up their buildings or to tear down their buildings and build new buildings and get people kept within the city areas instead of going out into the farm areas and the open spaces.

ASSEMBLYMAN BIONDI: Respectfully I ask, you're suggesting that most people that move to a rural area are forced -- I think that was your word -- are forced to move to a rural area, not by choice, but being forced.

MR. GWARTNEY: Well, I'm thinking of my own case. Now I'm living in Long Island. It takes me an hour by train to get into work every day. I would much rather live closer in where there is lots of land available. On

Manhattan, for example, almost half of the land that could be developed properly is just sitting there with wasted usage in Brooklyn, in Queens, and so forth.

So what I'm saying is, yes, I have an hour commute. I don't want to live out that far. I would much rather live closer to the city, but I can't.

ASSEMBLYMAN BIONDI: Because?

MR. GWARTNEY: Because there is no pressure on people to develop the land that's sitting there vacant or with an underimprovement, no pressure at all.

ASSEMBLYMAN BIONDI: So you're saying nothing is available for you--

MR. GWARTNEY: That's right.

ASSEMBLYMAN BIONDI: --living in Manhattan.

MR. GWARTNEY: Exactly.

ASSEMBLYMAN BIONDI: I just had a friend move there two months ago. He's down in Battery Park. I mean he's got a \$3200 a month mortgage. (laughter)

MR. GWARTNEY: Any other questions? (no response)

ASSEMBLYMAN BIONDI: Who's next?

MR. LEVIN: The Chairman has requested Gerry Barta to come up next, please.

**G E R R Y B A R T A:** Thank you, Chairman, members of the Committee. My name is Gerry Barta, B-A-R-T-A, and I work for Alfred Sanzari Enterprises, a real estate developer in northern New Jersey primarily.



There has been talk-- This piece of potential legislation would use real estate tax to promote -- or attempts to use real estate tax to promote development. Profit potential that's based solidly on supply and demand is the best incentive to develop or redevelop land. If a landowner is not willing to risk his capital because the profit potential doesn't exist, why would we want to artificially force that project?

Forcing that project has several related problems to it. Assuming a developer is willing to move forward this project, it's unlikely that he will find lenders willing to finance the project because the underlying market, supply and demand, doesn't exist for that project. The lenders are unmotivated by the real estate tax issue, so they will have little sympathy for the developer saying we have to develop the project because it's too expensive to not develop the project. And through no fault of their own, developers might be unable to move forward. You have the regulatory process, which was eluded to beforehand -- creates a very potentially long-term project which makes the land tax punitive in nature.

All things being equal, I suspect it's a goal, I guess, that the overall real estate tax on each developed property not change. Whether the shift between assessed value on the land and value of the property of the improvements may change, if the developer is willing to move forward, assuming he can move forward without a lender in some fashion, but this project is unjustified or unsupported by the demand for a project, then what is going to happen is the locality in which he develops becomes overbuilt. When it becomes overbuilt, the depressed value -- the market values for all properties within that area become depressed. That will lead to increased tax

appeals, reduction, and ultimately reduction in local revenue, which will have to be passed on to homeowners and businesses -- all the taxpayers of the town.

ASSEMBLYMAN BIONDI: Excuse me, are you referring to a possible zone change that it wouldn't be profitable to develop it in a current zone that it's in? Because I didn't know where you were--

MR. BARTA: I'm not sure I understand the question.

ASSEMBLYMAN BIONDI: You said it would be oversaturated and wouldn't be profitable to develop it in the fashion that it's intended to be. Well, if every piece of property is in a certain zone, whether it be commercial, industrial, or residential, are you saying that it would be saturated to the point that you would need a zone change in order to develop it properly? I'm just trying to follow-up.

MR. BARTA: No, no, I'm not-- What I was trying to say was, if the development is forced, so to speak, by the land value tax as opposed to the profit potential which would otherwise guide the developer, you will end with an overbuilt market. It will be more office supply or warehouse supply than demand.

ASSEMBLYMAN ARNONE: You might go broke, right.

That's the way the markets work. They are cruel, they punish.

MR. BARTA: That's right, but it's not the market that's generating the--

ASSEMBLYMAN ARNONE: Somebody misunderstood it, misinterpreted it.

MR. BARTA: No, somebody was forced by a piece of legislation that was misguided.

ASSEMBLYMAN ARNONE: Who is forcing anybody to do anything? No one is forcing anyone. It's a market decision that the developer makes. He says, "Hey, I think we are going to need more living space here," and he puts up an apartment complex. And pretty soon he has oversaturated the area, he goes broke. That's the punitive aspect of developing, I guess. You have to be smart enough to know what markets want and not want.

MR. BARTA: Mr. Chairman, he wouldn't have developed if he were not forced to by the carry cost of the land. It was a project that was incentified, for lack of a better term, by the real estate tax carry rather than the supply and demand that existed which otherwise--

ASSEMBLYMAN ARNONE: Okay, you lost me but go ahead, finish up.

MR. BARTA: Increased construction is not a goal in and of itself. Construction that's not supported by the market demand will just lead to larger problems and maybe a short-term fix, there will be construction jobs generated and-- But if the values of all the properties are depressed because of the overbuilt market, then all the taxpayers and the municipality, be it commercial or residential, will be adversely affected.

ASSEMBLYMAN ARNONE: What do you do? What's your vocation?

MR. BARTA: I work for Alfred Sanzari Enterprises, a real estate developer up in primarily Bergen County.

ASSEMBLYMAN ARNONE: And what is your role there? What do you do? Are you the guy that goes out and develops the market potentials and you analyze it?

MR. BARTA: I analyze market, leasing and marketing.

ASSEMBLYMAN ARNONE: Thanks a lot.

MR. BARTA: You're welcome.

ASSEMBLYMAN ARNONE: Thank you very much for coming here.

Mr. Dodson.

**EDWARD J. DODSON:** Thank you, Mr. Chairman, Committee members. My name is Edward Dodson, D-O-D-S-O-N. I'm a resident of Cherry Hill, New Jersey, and I work in the housing finance industry for Fannie Mae.

ASSEMBLYMAN ARNONE: I'm sorry, what do you do? What kind of job do you have.?

MR. DODSON: I work in development of affordable housing programs and financing of those programs. And I should stress that I am here expressing my own opinions and not the opinion of any corporation or organization, but I'm speaking in favor of the bill.

I work in trenches. I work with community groups and community development corporations and people who are concerned about revitalizing urban neighborhoods and building affordable housing. And my opinion is that this measure goes a long way to helping people by, as has been expressed over and over again, removing the penalty for rehabilitating your housing and building housing where it's needed.

This is a measure I think that will help in the efforts that I undertake every day in places like Camden where, for example, the people in the communities look at the real estate market as their absolute enemy. They

look at developers as enemies bringing gentrification and chasing people out of the neighborhoods. So they formed land trusts, for example, to try to get a hold of the land and take it off the market, so it could never be sold. These people are scared still, but it's important, I think, to give them some power to help make decisions about their own communities, their own neighborhoods.

There is something happening in every town in the states that I work in. And I work in the entire region from Maine down to Delaware, and in every community people are trying to take control of their lives and revitalize our community. And when public policy works against them, they have to try and work all the harder. And this is a measure that I've supported and I talked to community groups about advocating, so if this bill is passed, people in the local community will come out to the hearings and town councils, and they will work for or against it. But I think that most of the people who are concerned with affordable housing will definitely find this to be beneficial, and they will find it beneficial for two reasons. It gives them local control and some decision-making power and increased control over the communities.

In terms of financing, for example, financing I don't think will be impacted negatively at all. In fact, in the residential side, it means that when you qualify for a home mortgage, normally you have to qualify based on your mortgage payment which includes an escrow for real estate taxes, so if I have a house that a third of my real estate taxes are eliminated, that puts more money available to me to make a mortgage payment or a down payment or buy a bigger house -- a larger house or do rehab or whatever. So I think it's a really good idea.

Any questions I will be glad to respond.

ASSEMBLYMAN ARNONE: No, I don't have any.

Thank you very much for coming here.

MR. DODSON: You're welcome.

ASSEMBLYMAN ARNONE: Chris Toto, please.

Please tell us what you do and spell your name, please.

**CHRISTOPHER C. TOTO:** Yes, my name Chris Toto, and it's T-O-T-O. Basically, I am a small builder. I do renovation, remodeling, and rehabing. I don't have a law degree. I'm not politically connected or anything like that. I don't have the benefit of thousands or hundreds of people working with me. I generally-- I either work as a subcontractor or I work for wages.

I provided three handouts for the members of the panel, which have in the back some programmed notes, as well as a photographic essay in the latter half of the handouts. Perhaps you can share between them. It is kind of expensive to make color photographs, so I just made three of them.

In the back half of the presentation is about 15 pages of four panels of photographs. It shows a reconstruction job that I did down in the Morristown area. I don't know if that qualifies me as an expert or anything. My biggest political connection is with my steel trowel that I use on (indiscernible) cement in construction.

One of the things I'd like to address is that why do some people who make enormous real estate investments and improvements, why do they not think that they will benefit from this reform? And I think it's largely due to the fact that they already benefit from many, many politically connected subsidies in one way or another. If they don't receive a direct subsidy-- I think some developers are so large that they benefit from the economy of scale

that nobody can compete with them, so they are the only ones who can do certain improvements. So some of them will not, perhaps, benefit as much from the improvements that they we're talking about because they are already receiving benefits.

I just think that it's unfair that the little guy basically has to wait 15 or 20 years before somebody gets around to doing the improvements. Because meanwhile that land is not providing jobs, it's not-- It's an eye sore, and it's generally a drain to the whole community.

I remember-- I grew up in Red Bank, I don't currently live there. But if you remember, Mr. Arnone, the -- presently it was the Gallaria in Red Bank, that was an old textile mill which--

ASSEMBLYMAN ARNONE: That was my project.

MR. TOTO: --basically worked on making uniforms back in the war I believe. This is like 30 or 40 years ago. But I remember growing up that that building was empty for about 15 years or something like that.

The other thing that I'd like to comment on is that my family is working construction basically for generations. Personally, I got the bright idea that I was going to get a college degree because I figured there is plenty of chemical industry in New Jersey, so I got a degree in chemistry. And then after I graduated, the chemical industry left New Jersey, and I wound up having to travel around the United States. I mean I worked in the chemical field and engineering, and so forth, for about 10 years, and I traveled all over the place. I got a little tired of traveling, so I went back into construction about 12 years ago.

I'm a certified inspector of what is called an exterior installation finishing system, which is the synthetic stucco system. I'm also certified by the Exterior Design Institute to do regular hard-coat stucco, various types of interior plaster. I'm also a certified applicator by the Exterior Insulation Manufacturers Association.

Basically, I have lived here in New Jersey practically my whole life, and I have watched many many industries leave New Jersey. I have always wondered to myself why is that. And the reason I think is because the productivity of labor has gone down. We have shifted more and more taxes on to labor in this country or at least in New Jersey. If you look at New Hampshire, which has no taxes on wages -- practically no taxes on wages, income, and so forth -- it is the fastest-growing state in the northeastern area.

But anyway, let me get to this presentation here. What I wanted to show with those photographs is to show you that building improvements are really products of labor. If you look at those photographs, that's a difficult job what we did. We basically came into a building which was an old 7-Eleven wholesale refrigeration facility, and it had gone bad. The roof had gone bad, it had leaked. Unfortunately, the owners -- the secondary owners, who bought it after 7-Eleven left, didn't realize that the roof was bad, and because they didn't know anything about construction, they said, "Well, let's put a new roof on it." So they put a new roof on it, but unfortunately, the whole structure had been basically rotted and destroyed by water intrusion.

So they-- I used to buy specialty coatings from them at the time, and they said, "Chris, can you help us out? We need to fix this building up." So I came there, and at first we were just going to do some -- they just wanted



some superficial improvements done, and so forth, so I took a look at it, and the more I got into the product, the more I saw that the whole thing was totally bad. Normally I would just demolish the whole structure down to the foundation and rebuild, but the roof was good, but it was sitting on top of the bad structure.

So basically I am a guy who-- I don't see too much difference between labor and capital. My capital is what I save for my labor, what I earn. And if anyone thinks that this is an antilabor bill, they don't know what they are talking about, or they haven't been on a wall-plastering cement or laying block in many, many years because this bill-- I mean this was a excruciating job that we did, and it was dirty, filthy, miserable, but we did it to earn a living. We did-- It was basically a couple of thousand square feet, and we did it for about \$12 a square feet, which I compare to any builder -- any Hartz Mountain builder, whatever you want to--

ASSEMBLYMAN BIONDI: I'm just smiling. You're giving me more information about your occupation than you are on this bill.

MR. TOTO: Well, I'm sorry. What it all has referred to is that my wages, what I earn, go to subsidized people who benefit from low taxes on land. I don't want them to pay more taxes on real estate than I do. I just want them to pay the same as what I do. I don't want to have to subsidize their million dollar facilities, their corporate buildings, their expense accounts. They can do whatever they want, but they are talking about me forcing them to pay higher taxes. They are the ones who are forcing me to subsidize them. They've got it wrong. They got it the wrong way around. So, anyway, I wanted to make that point.

I also wanted to address the point there has been testimony in the past that Trenton has no empty land. Well, if you ride down Chambers Avenue or Hamilton Avenue where it runs into 206, you'll find many, many empty buildings. Very nice buildings, double wide, brick construction. These things were bomb proof when they were built. Empty buildings are even worse than empty land because demolition costs. If you had to demolish the building totally to bring it to a greenfield state that costs even more. So if you have a potential developer come into the area, someone who is not in the habit of getting subsidies all the time, when he looks at a building site which has an old building on it, and he says it's going to cost me \$15,000 to demolish this building down to nothing and then when I put the brand-new building up the city is going to hit me even with higher taxes, he's going to say this is a no-go situation.

I didn't have a chance to copy this, but in the *Trentonian* paper Wednesday, December 16th there is an article -- it's on Page 8. The title was "City Likely To Okay Priest Project". And it goes into how a local priest is applying to the city. He wants to develop three parcels of land in the depressed Wilber section on Walnut Avenue between Chestnut Avenue and Monmouth Street. The lots would be used for subsidized housing for low-income families and open space. The city would also build a home for troubled youth on one side of the lot.

Basically, the city will have to also pay \$15,000 in demolition costs for houses already on the site. Now, the thing is that-- And then it goes into the better community housing, and now we have all of these government programs and bureaucracies that have to take care of this. But if you didn't tax

land heavily -- or if you didn't tax improvements on the land, a lot of these projects could be done by the private sector. You wouldn't have to have some taxpayers through the government supervising these projects and, then, it becoming a big political football.

And I also heard that there was some talk about the city getting involved in the Millhill district, there is some kind of depressed hotel or something down there. And, you know, land which is subsidized by the government or has empty buildings on, it is even worse than plain greenfield land because they are both-- What they are is they are welfare for some people. I find it really hypocritical that New Jersey is talking about reducing welfare for the poor when we want to keep maintaining welfare for politically connected developers or people who -- you know, they have an entree into the government.

So, I mean, let's keep an even playing field. In fact, I think if we didn't have welfare originally for politically connected interest, that you wouldn't need all the welfare for the poor. The poor would have so much demand for labor and jobs that they would have a fair chance. But anyway--

So basically, if you accept the idea that improvements are products of labor and capital-- You say, why is this important? Well, it's important because of productivity of labor. When you're talking about bringing industries and jobs into an area, it isn't just-- The businessman doesn't just look at, say, what do wages cost in this area? Does it cost me \$5 an hour, \$12 an hour, \$25 an hour? What he looks at is what does that productivity produce. I mean what does he get out of those wages.

But the thing is if it costs-- If you're taxing improvements, you're taxing labor and you're taxing the capital that that labor accumulates. And so what you're doing is you're making it more expensive for people to live in an area. And when it costs them more to live in an area, they demand higher wages but -- even though their productivity doesn't go up. So if you want to know why did the ceramic industries leave Trenton, why did the rubber industries leave Trenton, why did the steel industries leave, why did GM in Ewing leave, it's not only because there is cheaper land elsewhere and there is cheaper wages elsewhere, it's because we are taxing wages through your taxes on improvements, and it makes us less competitive. So if we want to be more competitive, especially in depressed areas, we need to remove the taxes on those improvements.

If you want to look at some local things, look at the situation in Ewing or West Trenton where GM is -- I think they are in the process of demolishing their old plant there that has been there since the 1930s I think. It's cheaper for GM to demolish the plant and hold that land empty rather than think about bringing a new manufacturing facility into the area. I mean, why should they leave the buildings there -- and it's going to hurt Ewing. Ewing's tax base is going to go down the drain.

ASSEMBLYMAN ARNONE: I'm not trying to interrupt you, but can you wind up a little bit because we have more speakers and we have to empty this room out of here.

MR. TOTO: Okay, I'm sorry.

Just one more specific case thing about Trenton. A friend of mine bought a row home in Chambersburg here in Trenton for about \$56,000

around 1990. The local taxes here were increased drastically, and because he had a row house, most of his real estate value was improvements. So basically he was paying for all the empty manufacturing buildings, and so forth, around Trenton.

In 1996 he had his house reassessed, and the value had dropped to \$40,000 because of increases in taxes, so the tax base in Trenton is being eroded. So my friend basically abandoned his house to the bank. Him and his wife both worked at the local hospital with two kids, and he moved to West Windsor, you know urban sprawl.

And so basically these are the type of people you want in your towns and your cities and communities, but he couldn't afford to stay. So basically you have to make a choice between, do you want people who are basically earning their living by their labor and working hard and being honest, or do you want to subsidize people who want to hold buildings open unused for 15 or 20 years?

And the other thing, too, is some of the developers say, "Well, you know there is a lot of cost in five years and everything, but what are we supposed to do for 15 or 20 years while the land is being held out of use?" I mean people only live 60 or 70 years ago. Meanwhile, if you got half the town unoccupied or it's idle, where are the workers supposed to go?

Thank you very much for your time.

ASSEMBLYMAN ARNONE: Thank you.

MR. TOTO: I appreciate it.

ASSEMBLYMAN ARNONE: Thank you, I'm certainly glad to hear your connection there.

Thank you.

Professor Harris is the last speaker. We had Mr. Budzash there, but he sort of gone out the door. I don't know whether he wants to speak or not.

After Professor Harris, we will have another go-around if anybody wants to speak again.

**DREW HARRIS, Ed.D.:** My name is Drew Harris. Last name is H-A-R-R-I-S. I'm a resident of Teaneck, New Jersey. I teach at Fairleigh Dickinson University in the business school there. I teach management.

I have an interest in this topic probably since my childhood, since I grew up in a community that was developed to demonstrate the efficacy of the land tax and the absence of other taxes. And I want to emphasis absence of other taxes.

I know several speakers have mentioned it, but there has been a preponderance of talk here about increasing land taxes. And I think that the real key to this legislation being effective for any municipality is the idea that we have reduced taxes on the buildings. Incentives do work.

Now, you've heard all that, so what I'd like to actually talk about is what I heard today. Part of my job is listening to people and listening very carefully to what is being said and what's not being said. And I'd like to -- as an illustration of this say that I want to really acknowledge the sort -- the advocacy that Bob Woodford and the NJBIA has done and Mike McGuinness and NAIOP for making the amendments to this bill make the bill a more effective bill. They both have a stand that we would be very clear that this is about reducing building tax and raising land tax. We are both advocates for

that, and I think that it's great that, Mike, you amended it that way. They have also asked us to remove the personal property tax portion of this. I do think it's kind of ironic, Bob, that you now lambasted us for doing what you asked us to do in your report there, but I think it's important to keep personal property tax out. That's a pernicious evil tax. I wish we got rid of every bit of that here.

I also think that the concern about subclassification is absolutely good, and this doesn't do anything to change subclassification of property. I think it would be an anathema to the State of New Jersey to introduce subclassification, and I would stand arm and arm, if I could use that language, with NJBIA and NAIOP in opposing subclassification of land.

So I think those things that they have asked us to focus on are very important, and I want to use that as an example of how I've listened. Now, what else I have heard here, though, is that everyone who spoke against this today was talking about big development, about multimillion dollar development.

To use Mr. Barta's words, that project -- sort of notion that a developer has a particular project and they are waiting for that project to ripen, so to speak, or for the market conditions, and that's the only project that is appropriate for that site. Well, I understand how that is their experience, and I certainly am not going to fault them for that. That's a perspective, but what we're talking about is a tax incentive that is subtle, that's gentle, that works for an entire community.

In my previous testimony, I called this a tax break for Main Street. You know it's for me in Teaneck, New Jersey. Nobody is thinking about

Teaneck as a distressed community, but I'd love to have this in my town because I'd love to put an improvement on my home. I want to upgrade my kitchen. I want to expand my bedroom. Guess what? I do that, I spend \$20,000, and what happens? I get \$1000 a year tax bill for that. There is no justice there.

My wife and I looked for houses there. We looked at over 70 homes, and I would bet half of them had things that when I went and looked at the tax bill were not on the tax bill. They are hiding out. And our current property tax system makes criminals out of regular homeowners. Because if the tax man actually went around and compared item for item, I bet a quarter to a third of the residents of Teaneck and Bogota would be in violation of the law. What the heck kind of tax law is that?

So this is about Main Street, and it's also -- but it doesn't stop there. One of the things I'd really like for Mike and for Mr. Magrini and the others here who are still here, who have endured this testimony -- when you guys talk about markets being right, and you have said it in private conversations and here, you've talked about the whole (indiscernible) of a community being a "right": if there be the right general tax base, that they are being the right kind of population there, the right kind of workers. Well, how do you get them there? That's one thing you don't get with a \$10 million tax relief for your building. What gets it there is the little improvements, the gradual improvement of housing stock so that people actually want to live there. The gradual improvement of the retail businesses, the shops, the photo copy shops, the messenger services, the whole (indiscernible) is what has improved here, and it really is -- this tax bill really is a fair and uniform tax bill.



I don't want to make this out to sound really wrong, but this use of a title for a coalition about fair and uniform -- there is nothing uniform about a tax bill, about a tax program that gives incentives to big developers and causes homeowners and small-business people to pay their full way. And I think there is a place to motivate folks like Hartz Mountain to build, but let's also motivate everybody else to build. Let's motivate everybody on Main Street, on the side streets, on Elm Street to have their homes be the kind of homes they want, affordable, attractive, improved if they need to, to encourage the small-business people to be successful. Because that's the kind of climate that will create a really strong base so that the larger buildings can take place, so that our large industrial base can still have an affordable workforce. So that they are homes here where people who are working class, middle class, can say, "Yes, I can afford to be in New Jersey." And that's really what this is about, and that's why I'm here. I'm not paid by anybody to be here. I don't know if the University would be happy that I'm here.

It's because of the vision I have for New Jersey that this really be a -- that we would move from something like 17th in gross national product to 10th. This is the kind of thing that would be a landmark decision for the state in terms of its overall growth. It might take 20 years, which probably appropriateness we move with caution.

ASSEMBLYMAN ARNONE: Thank you very much, Professor.

We have one more speaker: that's a Kelly Stuart Mayor, New Jersey SEED.

**JOHN BUDZASH:** Assemblyman, you have two speakers.

ASSEMBLYMAN ARNONE: Oh, okay. Well, you had on here you're not sure, but you've got an opinion now.

MR. BUDZASH: Yes.

ASSEMBLYMAN ARNONE: All right.

Is Kelly here? (no response) They want to speak in opposition to this. This is New Jersey Society for the Environmental Economic Development. That's the name of the group.

I don't know of any environmental group, whether it's New Jersey PIRG, whether it's New Jersey Sierra Club, I got phone calls from the National Sierra Club, the Audubon Society -- every environmental group thinks this is a great idea because it's going to prevent suburban sprawl. But she is not here.

Mr. Budzash, you're on.

Are you pro, or are you opposed to this, Mr. Budzash?

MR. BUDZASH: I was on the fence a little bit. Now I think I've swung over to the opposed.

ASSEMBLYMAN ARNONE: Okay.

I want to be fair and honest. Mr. Budzash is a member of the party opposite of mine and might possibly be my opponent--

MR. BUDZASH: For this upcoming election.

ASSEMBLYMAN ARNONE: So I've got you some fertile ground there to get you some fund-raising going for you.

MR. BUDZASH: Okay, thank you.

What I have handed out here is a list -- actually I'm going to go over a lot of stuff here, I guess. I'm going to try and do it as quick as possible. These are from an MLS book.

First, let me also preface this a little bit. I am a real estate investor. I buy homes, I renovate them, I sell them. I keep some for investment purposes, for rental income. I've been actively doing this for about 15 years. I started out part-time. I built new homes, but I really prefer the renovations. And I've heard some erroneous thoughts coming from various people up here about when you repair a home that your taxes are going to go up. Well, that's just simply not true.

If you do a repair on a home, such as putting in a new roof, putting in new windows, new doors, and so forth, your taxes will not go up. It's a repair. If your house is run-down, your assessment is not going to be automatically lowered as is assumed by some of the people that have spoken up here. Your assessment will only go down if you appeal it or if the house does become so dilapidated that it's uninhabitable. Then, at that point, when the town does reassess values, they may lower your assessment on the property.

Now I'd like to bring your attention to the sheets that I have handed out. They are a little bit incredible here. These sheets will show you why real estate assessments -- and one of the gentlemen that was up here speaking before was an assessor. I've got a big problem with real estate assessors. Typically speaking, most of them haven't got a clue as to what they are doing. They come into an area where they are not familiar, they get a contract to perform assessments in a town or a county, they perform the assessments, they give opinions-- And opinions have varied between two assessors working for the same company on identical houses across the street from each other.

The first one that I have highlighted on here -- this is one that really irked me and got me involved in this little study back a few years ago. 2330 Highway 9 South in Howell, my town -- and all of these are from my town. This house was on the market for--

ASSEMBLYMAN ARNONE: John, you realize this is not applicable to Howell.

MR. BUDZASH: Exactly, but this example goes true throughout the state.

ASSEMBLYMAN ARNONE: All right.

MR. BUDZASH: And all municipalities are basically the same. Some are a little more, some are a little less in different areas. It's just showing the basic flaw with assessments.

When this property was reassessed, nothing had changed on it. It was highway commercial property, but the brilliant person who assessed this property decided it was the highest and best use for the property was as a shopping center, even though it was a small cape home. And he assessed the land at \$513,000, and the improvement at \$59,900, which was the home. That brought the total assessment up to \$572,900, and his property taxes went from about \$1800 a year up to \$13,623. He lost the home immediately, walked away from it, the bank put it up for sale and couldn't sell it. It was finally bought by a person who had the nerve to believe that he could appeal the taxes, get some sense, and lower his taxes. He bought the property for \$69,000. He did successfully appeal his taxes two times, got the assessment down to \$165,000.

ASSEMBLYMAN ARNONE: John, you understand we have nothing to do with assessments, nothing to do with it.

MR. BUDZASH: I realize that.

ASSEMBLYMAN ARNONE: That's a judgment call by an assessor.

MR. BUDZASH: But what this bill is going to do is it's going to place the emphasis on the assessed value of the land, and assessments are a vital part of any property tax legislation at all.

The next page, real quick, is -- and these are, by the way, the first pages, so this wasn't something just picked. This was all at random. This is the first page of single-family homes that was listed, which that one is from. The next one is from the sale book, which is the first page of the commercial sales in Howell. And it shows a difference in sale price of the assessed value for the first two was \$101,000. The sale price for the first two is \$56,100. The next piece of property, which was raw land in acreage, was assessed at -- oh, this is a doosey -- \$1,250,000. It sold for \$300,000, which was 76 percent less than what it was assessed at. If the site value taxes weren't changed, this man would have been paying a phenomenal amount of excess taxes on property that didn't have the value that it was claimed.

ASSEMBLYMAN ARNONE: Your ratios can get all screwed up over there.

MR. BUDZASH: Oh, yes.

ASSEMBLYMAN ARNONE: You only get revalued.

MR. BUDZASH: The next--

ASSEMBLYMAN ARNONE: If you go around telling people you get revalued--

MR. BUDZASH: The next-- And one of the things, also on the first page if you look -- and this is interesting because from what I have been able to see real quick-- I never considered this aspect until we got here. It seems to me that people that are better off, that have bigger homes, \$300,000 homes and up, and so forth, the value of the land is going to be much less than the value of the home. So if you reduce taxes on the home and increase taxes on the land -- and this goes for the cities, and so forth, where, again, people will own some single-family homes. The people that own the lower-priced homes the property is worth more than the homes in many instances. So their taxes, the lower-income people who can't afford it -- their taxes are actually going to go up from a plan like this if it's implemented in their area.

The following page on the report shows some of those bigger-ticket homes, and Howell is not one of the wealthier communities, but there are some nice homes in the \$200,00 range. And this was from the last page of the high-end homes. And these homes again show differences of 4 percent, 15 percent, 21 percent, 8 percent, and 32 percent difference and what the homes were actually worth and what they actually sold for. Some were assessed higher, some were assessed lower. It is not a science, it's pure theory, it's pure conjecture.

The last page, again, is commercial and condo. Again the top owner of the condo saved 39 percent because his assessment was off. The next condo it cost the owner 10 percent more because his assessment was off.

ASSEMBLYMAN ARNONE: I got your point.

MR. BUDZASH: Okay.

ASSEMBLYMAN ARNONE: I got your point, John.

You know what, I know you just learned about it today. Did you just grasp on to this today?

MR. BUDZASH: Yes.

ASSEMBLYMAN ARNONE: Okay.

MR. BUDZASH: Oh, no. I just grasped on to that one particular thing today, but I have been studying this and paying attention here, and some of the comments that people have made are rather astronomical. The second speaker said vacant landowners are not losers. When your taxes go up, you are a loser.

If you're holding on to property, and again people are mentioning Asbury Park, which is one of my favorite communities-- But like an alcoholic, you are not going to recover until you admit you're an alcoholic. Asbury is a dump. It's got to realize it's a dump and take measures to correct it. If you drive into Asbury Park, you find even *Asbury Park Press* abandoned *Asbury Park Press* and moved out of it.

ASSEMBLYMAN ARNONE: They are not going to support you by saying that.

MR. BUDZASH: Probably not.

ASSEMBLYMAN ARNONE: Okay.

MR. BUDZASH: And they have also supported this particular legislation at least four times in the paper. But--

ASSEMBLYMAN GREEN: Are you trying to tell me you're running for Governor?

MR. BUDZASH: If you look in *Asbury Park Press* -- excuse me, not in *Asbury Park Press*, but in Asbury Park you will see what some of the problems are. The remnants of parking meters. As the new phenomenon of this century came up, which was shopping malls, people stopped going to Asbury Park to park and go shopping because they had to park out in the weather, they had to pay to park, and they were walking around in the rain, the hot sun, and so forth. Malls were the wave of the future, but Asbury Park steadfastly held onto those parking meters. "We are going to charge."

They drove out the business that was coming to the town. They didn't want the youth market in there. They wanted to close up the nightclubs. They didn't like kids cruising the circuit. This was their business. As the kids left the circuit, as the people stopped cruising, as the other nightclub businesses ended, so folded up the restaurants, so folded up the other businesses. Then some whiz bang politicians decided they were going to sell the developmental rights to Asbury Park to a developer and, without having any kind of escape clause, let him tie Asbury Park up for many, many, many years.

Now, if they ever come out from under that, they might actually start developing Asbury again, which I hope they will. I have been going to Asbury since I was a little kid, that was the place to go. It was the bustling community. They were prospering like crazy, but they didn't reinvest in the community. They let it fall apart.

Now, someone had also said something about, "Well, let the people have a choice, and let the towns have a choice to do this. What's it going to hurt? It's not going to hurt any other taxpayers." Well, I'm afraid it



will. Because what has happened in Asbury Park, what's happened in Camden? They hold their hand out to the rest of the state, and we fill it with tax dollars, so they can renovate certain sections of their town and of their community. And is the money spent wisely? Usually not. It was pointed out that Camden, the waterfront project, is a basic failure. It hasn't helped. Casino gambling in Atlantic City hasn't helped Atlantic City because no one has addressed the problems with the community, which is crime, drugs, prostitution. The boardwalk is beautiful. Go a block over and you are afraid to walk the streets.

You have to look at incentives, that has been mentioned here, to renovate any kind of a community. Will this do it?

ASSEMBLYMAN ARNONE: You're for the bill?

MR. BUDZASH: No, I'm against this bill because what I'm looking at here is, when you take a town -- again we'll go back to Asbury Park which has high rates of vacancy. There are buildings you can't rent out, you can't give away. I believe you were saying earlier that you had to give incentives to people to come to your town, also. Well, incentives haven't worked in Asbury Park because it's a dead town. It needs a lot more, and increasing any tax is not going to encourage someone to build on a vacant lot there or to build another house or a business or whatever. What it's going to do is make a developer sit there and say, "I've been hanging on to this for so many years. Who knows when this lawsuit is going to get tied up? Here's the deed, take it. Go through the foreclosure. I'm not paying the back taxes," and walk away. And this happens time and time and time again. I know because

that's generally the properties that I buy, when people give them up for foreclosure.

Distressed property is very profitable for some people, but for the basic taxpayer it's a loser. The bank loses money, and that money has to be made up, from who? The other depositors, again the taxpayers.

ASSEMBLYMAN ARNONE: See, John, that's why it works. See it's just like what you said. When that guy forecloses, he loses it, and you come in and buy it.

MR. BUDZASH: I come in and buy it.

ASSEMBLYMAN ARNONE: And then you fix it up.

MR. BUDZASH: I don't want to make a profit that way. I don't like having to profit on other people's misery.

ASSEMBLYMAN ARNONE: Well, why do you do it?

MR. BUDZASH: Unfortunately, someone has got to do it, and in this particular case, I am the evil guy that's there doing it.

ASSEMBLYMAN GREEN: And he makes a good living at it.

MR. BUDZASH: I certainly do.

ASSEMBLYMAN ARNONE: And makes a living on top of it.

MR. BUDZASH: One person said tax a fixed item, land. The more you tax it the better. Again how is this better? When you drive people out of a community by increasing taxes, in any aspect, it is not a good thing.

What harm can it do to Camden? Assemblyman, that was your comment. Well, answer, abandoned property again. When property is abandoned that little bit that they may have been contributing--

ASSEMBLYMAN ARNONE: Well, go in and fix them up, John.

MR. BUDZASH: Well, that little bit that they were contributing -- and believe me I don't invest in certain areas. I don't invest in Camden, I don't invest in Asbury--

ASSEMBLYMAN ARNONE: Where you can't get to the car, right.

MR. BUDZASH: I am not willing to take the gamble that these towns will come back around.

ASSEMBLYMAN ARNONE: Let's wind up, John.

MR. BUDZASH: Again remodeling, one of the other gentlemen mentioning remodeling on the inside to hide the outside. Well, remodeling does not increase taxes, and this is something that has to be stressed. Only additions, improvements such as a new room, a new garage, or something like that built on to an existing structure will increase taxes.

People are trying to compare us with Pennsylvania. Okay, you can't sit there and blindly compare this particular product in different areas. You have to take in all the different factors such as what natural things are in the area that will attract people to want to live there. Has the community that is experimenting with this particular plan -- have they already attracted business by lowering taxes or eliminating taxes completely for that business for like say the next five years or ten years so they can establish? Once there is jobs, of course, people will move in.

So there is a lot of variables that have not been addressed in any of these studies. They say, yes, a community can rescind it. That is a fact, but when we passed -- or when several communities passed incinerators on their initiatives, well, what harm did it do? The rest of the state is now bailing out

the counties that put the incinerators in. And again like Asbury Park, the UEZ zones that are around the state, who pays for that? The taxpayers from the rest of the state.

Large corporations own big tracks of land. This is true. And one of the best ways, if you want to get to the big corporations, is abolish or modify the Farmland Assessment Act and start making people earn an income -- a real income -- from farmland. We have found that developers will buy a large track of land, they will call it farm, they will claim they made \$500 worth of profit on it, hold it for five years or ten years until the time is right to develop it, and then they pay rollback taxes for three years. Change it, make them earn \$300 an acre. Make them pay rollback taxes for ten years, then you will stop some of the sprawl that's happening here into the more urban areas.

People will go to malls, and they will continue to go to malls. The answer to revitalizing cities is not to bring back certain businesses. Freehold did a good job. They brought in the restaurant trade. They started encouraging things to happen there that Asbury Park shunned, cars, people cruising, street events. These things are what brought back one town, at least, which is Freehold.

Let me see. Remove penalty for maintaining property was brought up again by people who keep going back to this particular thing. There is no penalty for maintaining your property, none at all. I don't know where people get this. I've been doing this for many years. I have owned a lot of property in this state. I have never been penalized for putting on a new roof or maintaining property. I do get fines from communities if I don't mow the lawn, if I don't maintain the property.

ASSEMBLYMAN ARNONE: We've got the next committee meeting coming in.

MR. BUDZASH: Okay.

ASSEMBLYMAN ARNONE: We've got to get going.

MR. BUDZASH: All right.

In closing, I guess I will sum it up real quick with saying that it's just a bad idea. It's a Band-aid solution for a real problem. And I hope that you will address real property tax reform and do like Michigan has done and try to at least get education funding away from its reliance on property taxes and let us move on to a slightly better way of affordability in New Jersey.

ASSEMBLYMAN ARNONE: Thank you, John.

**(HEARING CONCLUDED)**

