

PUBLIC HEARING
before
ASSEMBLY MUNICIPAL GOVERNMENT COMMITTEE
on
ASSEMBLY BILL NO. 656
(Rent Leveling)

Held:
May 31, 1972
Assembly Chamber
State House
Trenton, New Jersey

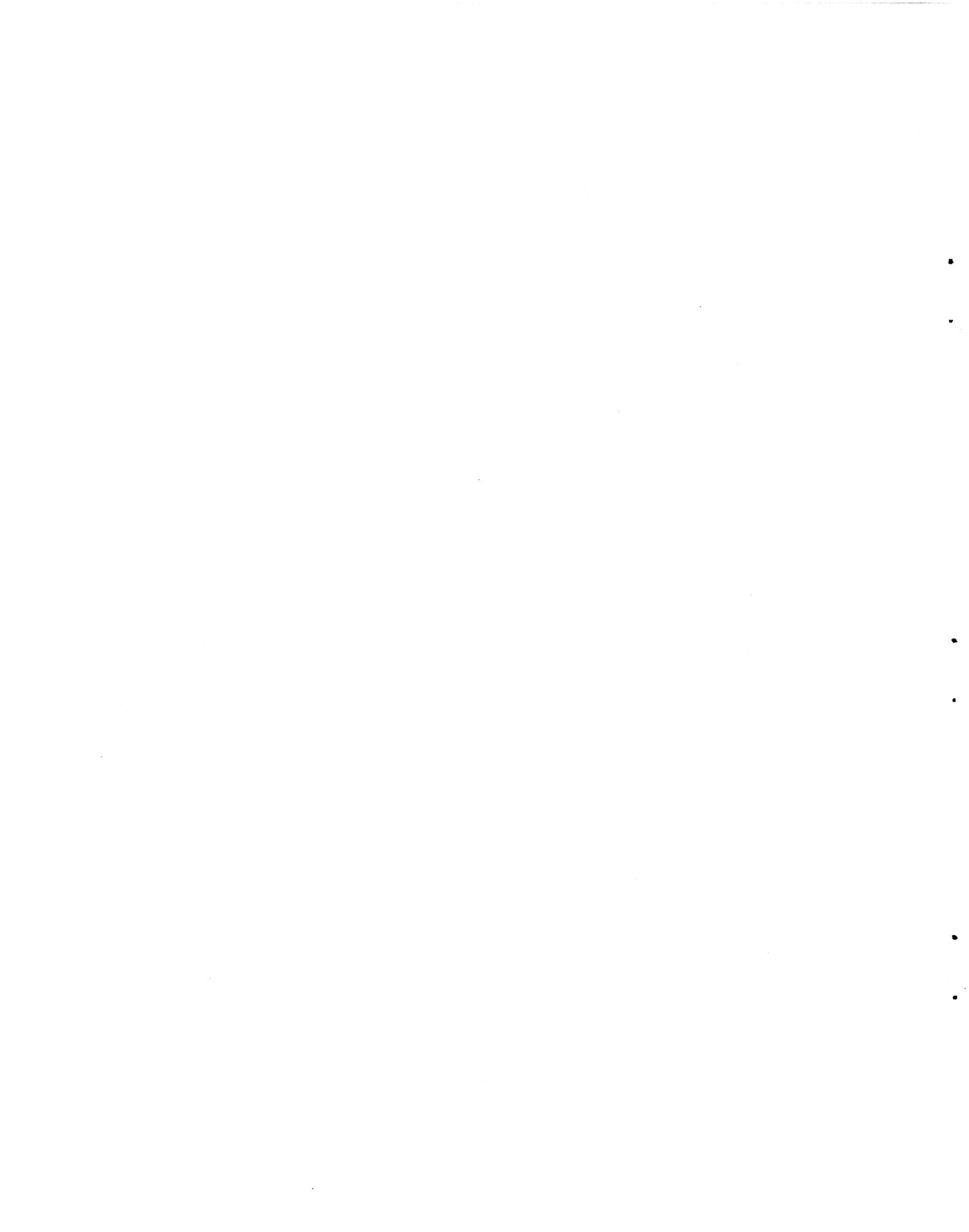
MEMBERS OF COMMITTEE PRESENT:

Assemblyman Frank G. Megaro (Chairman)
Assemblyman Alexander J. Menza
Assemblyman Anthony Imperiale
Assemblyman Arthur A. Manner
Assemblyman Robert C. Veit

* * *

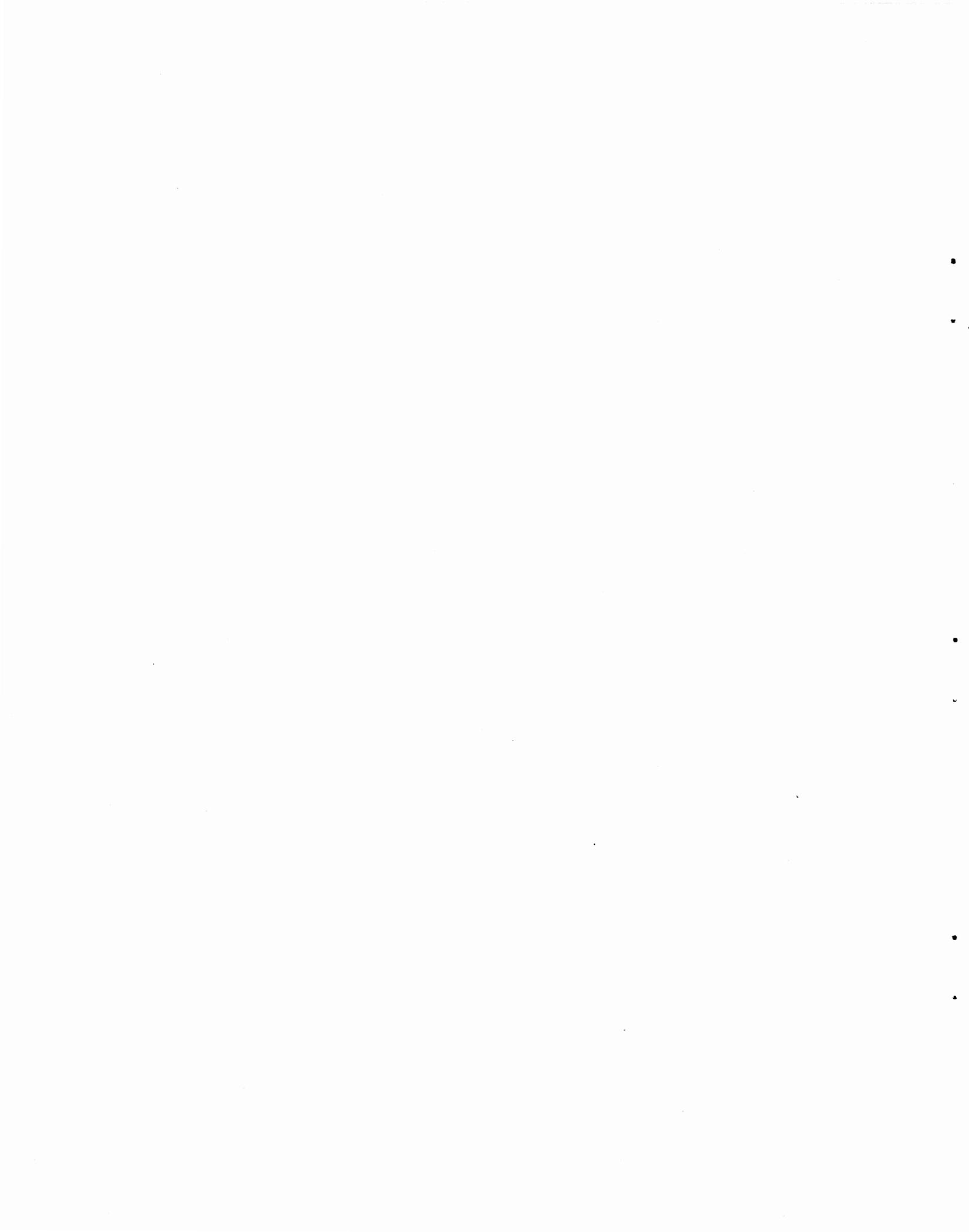
I N D E X

	<u>Page</u>
Anthony M. DeFino Mayor, West New York, N. J.	3
Ann Klein Assemblywoman, Morris County, Dist. 10B	10
Christopher J. Jackman Assemblyman, Hudson County	17
Peter Mocco Mayor, North Bergen	18
John F. Curran Mayor, Borough of River Edge	20
Thomas H. Kean Speaker, General Assembly	25
Burt Ross Mayor, Borough of Fort Lee	33
Albert E. Logan Mayor, Borough of New Milford	37
Thomas Dunn Mayor, City of Elizabeth	44
Michael Levin Lakewood Township Committee	51
Robert Brune Mayor, Dover Township	57
Mrs. Bess R. Gollin, Chairman Hudson County Rentpayers Organization	2 A
Alexander Feinberg New Jersey Builders Association	5 A
Joseph F. Talarico Professor of Economics Rider College	20 A
Martin Aranow New Jersey Tenants Association	32 A
Milton M. Marcus, President Tenants Assoc. of Elizabeth, N. J.	41 A



I N D E X

	<u>Page</u>
Alexander Summer, Sr. Past President National Assoc. of Real Estate Boards	45 A
Daniel M. Gaby, Chairman Democratic Policy Council Democratic State Committee	63 A & 151 A
Charles Ferrara Homeowners Council of New Jersey	67 A
Tex Weiner Asbury Park, New Jersey	73 A & 154 A
Roy Sampath, Chairman Human Relations Committee Board of Christian Concerns United Methodist Church Northern New Jersey Conference	80 A
Emily Deitz Paramus, New Jersey	86 A
Richard Solyom Fort Lee, New Jersey	91 A
Byron M. Baer Assemblyman, Bergen County	93 A
Donald Singleton Hoboken, New Jersey	101 A
Russell Edmunds, President Troy Hills Village Tenants Assoc. Parsippany, New Jersey	104 A
Jack Farr, President Knoll Gardens Assoc. Parsippany, New Jersey	107 A
Robert Grant Troy Hills Village Tenants Assoc.	111 A
Harriet Dolin Verona Tenants Organization	114 A
Walter R. Cohn, Esq. Property Owners' Assoc.	116 A
Theodore E. Murnick Newark, New Jersey	120 A & 138 A



I N D E X

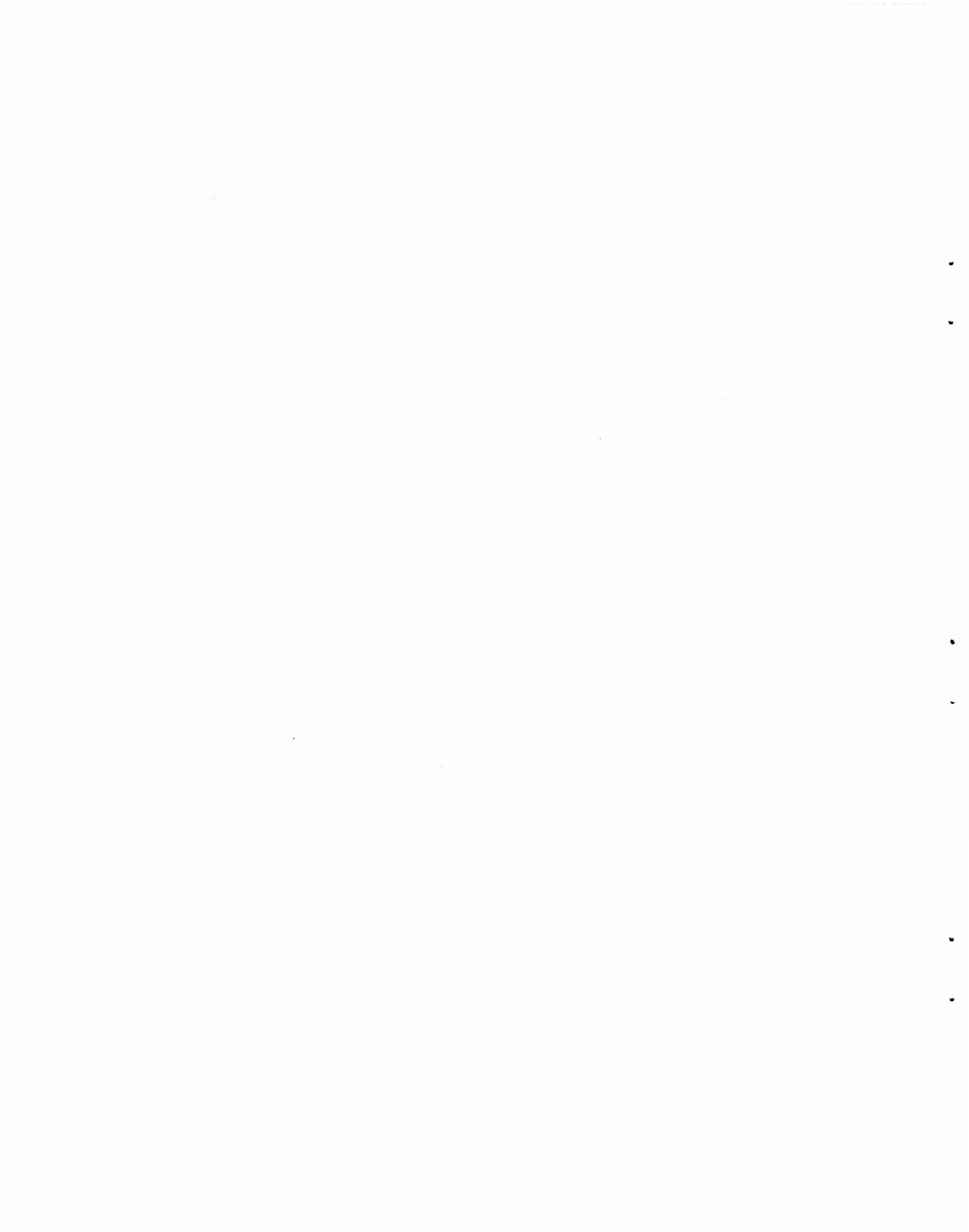
	<u>Page</u>
Isadore Weiss Financial Secretary Tenants Rights Assoc.	124 A
Thomas J. Dawson 2nd Vice President Lindenwold Tenants Assoc., Inc.	125 A
Joseph H. Martin Appraiser & Tax Assessor Lawrence Township	128 A
William Jackson New Brunswick, New Jersey	131 A
Hans Lechner Princeton, New Jersey	136 A
- - - -	
<u>Statements and Letters</u>	
Senator Matthew J. Rinaldo	146 A
Michael Leggiero North Hudson Community Action Corporation	153 A
Kenneth A. Gibson Mayor Newark, New Jersey	164 A
League of Women Voters of New Jersey	171 A
Maurice M. Veneri President New Jersey Industrial Union Council, AFL-CIO	173 A
Eli Schwartzberg President Associated Property Owners of New Jersey	176 A
Donald E. Meserve New Jersey Friends Center Committee	180 A
Paul J. Krebs	184 A
Maurice Fenichel President Stuyvestant Tenants Association Union, New Jersey	185 A



I N D E X

	<u>Page</u>
Lillian A. Single	188 A
Hackensack Homeowners Association	189 A
Jerald H. Biener Councilman Roselle, New Jersey	190 A
Mrs. Edward Grauger Oakland, New Jersey	192 A
Mrs. Wilma C. VanderHoven Wyckoff, New Jersey	193 A
John W. VanderHoven Wyckoff, New Jersey	194 A
Mrs. Janet Williams Wyckoff, New Jersey	195 A
Mrs. Paul L. Culler Wyckoff, New Jersey	196 A

- - - - -



ASSEMBLY, No. 656

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 10, 1972

By Assemblymen KEAN, BASSANO, Assemblywoman KLEIN,
Assemblymen MERCK, WOODSON, FRIEDLAND, RICHARD-
SON, P. G. STEWART, HICKS, HYNES, BAER, COLASURDO,
BURSTEIN, JACKMAN and OWENS

Referred to Committee on Municipal Government

AN ACT to regulate, control and stabilize rents in certain circum-
stances, creating a Bureau of Rent Leveling in the Department
of Community Affairs, and supplementing chapter 27D of Title 52
of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. This act shall be known and may be cited as the "Emergency
2 Rent Leveling Act."

1 2. The Legislature hereby finds and declares that a serious
2 public emergency exists due to a critical shortage of housing space
3 within the State and that such shortage may reach such levels as
4 to require emergency regulations for the stabilization and control
5 of rents.

1 3. It is hereby declared to be in the interest of the health, safety
2 and general welfare of the people of New Jersey to prevent in-
3 creases in rent which are exorbitant, speculative and unwarranted,
4 which increases are causing severe hardships upon tenants, and
5 to protect persons living in this State from undue impairment of
6 their standard of living during the housing crisis.

1 4. As used in this act:

2 a. "Housing space" means that portion of a dwelling, rented
3 or offered for rent for living and dwelling purposes to one in-
4 dividual or family unit together with all privileges, services,
5 furnishings, furniture, equipment, facilities and improvements
6 connected with the use or occupancy of such portion of the property.

7 b. "Dwelling" means any building or structure or trailer or
8 land used as a trailer park rented or offered for rent to one or more
9 tenants or family units. Exempted from this act are public housing

10 and dwelling space in any motel, hotel or any other premise
11 primarily serving transient guests, or for commercial purposes.

12 c. "Multiple dwelling" means any building or structure of one
13 or more stories and any land appurtenant thereto, and any portion
14 thereof, in which three or more units of dwelling space are occu-
15 pied, or are intended to be occupied by three or more persons who
16 live independently of each other; provided, that this definition shall
17 not be construed to include any building or structure defined as a
18 hotel in this act, or registered as a hotel with the Commissioner
19 of Community Affairs as provided in the "Hotel and Multiple
20 Dwelling Law" (P. L. 1967, c. 76; C. 55:13A-1 et seq.), or occupied
21 or intended to be occupied exclusively as such.

22 d. "Housing state of emergency" means a vacancy rate of hous-
23 ing space of less than 5%.

24 e. "Vacancy rate of housing space" means that percentage of
25 housing space available for rent to tenants which is unoccupied
26 and offered for rent.

27 f. "Available for rent to tenants" means fit for habitation as
28 defined by State or local housing inspection and health codes and
29 offered for rent.

30 g. "Price index" means the "consumer price index" (all items)
31 for the region of the United States of which northern New Jersey
32 or southern New Jersey is a part, published periodically by the
33 Bureau of Labor Statistics, United States Department of Labor.
34 The index to be applicable in any particular case arising pursuant
35 to this act shall be determined by the Bureau of Rent Leveling
36 created by this act.

1 5. Immediately after this act takes effect, the Commissioner of
2 Community Affairs shall determine the vacancy rate of housing
3 space from the latest availability statistics furnished by the United
4 States Department of Housing and Urban Development, based on
5 postal vacancies. Annually thereafter the Commissioner of Com-
6 munity Affairs shall complete a Statewide survey by county, to
7 determine the vacancy rate of housing space in the State.

1 6. The Commissioner of Community Affairs shall report annually
2 to the Governor the vacancy rate of housing space in New Jersey.
3 Within 30 days following the determination by the Commissioner
4 of Community Affairs that there exists in this State a housing
5 state of emergency the Governor shall issue a proclamation
6 activating the rent leveling provisions of sections 8, 9, 10, 11 and
7 12 of this act in those counties where a housing state of emergency
8 exists.

1 7. Within 30 days following a determination by the Commi-
2 sioner of Community Affairs that a housing state of emergency no
3 longer exists in any county, the Governor shall issue a proclamation
4 deactivating the rent leveling provisions of sections 8, 9, 10, 11 and
5 12 of this act in that county.

6 A municipality may become excluded from the rent leveling
7 provisions of sections 8, 9, 10, 11 and 12 if the governing body
8 determines that a housing state of emergency does not exist in
9 said municipality, and adopts a resolution to that effect. The gov-
10 erning body shall hold public hearings prior to adoption of a
11 resolution which would exclude the municipality from the pro-
12 visions of this act. Public notice shall be given after public hearings
13 have been held and prior to adoption of a resolution excluding the
14 municipality from the rent leveling provisions of this act.

1 8. While a housing state of emergency exists, establishment of
2 rents between a landlord and a tenant to whom this act is applicable
3 shall be determined by the provisions of this act. At the expiration
4 of a lease or at the termination of a lease of a periodic tenant, no
5 landlord may request or receive from said tenant a percentage
6 increase in rent which is greater than the percentage difference
7 between the price index 60 days prior to the expiration of the
8 lease and the price index 60 days prior to the date the lease was
9 entered into. For a periodic tenant whose lease term shall be less
10 than 1 year, said tenant shall not suffer or be caused to pay any
11 rent increase in a 12-month period which exceeds the average price
12 index percentage increase for the preceding 12-month period.

13 Any rental increase, or payments of sums other than rental, at
14 a time other than at the expiration of a lease or termination of a
15 periodic lease shall be void. Any rental increase, or separate in-
16 crease in excess of that authorized by the provisions of this act
17 shall be void.

18 Any landlord seeking an increase in rent shall notify the tenant
19 of the calculations involved in computing the increase including
20 the price index 60 days prior to the expiration date of the lease,
21 the price index 60 days prior to the date the lease was entered into,
22 the percentage increase in the price index, and the allowable rental
23 increase.

24 Periodic tenants shall be notified of their current rent, the
25 current price index, the price index 12 months previous, the average
26 price index percentage increase, the average annual allowable in-
27 crease. The failure of the landlord to provide the tenant with
28 this information shall make any increase void, and the tenant shall
29 recover any increase paid unless a court finds that the omission

30 was excusable taking into consideration the owner's good faith,
31 education and extent of ownership of property.

1 9. During the existence of a housing state of emergency, a
2 landlord may seek a tax surcharge from the tenant because of an
3 increase in municipal property taxes. The tax surcharge shall not
4 exceed that amount authorized by the following provisions. The
5 landlord shall divide the increase in the present property tax over
6 the property tax of the previous year by the total square feet in
7 the dwelling to obtain the tax increase per square foot. The tenant
8 shall not be liable for a tax surcharge exceeding the tax increase
9 per square foot multiplied by the number of square feet occupied
10 by the tenant plus a proportionate share of the square footage of
11 the common areas, including hallways and grounds.

12 Any landlord seeking a tax surcharge shall notify the tenant
13 by certified mail or personal service of the calculations involved
14 in computing the tax surcharge including the present property
15 tax of the dwelling, the property tax for the dwelling for the
16 previous year, the number of square feet in the dwelling, the tax
17 increase per square foot, the number of square feet occupied by
18 the tenant, the proportionate share of common area charged to
19 the tenant, and the maximum allowable surcharge. Failure of the
20 landlord to provide the tenant with this information shall make
21 any tax surcharge void and the tenant shall recover for any tax
22 surcharge paid unless a court finds that the omission was excusable
23 taking into consideration the owner's good faith, education, and
24 extent of ownership of property. The tax surcharge each tenant
25 is liable for shall be paid in 12 monthly payments.

26 The tax surcharge shall not be considered rent for purposes of
27 computing cost of living rental increases.

28 In the event of a tax appeal, the portion of the tenant's tax sur-
29 charge not being paid by the landlord to the government will be
30 held in a separate interest bearing account.

31 In the event that the appeal is successful and the tax is reduced,
32 the tenant shall receive 50% of the money held in escrow together
33 with the accrued interest of the total amount after deducting all
34 expenses from said appeal. Payment to the tenant will be made in
35 the form of a credit against the monthly rent or a check made
36 payable to the tenant.

1 10. There is hereby created in the New Jersey Department of
2 Community Affairs a Bureau of Rent Leveling.

3 The Bureau of Rent Leveling is hereby granted and shall have
4 and exercise, in addition to other powers herein granted, all the

5 powers necessary and appropriate to carry out and execute the
6 purposes of this act, including but not limited to, the power:

7 a. To determine procedure for and to conduct a survey which
8 will accurately determine the vacancy rate of housing space in
9 each county;

10 b. To issue and promulgate such rules and regulations as it
11 deems necessary to implement the purposes of this act, which
12 rules and regulations shall have the force and effect of law until
13 revised, repealed or amended from time to time by the bureau in
14 the exercise of its discretion.

15 c. To supply information and assistance to landlords and tenants
16 to help them comply with the provisions of this act.

1 11. A landlord may seek a service surcharge because of sub-
2 stantial increases in services, furniture, furnishings or equipment
3 he is providing. The county district court shall determine the
4 amount of service surcharge allowed, if any, after consideration
5 of the cost of the increased service, the necessity for the service,
6 the benefit to the tenant, the purpose of this act, and other relevant
7 information. In any event a service surcharge shall not exceed
8 1½% of the tenant's rent. Any landlord seeking a service sur-
9 charge shall petition the court after serving notice upon the tenants
10 by certified mail or personal service of his intent to seek a service
11 surcharge. The court shall give reasonable opportunity to be heard
12 to both landlord and tenant before making a determination.

1 12. A landlord may seek a capital improvement surcharge for
2 any completed major capital improvement. The landlord shall
3 notify each tenant of the total cost of the completed capital im-
4 provement, the number of years of useful life of the improvement
5 as claimed by the landlord for purposes of depreciation for income
6 tax purposes, the average annual cost of the improvement, the
7 total number of square feet in the dwelling, the total number of
8 square feet occupied by the tenant, and the proportionate share of
9 the square feet of the common areas charged to the tenant. In
10 calculating the capital improvement surcharge the cost of the
11 capital improvement shall be divided by the number of years of
12 useful life of said improvement to determine the average annual
13 cost of said improvement. The total square footage of the dwelling
14 shall be divided into the annual cost of the improvement and
15 multiplied by the number of square feet occupied by and charged
16 to the tenant in order to determine the capital improvement sur-
17 charge. The capital improvement surcharge shall not exceed 1½%
18 of the tenant's rent. A landlord seeking a capital improvement

19 surcharge may petition the county district court, after first notify
20 ing all tenants by certified mail or personal service of his intention
21 to seek a capital improvement surcharge and the calculations in-
22 volved in determining the surcharge.

23 The court upon setting of a hearing date shall give reasonable
24 opportunity to be heard to both landlord and tenant before making
25 a determination.

1 13. Every county district court shall have jurisdiction to hear
2 and determine an action, regardless of the dollar amount involved,
3 by a tenant against his landlord to recover rent paid in excess of
4 the amount authorized under this act, to enforce and assess dam-
5 ages for a landlord's failure to provide services and to maintain
6 premises subject to the provisions of this act as required under
7 a lease in order to avoid the purpose and intent of this act, and to
8 require the landlord to renew a lease or premises subject to the
9 provisions of this act except for good cause shown as hereinafter
10 defined. Every county district court shall have jurisdiction to hear
11 and determine an action regardless of the dollar amount involved,
12 by a landlord seeking a service or capital improvement surcharge.

13 A tenant or landlord may appeal a decision of the county district
14 court to the Superior Court, Appellate Division.

1 14. Under no circumstances shall a service surcharge or capital
2 improvement surcharge be considered rent for purposes of future
3 rental increases.

1 15. In those counties where the first survey of the Department
2 of Community Affairs determines that a housing state of emergency
3 exists, no landlord shall, after the issuance of the Governor's
4 proclamation charge any rent in excess of what he was receiving
5 on January 1 of the year this act is approved, except for increases
6 authorized by sections 8, 9, 10, 11 and 12 of this act.

1 16. Any landlord re-renting a housing space during a housing
2 state of emergency shall not charge a new tenant a higher rent or
3 tax surcharge than the maximum he was permitted to charge the
4 previous tenant under sections 8, 9, 10, 11 and 12 of this act.

1 17. The owner of a housing space or dwelling being newly con-
2 structed and rented for the first time shall be exempt from the
3 provisions of this act. Any subsequent rentals shall be subject to
4 this act.

1 18. No action or proceeding to recover possession of any house,
2 building, land or tenement leased for residential purposes which
3 is covered by the provisions of this act may be maintained except
4 upon the following grounds as good cause:

5 a. Failure on the part of the tenant to pay rent due and owing
6 under the lease whether the same be oral or written.

7 b. The tenant has been so disorderly as to destroy the peace and
8 quiet of the landlord or other tenants or occupants living in the
9 house or neighborhood.

10 c. The tenant has willfully or by reason of gross negligence
11 caused or allowed destruction, damage or injury to the premises.

12 d. The tenant has consistently violated the landlord's rules and
13 regulations governing said premises, providing such rules are
14 reasonable and have been accepted in writing by the tenant or
15 made a part of the lease.

16 e. The tenant has substantially breached or violated any of the
17 covenants or agreements contained in the lease or the premises
18 where a right of reentry is reserved in the lease for a violation of
19 such covenant or agreement.

20 f. The owner seeks to board up or demolish the premise because
21 he has been cited by local or State housing or health inspectors for
22 substantial violations affecting the health and safety of tenants
23 and it is economically unfeasible for the owner to eliminate the
24 violations.

25 g. The owner or a member of the owner's immediate family
26 seeks to occupy the premises. "Immediate family" shall include
27 child, parent or spouse.

28 h. The owner seeks to retire permanently the unit from the
29 housing market because a continued operation of the housing
30 accommodation would impose an undue hardship upon him.

1 19. Every owner of any multiple dwelling shall maintain the
2 following records which shall be available for inspection by the
3 public during usual business hours at the owner's principal place
4 of business within the State:

5 a. A list showing all housing space vacant and available for
6 rental, including the location and number of rooms contained within
7 said housing space.

8 b. A list showing the name and last known address of every
9 applicant for a housing space offered for rent by the owner,
10 together with the location of housing spaces sought to be rented
11 by the applicant, the date on which the application for rental was
12 made, and the present monthly rental for said housing space.

1 20. During a housing state of emergency a landlord shall main-
2 tain the same standards of service, maintenance, furniture, furnish-
3 ings and equipment in the housing unit as he provided or was
4 required by law or lease at the date the lease was entered into.

5 Any individual tenant or a class of tenants who is not receiving
6 substantially the same standards of service, maintenance, furniture,
7 furnishings, or equipment may have the county district court de-
8 termine the reasonable rental value of the housing unit in view of
9 this deficiency. The tenant or class of tenants shall pay the reason-
10 able rental value as full payment for rent until the landlord
11 demonstrates to the court that the deficiency has been corrected.

1 21. A tenant or class of tenants may bring an action in county
2 district court alleging an unauthorized or illegal rent increase or
3 tax surcharge or seeking the return of moneys paid in excess of
4 the rent or tax surcharge authorized by this act.

1 22. A willful violation of any provisions of this act, including
2 but not limited to the willful filing with the county district court
3 of any material misstatement of fact, is a misdemeanor.

1 23. Any provision of a lease or other agreement whereby any
2 provision of this act is waived shall be deemed against public policy
3 and shall be void.

1 24. If any provision of this act or the application of such pro-
2 vision to any person or circumstance is declared invalid, such
3 invalidity shall not affect other provisions or applications of this
4 act which can be given effect; and, to this end, the provisions of this
5 act are declared to be severable.

1 25. This act being necessary for the welfare of the State and its
2 inhabitants shall be liberally construed to effectuate the purposes
3 thereof.

1 26. This act shall take effect immediately after Federal regula-
2 tions, pursuant to the "Economic Stabilization Act of 1970" (P. L.
3 91-379) as extended by P. L. 92-8 have been removed and shall be
4 operative for 4 years from such effective date; provided, however,
5 that if within 90 days prior to the fourth anniversary date of said
6 effective date the Commissioner of Community Affairs shall deter-
7 mine and certify to the Governor that there continues to exist in
8 any county or counties a state of housing emergency, then this act
9 shall remain operative for an additional period of 4 years. Under
10 no circumstances shall this act remain operative beyond the eighth
11 anniversary date of the effective date thereof.

ASSEMBLYMAN FRANK G. MEGARO (Chairman): Good morning, ladies and gentlemen. I wonder if we could come to order.

Before we begin the hearing on the Rent Leveling Bill, Assembly No. 656, I would like to make a few introductory remarks. It is certainly appreciated by this Committee that so many people have come out and wish to express their views and the opinions of their respective governing bodies on this important bill.

I would like to introduce the gentlemen at the head table. We represent the Assembly Municipal Government Committee. On my left and on your right are Assemblyman Arthur Manner from Union County and Assemblyman Robert Veit from Bergen County. On my right and on your left is Assemblyman Alexander Menza from Union County. And I am Frank Megaro from Essex County.

In presenting testimony, I will announce that the list for the morning and afternoon sessions has been formulated. However, if you wish to be heard at this hearing, come over and register with Dr. Spiros Caramalis, who is our Committee Secretary. Dr. Caramalis, will you kindly raise your hand so that everyone here can see you. He is on my right. He has a yellow pad and you can register on this pad your name and your affiliation, if possible, and we will put you on the program in the order that you sign up.

We would wish to move this hearing along rapidly. We want to cover all the points and we don't want to cut anyone short. But I would like to ask the persons testifying if they could limit their remarks to a maximum of five minutes. I think you can perhaps say all that there is to say in a formal statement in five minutes.

After that and after you complete your statement, the members of the Committee will perhaps ask questions and bring out additional points.

We urge you in the interest of time and in the interest of developing good suggestions in the way of legislation to avoid being repetitious. I know from what

I have heard, a lot of comment is similar throughout various parts of the State and I would just say that it would be helpful if you could keep your remarks that might tend to be repetitious to a bare minimum.

We are anxious to hear your suggestions on improvements or revisions in the law which would make for a more efficient operation of the Local Rent Leveling Bill.

One final word, if you have prepared testimony, please present it to the stenographer and we would appreciate having copies distributed to the members of the Committee. It will be helpful in allowing us to follow your remarks.

I would ask you to please refrain from any demonstrations in the form of cheering or clapping. Thank you very much.

We will announce the list of speakers for the morning session and we will call them in that order.

The first speaker will be the Honorable Anthony deFino, followed by the Honorable Ann Klein, Honorable Christopher Jackman, Honorable Peter Mocco, Honorable Edward H. Hynes, Honorable John F. Curran, Honorable Burt Ross, Honorable Albert E. Logan, Honorable Byron M. Baer, Honorable Matthew Rinaldo, Daniel Gaby, Michael Levin, Robert Brune, Mrs. Bess R. Gollin, Ellsworth Morgan and Alexander Feinberg, and the Honorable Thomas Dunn, Mayor of Elizabeth.

I will call as the first speaker the Honorable Anthony DeFino, Mayor of West New York.

Mayor, before you testify, Mr. Robert Veit, a member of the Committee, would like to read a letter into the record.

ASSEMBLYMAN VEIT: Thank you, Mr. Chairman.

This letter was composed by me and I think it will be self-evident after it is read:

(Reading)

"Dear Mr. Chairman:

"I would first like to thank you for the opportunity to read this letter into the record of these hearings so as to clear the air regarding my personal position on the issue under discussion today.

"Rent control is without a doubt the most controversial and emotional issues that our committee has had to deal with this year. It is one that can have far-reaching effects for all the tenants, homeowners, and landlords of the State of New Jersey. For this reason, I feel it essential that I disclose my personal circumstances for the record.

"My employment is that of a real estate salesman. I deal solely in the sale and rental of industrial and office properties. I work on a straight commission basis, deriving no income whatsoever from any real estate transaction other than those just mentioned. My employing broker is the Alexander Summer Company of 222 Cedar Lane, Teaneck, N.J. For the information of the committee and the entire Legislature, the Alexander Summer Company is one of the larger landlords in Bergen County and New Jersey and also derives income from the management of apartments that they do not own.

"Given the status of my present employing broker, I would like to state that I am publicly committed to holding a complete and open public hearing on this issue so that all the assemblymen and women will have in this testimony a complete airing of both sides of this issue on which to base their vote. As a matter of fact, I think you, as Chairman, will agree that I was one of the principal members of the committee that was pushing for public hearings on this issue.

"I would like to conclude on one note and that is that I hereby give notice that any argument presented today on the part of either landlord or tenant that has a weakness in it will be attacked. Because this issue is so far-reaching, we must guarantee to the Legislature that they have facts and not simply opinions.

"Sincerely,

Robert C. Veit."

Thank you, Mr. Chairman.

Our first speaker is the Honorable Anthony DeFine from West New York.

A N T H O N Y M. D e F I N O: Members of the Committee, members of the Assembly here assembled and citizens: At the outset I would like to indicate that Mayor Meehan is unable to be here today. He has asked that I read a prepared statement which I will make available

to you. I am reading this statement on behalf of Mayor Meehan of the City of Union City.

(Reading)

"We, in Union City, are faced with a situation that can only be termed unbearable.

"For those of you who are not familiar with my city, let me briefly explain the background. Union City, together with its neighbor, West New York, comprise the largest single Cuban refugee community in the United States outside of Miami, Florida. This is a result of the tremendous influx of Cuban refugees over the last six or seven years. In that relatively short space of time, Union City has become one of the most densely populated communities in this country.

"Gentlemen, our population density factor, according to the 1970 census, is forty-seven thousand people per square mile.

"Now you can see what it means to cram 47,000 people into a total area of only slightly over one square mile.

"Even aside from the obvious social problems created by such overcrowding, this condition is virtually a hand-engraved invitation for the rent gougers to ply their unsavory trade at the expense of those citizens least able to afford it.

"In the two years since I took office, I have received numerous complaints from citizens, not only about rent increases but about the under the table fees that have been paid to superintendents before an apartment can even be looked at.

"Now I applaud the spirit of the bill before this Committee, but there are one or two points which I would prefer to see clarified.

"Under the bill as it now stands, it would appear that the emergency condition which is a prerequisite for 'rent leveling' would be determined on a countywide basis. Under such a system, Union City's need could not be met

unless and until the entire county was in similar straits. If this is, indeed, the intent of the bill, I suggest that the members of this Committee consider amending Paragraph 7 to make such determination a matter for local review.

"I would also like to address myself to the section of the bill which deals with the permitting of rent increases to cover municipal tax increases. I hasten to say that I have no objection to such a proposal per se. However, it seems to me that this Committee and the Assembly as a whole might address the related problem of tax increases as a direct result of capital improvements.

"It is, in my judgment, grossly unfair and very poor planning to penalize a man for improving his own property at his own expense. On the contrary, it should be the business of government to encourage rather than discourage the private property owner to keep up and improve his property in such a way as to reflect credit on the entire community. Either as an amendment to this bill or as a matter for separate legislation, I earnestly urge the Assembly to act in this area."

I wish to make it clear that that is Mayor Meehan's statement from Union City.

I concur generally with the statement. I would like to address myself, first, to the needs of the people which I represent. We also have felt the impact of the Cuban refugees. In fact, we receive hundreds of thousands of dollars in impact funds for our educational system.

We have a situation in West New York where apartments are overcrowded. We have recently signed a contract with the State of New Jersey for a housing inspection program which is acting as an indirect census. We have found intolerable conditions.

I want to tell you as the Mayor of West New York, on a daily basis I have people come into my office - the aged, the young, the low-income people, those least able to afford it. Even those who are public employees who earn \$10,000 a year with four children cannot pay, gentlemen,

\$250 a month for a two and a half room apartment. They cannot take increases of \$25 at a time, despite the Internal Revenue's declarations to the contrary, and there has been very little enforcement of these rules. People cannot continue to pay these rents and there is definitely a need for a Rent Leveling Bill of this type.

I wish to say that I support this bill. I have some questions on portions of the bill, but I would support any bill that will address itself immediately to the pressing need throughout the County of Hudson, at least. I have had the opportunity to review a Rent Leveling Bill of the Town of Lakewood so I would imagine the problem exists also in South Jersey.

This is a tremendous problem in my community and it has reached crisis proportions, gentlemen. I think you will receive testimony from members of tenants' organizations who have had petitions signed by many, many people.

I want now to address myself directly to the bill. First of all, in paragraph 5 of the bill, page 2, there is reference made to a statewide survey by county. I understand the legalistic reasons for the enabling statute to have the State backing up the municipal ordinance. However, I do think that the control should not rest solely within the State powers.

As to the survey, I see that in paragraph 7, on page 3, a municipality may become excluded from the rent leveling provisions. Why not then have an amendment which permits a municipality to appeal to the Director of Community Affairs so that when his community is in dire straits and has reached the 5 per cent level, he can petition for the rent leveling program to take effect in his municipality? After all, gentlemen, while I have the greatest amount of respect and confidence in the Department of Community Affairs, the fact remains that it is the Mayor and the Board of Commissioners or the Mayor and Council of a community that knows the day-to-day problems of its

people. Please vest that power, at least the power to request, in the municipality.

With reference to another item, which I think strikes at the very heart of the legal concept of property, which comes out of a serf-Anglo Saxon society, the 30-day notice to the month-to-month tenant, I notice on page 6 of the bill there is reference made to the causes for possession where a lease is involved. I do not agree that this should be the only situation. On a month-to-month basis, you know as a matter of fact when the action is brought for eviction, the court will give an additional 30 days or sometimes 60 days. Why not once and for all destroy this arbitrary power of a landlord to simply give a notice of eviction that tenancy must be terminated within 30 days, and let it be still on a 30-days' notice, but the vacation of the premises on a 90-day basis.

I know this will not cause hardship. Because we are referring to the people who have the most serious social problems. Of course, all the other statutory rights should obtain in the 30-day notice. Give some protection to the people who pay the bulk of the expense, the tenants. And I am a taxpayer. I own my own home. But I know that the majority of the expenses are forced upon the tenants. Because every time there is an increase in taxes or capital improvement, the landlord shoves it on to the tenants. I am not condemning him for that; he has to make a profit. I think that the Assembly should sometime discuss, without infringing upon the freedom of business, what a legitimate profit is. So I ask that the 30-day notice be reviewed.

Reference is made to bringing actions before the District Court. I think every community or every county should have a board similar to the OPA Board or the Rent Control Board before the rent control legislation was declared unconstitutional. I think that the board should act as an intermediary prior to court action. We in West New York have formed a Tenant-Landlord Board and we have

in cooperation with many landlords solved many problems. It is also a question of understanding.

I believe under Assemblyman Orechio's bill, No. 418, an authority would be created in the local governing board. I ask the Committee and the Assembly to consider that.

Not to take any more of your time, I simply state this in closing: Gentlemen, I recognize the problems of the Legislature and I recognize the fact there must be a balancing here of two very important interests, the landlord's and the tenant's. Notwithstanding that fact, when the crisis reaches the proportions it has in the State, when the mayors of communities are powerless to help, when there are situations where there is low-income housing which destroys the ratables, such as under the FHA, - and West New York has a middle-income housing project in which the tenant of a two-bedroom apartment pays \$375 a month and the taxes are only 10 or 15 per cent of the profits, after expenses - when these situations obtain and when a community is so overcrowded, such as West New York, where you have 43,000 people in less than a square mile and where people come into the office of the Mayor - and I am guided by the Chairman's admonition to avoid emotion, but it is an emotional problem because we are dealing here with the basic right of a man to have a place to live.-it is time for you to take immediate action on this bill and stop once and for all the situation that obtains in my town where people take money that should be used for food for their children and clothing, to pay an enormous rent bill each month. Please give the tenant a break. Give him a break once and for all and let this Legislature be the type of Legislature that it has been in the past, ahead of its time. Thank you very much. (Applause)

ASSEMBLYMAN MEGARO: Thank you, Mayor DeFino. I have asked the members of this audience not to engage in hand-clapping, cheering or whistling. I would ask everyone here today to refrain from doing this. Thank you

very much.

Any questions from the Committee? Assemblyman Veit?

ASSEMBLYMAN VEIT: I just wanted to clarify one point. I am not too sure on it. Did you say you were in favor or were not in favor of passing on higher taxes and improvements to the tenant?

MR. DeFINO: -- under the structure of this bill. But I would like to see a greater refinement of it. There is no question in my mind there has to be a limitation. On the other hand, I am also for some tax relief in the form of holding down the assessed value for the landowner. You can't expect the man to have the full brunt of it.

ASSEMBLYMAN VEIT: Holding down the assessed valuation?

MR. DeFINO: In other words, when there is a home improvement, the tax assessor immediately increases the assessed value and he pays higher taxes. Where the improvement is such that it benefits the community, legislation could be enacted or an amendment put in this bill whereby the municipality could give a credit to him and not increase his taxes, with the proviso that he would not try to increase the rent.

ASSEMBLYMAN VEIT: I see. In other words, then there would be a dual evaluation policy for the community, one for the homeowner and one for the multiple-dwelling owner.

MR. DeFINO: And I recognize there are tremendous difficulties.

ASSEMBLYMAN VEIT: One other question: What do you consider is a reasonable profit for a landlord in your own mind?

MR. DeFINO: I wouldn't comment on that. There are a lot of variables there. It depends on the value of the investment. It is not an easy thing. But I know that I am 100 per cent for the type of system I live under. I feel that we should make a profit. I think when it reaches the proportions of gouging or a return higher than 25 per cent, there should be some investigation of that.

ASSEMBLYMAN VEIT: So you say in the mid to high 20's is considered gouging in your opinion?

MR. DeFOE: I am not saying that, Assemblyman. I don't know. I am not a real estate man.

ASSEMBLYMAN VEIT: O.K. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mayor DeFino.

Our next speaker is the Honorable Ann Klein, Assemblywoman, Morris County, District 10-B.

I would ask the speakers, if possible, to limit their remarks to five minutes.

A N N K L E I N: Mr. Chairman and members of the Committee, I am Assemblywoman Ann Klein, District 10-B, of Morris County. I am here to ask your favorable consideration of A 656, an act to regulate, control, and stabilize rents in certain circumstances. I am a co-sponsor of this bill.

During the few months I have been in office, I have received more mail, telephone calls, and visits concerning tenant-landlord relationships, excessive rent increases, poor maintenance services, and other tenant complaints than have been generated by any other single subject, or even by all other problems combined. I have with me a folder containing forty-eight such complaints on which my legislative office has kept records of all correspondence and contacts we have had with tenants. This is only a portion of the number we have handled since January, but it is an accurate representation of the types and degrees of tenant problems that we have received each day.

This may seem surprising for Morris County. My district, half of Morris County, is thought by many in New Jersey to be a district composed entirely of homeowners. In fact, however, of the total number of people housed in Morris County in my district, 19,000 or 35 per cent of them are renters. At the same time, the apartment vacancy rate in my county is now estimated to be less than 1 per cent. My experience has shown that even in Morris County, then,

one of the less populated and most affluent of all the counties in New Jersey, the housing shortage has indeed deprived many persons of their right to decent and affordable housing.

I would like to emphasize that I am not an advocate of government extending its jurisdiction into people's lives any more than is absolutely necessary. I believe that we need less, not more, bureaucratic intrusion and control. But I also know that when conditions exist which seriously threaten the welfare of many of our citizens, which jeopardize their well-being, their peace of mind, and their ability to survive that government has a responsibility to intervene for their protection. Alongside our deep belief in a free marketplace, then, one that is based upon the laws of supply and demand, is also our age-old belief that there are certain necessities of life which cannot be denied to people by a sensitive and responsive government. One such necessity is for decent and affordable housing. In my district, as in districts throughout this state, this necessity is being denied.

In my district, rental apartments are usually in large garden apartment complexes, which are owned and operated by absentee landlords. I will present evidence to show that many of these out-of-state landlords are exploiting the tight housing market to extract whatever profit they can, that there has been no concerted effort by landlords as a group to exercise any self-discipline or self-regulation over the demands made upon tenants and that, failing the intervention of government, these tenants are the helpless victims of a situation not of their making. Our continued indifference will mean excessive and continued hardship and deprivation to thousands upon thousands of people, not a small portion of whom are our senior citizens who

have absolutely no other recourse whatsoever. And, in addition, I will show that the federal guidelines for stabilization in regard to rent are a fraud and a hoax which, instead of helping to hold the line on rents as upon wages, have actually encouraged increases beyond the normal expectations of landlords.

I would like to cite a few examples of the complaints we have had:

(1) January 24. Mr. V, Morristown, a man 82 years old. Wife is 77. Income is \$222 per month. Received notice that his rent increased from \$100 to \$125 -- a 25% increase. The reason given by the landlord was his increase in local taxes. Our investigation showed that the increase in taxes from 1970 to 1971 on the landlord's 14-unit apartment house was \$948. Mr. V's share, if accurately and fairly apportioned, would be less than \$6 a month -- not \$25. The Internal Revenue Service reported that since the tenants in this building are on a month-to-month basis there is no "guidelines" control on the landlord's right to increase to any amount he wishes. This elderly and not well couple dropped their telephone and their insurance in order to pay their rent. They are living on social security

(2) Mr. S, of Parsippany, received a notice on January 1, that his rent was increased from \$180 to \$200 a month and that he must deposit an additional \$50 towards his security. When he and his wife went to the management, two weeks later, on January 15, to sign the new lease they were told that a change had been made: under the new guidelines their rent would be increased from \$180 to \$212, and that they would now need an additional \$68 for their security. This was an 18% increase. Furthermore, the landlord offered a "good tenant"

clause, which is not legal, in which the rent, at the discretion of the landlord, might be \$200, instead of \$212.

(3) Mrs. N., Morristown, was advised on March 3 that on the date of expiration of her one-year lease, her rent would increase 21.9%, from \$205 to \$250. This was in conformity with the maximum allowed under the federal guidelines then in effect. She was also told that should the real estate taxes increase in 1972, she would be billed her pro-rated share. Nothing was said about "in the event of a tax decrease."

(4) A letter from the Tenant's Association of Elizabeth in May, 1972, calls to our attention that landlords are now inserting in their new leases a clause providing for an automatic percentage increase when the federal guidelines are terminated. In one such case the monthly increase will be \$47.75 per month, while still under the same lease.

(5) Feb. 2. Mrs. A. in Parsippany wrote that in her complex her rent had gone from \$135 to \$195 over a six-year period, which is not too excessive. But she is now notified that in two months her new rent will be \$225, a \$30 increase in one year, and she can only have a one-year lease according to the landlord.

(6) Dec. 6. Miss B., a retired teacher in Morristown - you know they don't have much income - received a \$45 increase in rent, from \$155 to \$200, or 29%, in a very old garden complex.

(7) On the same day, Mrs. D., in another Morristown garden apartment, one that is no more than 5-years-old, received a 33% increase, from \$300 to \$390.

(8) Another complaint was that tenants in a Randolph apartment were being required to pay a \$50 -a-year fee for a formerly free swimming pool. With 250 apartments in this complex, that adds up to \$12,500 in new yearly swimming pool fees. The tenant wrote that in

the past two-and-a-half years, her rent had gone from \$120 to \$180. Up 50% -- and now she was being threatened with eviction if she didn't pay for the pool, which she doesn't even use.

(9) Mrs. G., in Morristown: rent increased in one year from \$200 to \$250 -- up 25%.

I could go on and on. We know that in all of the cases we handle, the rent increases are never accompanied by an increase in services to the tenant. Nor are they numerically justified by an increase in the landlord's property tax. We have kept the Internal Revenue Service more than busy with the referrals we have made. In most cases, landlords were acting within the federal guidelines. In others they were not. We also found that in many cases, one office of the IRS had one interpretation of the guidelines and another office had an entirely different interpretation. They have tried very hard to help. But they are under great handicaps. One IRS agent told me that he operated under a federal directive that did not permit him to tell the tenant whether or not his complaint is justified!

An article in the Morris County Daily Record on May 26, describes the latest federal rent guidelines. I wish to quote it to you as an example of the utter chaos that accompanies every new attempt of the Federal Price Commission to rule in this matter.

But I won't quote it to you because I know you would like me to speak a shorter time. I have it here in writing for you. If you read it, you will see how very confusing it is. I have to do a lot of research before I know exactly how it will apply to these tenants who have complained to me. Because at the expiration of a two-year lease certain things apply and you can't get an increase of more than 8 per cent. But if you are at the expiration of a one-year lease, the rules don't apply. There is a tremendous amount of real

hardship and confusion going on because of the really poor way in which the Federal guidelines operate.

The reason I am trying to emphasize this is that it bothers me that this bill does not go into effect until the termination of the Federal Price Control. I think the Price Control is not operating to protect the tenants and that the State, because we have such an excessively bad housing problem in the State, must have its own legislation and must do it now, not when this stabilization act goes off.

(Following is the portion of Assemblywoman Klein's written statement which she did not read.)

"Some tenants will get lower rents or longer leases under a new Price Commission rule announced last week. If your two, three, or more-year lease is expiring this year, your landlord must give you two choices:

"1. A one-year lease with an 8 percent increase.

"2. A lease of the same length as the expiring lease, but at whatever higher increase is allowed by the Price Commission rent guidelines.

"Also, if you have renewed your lease since December 29, the ruling is retroactive and you may insist your landlord renegotiate if the increase was more than 8 per cent and if a one-year lease replaced a longer one.

"Starting with July's rent, such tenants can get a rent reduction, but no refunds for the past rent that was over 8 percent.

"Tenants still on old two or three-year leases must also be given their choice of terms when those leases expire.

"Rent guidelines generally give landlords a flat 2.5% increase on yearly leases plus an increase to coincide with higher taxes and municipal charges.

"Federal rent controls do not apply to luxury apartments, single-family dwellings or units of four or fewer apartments."

If you think this sounds confusing, and it does, I can assure you that the regulations themselves will be even more difficult to understand. Confusion will reign. We will get more calls and justifiable complaints. We will give the Internal Revenue Service more unwanted business. It sounds to me as though all the cases I have cited, persons who received a 19%, 20%, 25%, and 30% increase since January may be entitled to a nonretroactive reduction, but I'll have to do a lot of research before I can be sure.

- - - - -

I've tried to explain why, although I basically do not like the idea of rent-controls, I feel we must overcome our reservations and act as a state to give people needed protection in this very important economic sector, in places where the housing market is so tight that tenants are literally without any choices at all. You will no doubt hear testimony against this measure from persons who will claim that the very idea of rent leveling or "control" goes against the grain of a "free market." But I put it to you that in a free housing market, any tenant can negotiate with any landlord for housing and then, if the negotiations fail, go elsewhere for his housing. In New Jersey, the tenant has no place else to go. There is no need for negotiation from the landlord's point of view as the tenant has no bargaining position at all. He must pay what is asked, whether or not he can pay it. That is no free market. In addition to the

working people who are on frozen wages, there are the elderly who are on social security, and the welfare recipients on flat rent grants of \$100 or less who are literally facing starvation or eviction while we fail to act. These are the renters of New Jersey. And we must either be prepared to limit the increases in rents or extend subsidy to those who are caught in this intolerable situation. In fact, things are so bad that it is an open question as to whether we should probably do both.

I would like to add I notice there is some cost involved in this bill in setting up an agency in the Department of Community Affairs and I don't think there is any fiscal note attached to the bill. I thought I would just call that to your attention. Thank you very much.

ASSEMBLYMAN MEGARO: Thank you Assemblywoman Klein. Any questions from the Committee? (No questions.) Thank you.

Our next speaker is the Honorable Christopher Jackman, Assemblyman, Hudson County.

C H R I S T O P H E R J. J A C K M A N: Mr. Chairman, I am Assemblyman Christopher Jackman from Hudson County.

I come here representing my county. As you know, we have heard from Mayor DeFino of West New York. I have the privilege of representing the 12 communities and to convey to this Committee the wishes of Hudson County.

I am a co-sponsor of this bill and I have sat on many hearings. I think this is my fifth hearing since I have been an Assemblyman. I have made every one of them. I am getting to the point now where I wonder whether when we have these hearings, something can truly come out of them.

I think we have waited a long, long time. I know the pressures that my colleagues sitting before me are under and I know there is going to be continued pressure here from both sides.

I am not going to go into any long dissertation. I think Assemblywoman Klein covered the statistics pretty well.

But I brought with me today a young mayor of a very urban city. I would like to relinquish my rights to this young man to give him an opportunity to convey to you the wishes of his people. He happens to be the Mayor of North Bergen, Peter Mocco, who is doing a commendable job in his community and is representative of approximately 60,000 people - high-rise, small apartments and what have you.

I want to make this very clear to my colleagues. I don't want to see rent control, per se, to the extent that a landlord is not going to get his just dues. But I can tell you, based upon some of the statistics - and I know Mayor Mocco can convey them a little bit better because he is on the scene every day in the week - that the rents some landlords are charging have gone far beyond the exorbitant rate. Somewhere along the line we have to bring them back so our senior citizens and the people who can't afford these rents are not going to be gouged.

I am saying very clearly there are many, many good landlords who recognize tenants have a limited amount of money, but somewhere along the line they are far outnumbered by the absentee landlords.

So with your permission, my colleagues, I would like to relinquish the rest of my speaking privileges to the young mayor from North Bergen. I thank you very much for your kindness.

ASSEMBLYMAN MEGARO: Thank you, Mr. Jackman.

Next will be Mayor Mocco.

P E T E R M O C C O: Assemblyman Jackman, Mr. Chairman and members of the Committee: A year and a half ago, as an attorney, I brought an action representing eight defendants. These were senior citizens who had received triple rental increases and they had absolutely no way of raising the money. In July of 1970 through May of 1971, we fought the case from the District Court to the Appellate Division, from the Appellate Division to the Supreme Court

of New Jersey. The issue was: Can a rental increase be unconscionable? The Supreme Court said, it is not for our determination and we will not rule on the issue.

I believe, particularly for the Township of North Bergen which has over 60,000 inhabitants, the greatest majority of which are tenants, the issue of an unconscionable rent increase is a reality.

We have exhausted the judicial approach. Therefore, we turned to our own town and enacted local municipal rent control. As part of that ordinance, we created a Rent Control Commission. The rent control ordinance is presently in the Appellate Division of our State Superior Court, being tested for its constitutionality.

But I can tell you from my own experience regarding our Rent Control Commission, - this Commission was initially set up with landlords and tenants - that the sad fact is that it is almost impossible to find landlords that are going to be truly concerned with the needs of the tenants as long as the dollar motive is paramount. And I have not found any charitable landlords in North Bergen.

I believe that it is the absolute duty of the Legislature of the State of New Jersey to enact rent leveling legislation. We have over 8,000 senior citizens in North Bergen, The greater majority are on fixed incomes under \$3,000 a year. It is virtually impossible for these people to survive under the present free market of rental space.

I would leave with this final thought to the members of the Committee and to all those in the Legislature, that North Bergen is a community with over 26,000 registered voters. They need rent control and I would beseech you to be responsive to the needs of these people who are trapped in an urban setting with no relief in sight. Thank you very much.

ASSEMBLYMAN MEGARO: Thank you, Mayor Mocco.
Assemblyman Veit has a question.

ASSEMBLYMAN VEIT: Mayor, has there been any new

construction of apartments in your town of North Bergen in, say, the last three or four years?

MAYOR MOCCO: Yes. We have had a number of different types of construction. Basically, North Bergen is now the scene of the luxury high-rise. We have been fortunate through HUD and, I might comment, with the aid of Senator Harrison A. Williams to have senior citizen buildings of a high-rise nature, low-income, erected in North Bergen. The fastest-growing population in North Bergen is the tenant population. The figures for North Bergen indicate we are probably the fastest-growing community in Hudson County. We saw approximately a 10,000 population growth in the last ten years.

ASSEMBLYMAN VEIT: But other than government-sponsored housing and luxury high-rise, you have had limited construction, would you say, in multiple-dwelling units?

MAYOR MOCCO: We have also seen the construction of the garden-style apartment buildings. The apartment units aren't as numerous as the high-rise. I would estimate approximately 2,000 garden-type units have gone up in the last ten years.

ASSEMBLYMAN VEIT: Thank you very much.

ASSEMBLYMAN MEGARO: Any more questions? (No response.) Thank you, Mayor Mocco.

I would like to introduce another member of our Committee, the Honorable Assemblyman from Essex County, Anthony Imperiale.

The next speaker will be the Honorable Edward H. Hynes, Assemblyman, Bergen County. I guess he will be a late arrival.

We will move on to the next speaker, the Honorable John F. Curran, the Mayor of the Borough of River Edge.

J O H N F. C U R R A N: Mr. Chairman and members of the Municipal Affairs Committee: I want to thank you for according me the opportunity to come here today in behalf of the people of my community.

I firmly believe that it is imperative that the tenants in my town and all over this State be given some relief through legislation A656, from what I consider to be an excessive rent charged by landlords.

The people of River Edge and all over the State are crying out for your attention and, as government officials, you must not be insensitive to the needs of the people. Those of us who are on the first level of government at the Mayor and Council level are faced with this problem on a day-to-day basis. Our whole government administration on a local level is geared to service the needs of homeowners. Therefore, we are unable to act in a meaningful way to help tenants without proper legislation. We had no alternative in the absence of State legislation in January of this year but to pass a rent leveling ordinance in River Edge. We had an injunction against us to implement that program and it is now in the courts. But we recognize the problem to be beyond the local level and beyond a regional level, and that is why I am here today.

Reference is made quite often to the slums in New York City and it is said the rent control law is the basic reason for this condition. Having lived in various areas of New York City for more than 30 years, I feel I am qualified through experience to know that rent control laws alone did not cause the deterioration of that city, rather it was a variety of social and economic problems, such as raw poverty, unemployment, broken homes, alcoholism, drug addiction, lack of educational opportunity, increased crime, lack of sufficient housing to accommodate an explosive population and a general over-all break down in the community. Rent control was least of all the root cause of conditions in New York City today. And, by the way, apartment houses that were built after 1955 are not under rent control.

Let me call your attention to a situation where landlords, absentee landlords, in River Edge appealed to the County Tax Board for a reduction of assessed valuations

for the years 1968, '69, '70 and '71, a one million dollar reduction in assessed valuation, \$52,000 of annual taxes lost to homeowners and tenants.

This didn't happen as a result of legislation which has often been threatened would happen. This happened prior to any, since there is no legislation on the books. After the landlords won their appeal in 1971, it was at that time that they increased the rentals far beyond the increase in the cost of living, as high as 50 per cent per unit in many instances. However, in many instances, the maintenance and services have not increased but have decreased. In addition, the landlords in 1971 passed on the small increase in municipal taxes to each and every tenant on a pro-rata basis, which came to \$35 or \$40 per apartment. The natural law of supply and demand in housing has become unnatural during the past couple of years. This has been caused by few housing starts, tight mortgage money and a general breakdown in marketing conditions. It has always been this nation's policy to establish stabilization when supply and demand become excessively unbalanced. Recently, the President of the United States saw fit to stabilize the economy by initiating guidelines in an attempt to level the inflationary spiralling of the over-all economy. Unfortunately, that program has failed in regard to any rent stabilization.

In an attempt to justify their positions, landlords are unfortunately pitting homeowner against tenant by stating that the homeowner must pay the cost for apartment dwellers to live at what is considered to be an artificially low rental.

The assessment formula for income-producing property as compared to homeowner property is totally inequitable and, if anything, the homeowner should be incensed by the unfair treatment on the part of the law in that regard.

All real property should be assessed at true market value. From our country's inception, real estate has always been the greatest investment opportunity. Now because

of this emergency and the lack of supply, it has become a bonanza,

I would like to draw your attention to a remark that was made in the Wall Street Journal not too long ago in that regard. "President Nixon's freeze has made hot stocks out of a real estate investment trust. Chrysler Trust listed on the New York Stock Exchange has jumped more than 31 per cent since the Administration's August 15 decree, far out-pacing the 3.3% gain in the Dow Jones Industrial Average. The investment stocks in real estate are counterparts of mutual funds. But instead of investing in stocks, these trusts must derive at least 75 per cent of their gross income from real estate transactions. The reason for the big market play is that they enjoy an unusual dividend status. By law, they must pay out as much as 90 per cent of the net income to shareholders each year. So while President Nixon has been using moral persuasion on other companies to hold the line on dividends and roll back increases, many real estate trusts have been going about happily boosting their payouts."

The landlord has an advantage far in excess of any tenant in that he can now pass on his yearly increase in taxes to the tenant on a pro-rata basis. He can get an increase in rentals based on the cost of living, which is fair. The landlord can appeal to Rent Boards should his maintenance cost and mortgage interest increase. The landlord can refinance his entire complex at a higher interest rate, taking equity out, which is done on many occasions and appealing to Tax Boards to increase rentals to absorb the increased interest cost.

There are other corporate and personal tax advantages that the landlord has built into his investment which the homeowner does not have nor does the tenant. You know as well as I do that there are joint ventures formed, partnerships formed and big corporations where it is conceivable - it is conceivable - that an investor can

invest in an apartment complex, suck out the depreciation for his personal tax return, not pay any personal taxes or certainly reduce them from a higher income bracket down to a lower one. In addition to that, the corporation will operate at a loss so it will never pay Federal income taxes. There are many tax benefits in this so-called bonanza.

In closing, as a businessman, I agree landlords are rightfully entitled to a reasonable return on their investment. My concern, however, is that landlords charge excessive rents during a period when the demand far exceeds the supply. Some landlords are taking unfair advantage of residents, particularly those on fixed incomes, who have insufficient funds and nowhere else to live and who are living under the fear of eviction. These are people who have lived in River Edge for many years and who have contributed to the growth of our community. They are proud people who love their surroundings, their families and their friends, church and associations, some of whom once owned homes in River Edge and when their families grew up, they moved into apartments to spend their sunset years peacefully.

The homeowner concerns himself - and I as a homeowner do - when my taxes increase \$80 or \$90 a year. Put yourself in the place of a tenant who has just received a \$70 a month increase, and that has happened in many cases in River Edge and I can outline them, but it would take too much time. I have a booklet here.

It has been said by government, why should we concern ourselves with tenants when they only make up 18 per cent of our population in River Edge, although they make up 25 per cent of the units? We must remember that we are bound together as a community and as a State, for that matter, in which weakness or disease in one part inevitably spreads to the whole. And when 18 per cent of our people are in trouble, we as a government and as a people must be more than just concerned. We must have the will to act and

the courage to act.

I urge passage of this bill today, not because it is the political thing to do, but because it is the right thing to do. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mayor Curran.

Our next witness is the Speaker of the General Assembly of the State of New Jersey, sponsor of Assembly 656, the Honorable Thomas H. Kean.

T H O M A S H. K E A N: Mr. Chairman, members of the Committee and colleagues: My statement will be relatively short. I think there are experts in this field here today whose knowledge far exceeds my own.

I do, however, appreciate the opportunity to appear here this morning to testify in behalf of my bill, A 656, the Emergency Rent Leveling Act. I think it is incumbent on a sponsor to always come before a Committee to give some of his thoughts on the bill and perhaps some of his reasons for introducing it.

I think, Mr. Chairman, there can be little argument over whether or not a housing emergency exists in New Jersey. Those of us from the urban areas of the State are well aware of the exceedingly small number of housing units available and -- because of this shortage -- the oft'times exorbitant rentals charged for them.

The tenant, if he can afford the rental, is immediately placed at a disadvantage by the knowledge that if his rent is increased -- with or without justification -- his chances of finding other suitable rental quarters at a fair price are extremely remote.

It was because of this vise in which many tenants find themselves that I introduced this bill. In the past, we have always been markedly reluctant to have government interfere with private enterprise in this or, for that matter, any other regard, being content to let the law of supply and demand rule the market.

Unfortunately, this law has become lopsidedly over-balanced with the demand far outrunning the supply in many areas. And, as you know, Mr. Chairman, under such circumstances, any commodity experiences a rapid increase in cost.

A 656 says first of all very clearly that a housing crisis does exist in the State of New Jersey. The Federal government has defined a housing crisis. We don't have to do it for ourselves. The Federal government says a state of emergency in housing exists when the vacancy rate is between 3 and 7 per cent. According to HUD's figures last year for the State of New Jersey, the vacancy rate was 2.7, even under the 3 per cent. There is no question that this emergency does exist.

We also recognize that there are some unscrupulous landlords who are taking advantage of this crisis to reap enormous profits through exorbitant rents or rent increases.

At the same time, Mr. Chairman, A 656 recognizes equally as clearly that conditions vary greatly in different areas of New Jersey. Conditions in my home county of Essex, for instance, cannot be compared with those in Cape May County in terms of availability of rental housing.

Consequently, written into this legislation is the stipulation that a housing survey be conducted throughout the State on a county-by-county basis to determine where crisis situations exist. This bill does not impose a rigid strait-jacket formula on the State as a whole, merely because it is determined that a housing shortage exists in one section of the State.

Further, if the emergency provisions of this bill were to be invoked, it would not eliminate rent increases. The bill provides that in an emergency situation, rent increases could be made, but they would be limited to the percentage of increase in the consumer price index, the so-called cost-of-living scale.

Aside from the so-called freeze imposed by the Federal government, there presently exist no limitations on

rent levels. And I share with Mrs. Klein my doubts on how effective that freeze has been in holding down rents.

I have been given to understand that many tenants in New Jersey have already been notified that, once this "freeze" is lifted, their rents will be increased automatically and many times greatly.

I feel strongly, Mr. Chairman, that those individuals who are renting are entitled to some protection from unjustified increases in their rents.

This bill, in providing for regulation and stabilization of rents rather than outright rigid controls, is eminently fair in my mind to both tenant and landlord. At the same time, it seeks to -- and, in my opinion, accomplishes -- the goal of putting an end to unwarranted and speculative rent increases which are hurting the tenants.

I would be more than happy to answer any questions on the bill the Committee might have.

ASSEMBLYMAN MENZA: Mr. Speaker, a few questions, please: One, you say, there should be a state survey by counties. Would this require an expenditure of money, which would mean it should have a fiscal note?

ASSEMBLYMAN KEAN: This bill would require a fiscal note, yes.

ASSEMBLYMAN MENZA: Has one been called for?

ASSEMBLYMAN KEAN: One has not been called for by the sponsor. I would be glad to call for one myself or the Committee, of course, always has that privilege.

ASSEMBLYMAN MENZA: Also, as I read the bill, there are four situations where a rent increase can be had: one tied in with the price index; one tied in with the tax increase, one relative to increased services, and one relative to capital improvements. Is that correct?

ASSEMBLYMAN KEAN: That's right.

ASSEMBLYMAN MENZA: On what basis do you arrive at the increase in the price index as guaranteeing a fair return on the landlord's investment? Why the price index?

ASSEMBLYMAN KEAN: The price index we stuck in there as the best over-all indication of what was happening to people's cost of living. Now I recognize that some costs rise more rapidly than the price index; some costs rise less rapidly than the cost index. The cost index is simply an average of the cost of living that people have to live with day to day whether they are hiring plumbers or buying groceries. This is basically why this figure was picked. There seemed to be no other fair figure that I could come up with. If the Committee has suggestions as to a fairer method of doing this, I would certainly be glad to entertain them.

ASSEMBLYMAN MENZA: There are other bills pending in the Assembly and the Senate regarding a certain percentage return on the investment. Did you take that into consideration?

ASSEMBLYMAN KEAN: I did not. We could, of course, determine arbitrarily a return on investment. I would generally be against that. I don't think it is right to write into a piece of legislation that everybody is going to make blank amount of return on their investment. I think that is not quite right. The majority of landlords, an awful lot of landlords, in this State treat their tenants extremely fairly and have good relationships with them. This bill is only designed to get those who are completely unregulated at the moment and are taking advantage of the housing shortage. I would not want to write an absolute figure into the bill.

ASSEMBLYMAN MENZA: Thank you.

ASSEMBLYMAN MEGARO: Any other questions?

ASSEMBLYMAN VEIT: Mr. Speaker, do you have any personal opinion on what is a fair return for a landlord?

ASSEMBLYMAN KEAN: No. I am not in the business myself. I can give you estimates on what would be a fair return in other businesses, but every business is special onto itself. I would leave that to somebody who deals day-to-day with the business.

ASSEMBLYMAN VEIT: Can you tell me in your words why you think this bill will not discourage increased construction of multi-unit dwellings in the State?

ASSEMBLYMAN KEAN: I think probably the first and most obvious reason in my mind is that new construction is exempt under this bill. In other words, it would not come under its provisions, therefore, encouraging new construction.

We have a number of bills now pending in the Legislature and we have the Governor's Message on housing, all designed to encourage construction. I don't know how this bill would affect any of those pieces of pending legislation or any item of the Governor's Message. I don't see how, if this bill were law, it would change what the Governor has said at all.

ASSEMBLYMAN VEIT: Your point is valid that new construction does not come under this bill. But isn't it a fact that two years from now a new Legislature could pass an inclusion bill?

ASSEMBLYMAN KEAN: Yes.

ASSEMBLYMAN VEIT: And, if one were in fact a developer, one might be somewhat cautious about making any new investments because of that fact.

ASSEMBLYMAN KEAN: I think that is speculative. Yes, a new Legislature could include new construction under this bill. If this bill were to pass, a new Legislature could also repeal the bill or the bill automatically repeals itself if the housing shortage ends, which we all hope for. The best result that any of us on either side of the controversy could envision - the best thing that could possibly happen in the State of New Jersey would be the end of the housing shortage. And if the housing shortage ends, this bill automatically dies.

ASSEMBLYMAN VEIT: So in your opinion then this bill does not discourage new construction?

ASSEMBLYMAN KEAN: I don't think it does.

ASSEMBLYMAN VEIT: One other question, Mr. Speaker - the price index, is that arrived at on a regional basis as well?

ASSEMBLYMAN KEAN: Yes.

ASSEMBLYMAN VEIT: By county or by northwest region of New Jersey or how? Do you know how it is arrived at?

ASSEMBLYMAN KEAN: I can't give you the exact way it is arrived at. I know there is a regional basis for it.

ASSEMBLYMAN VEIT: You are not sure whether it is by county?

ASSEMBLYMAN KEAN: I can't tell you.

ASSEMBLYMAN VEIT: I am sure we will be able to determine that during the testimony.

ASSEMBLYMAN KEAN: I should know; I don't.

ASSEMBLYMAN VEIT: Thank you.

ASSEMBLYMAN IMPERIALE: I would like to ask, if this bill were to be passed, how do you think it would affect cities like Newark that are dying in population where land has been vacant for almost eight years and we can't get contractors to come in and build homes now? How would it affect that type of city?

ASSEMBLYMAN KEAN: My feeling is that the cities, the urban areas - Newark, of which I represent part, - Irvington - have been hit hardest really by increases in rent to people that cannot afford it. I think that has been one of the reasons for flights of people from the city.

Now your question is directed to new construction. Again it gets back to Assemblyman Veit's question: Do I believe that this bill will discourage new construction? No, I don't. I think the passage of this bill and the guarantee that somebody who moves into an apartment building is not going to be faced in one, two or four years with double or one and a half times, or what have you, the rent he thought he was getting into when he moved into the building, is going to encourage people to move into rental property, not discourage

them.

ASSEMBLYMAN IMPERIALE: One other question: How do you feel that we can justify stabilizing rents when we won't really be aware of what the cost of fire and liability insurance, fuel, maintenance, etc. is going to be? How do we stabilize these things?

ASSEMBLYMAN KEAN: Of course, these things do go into the so-called cost of living. Some of these things rise more rapidly than the cost of living - no question about it. Some of them are going to go down hopefully. We have been wrestling with the cost of insurance in this Legislature, as you know. We hopefully are moving into some areas where we can do something about it. The cost of fire and police, of course, is borne by the municipality and is written into the tax load that the landlord and the tenants jointly bear.

ASSEMBLYMAN IMPERIALE: Don't you feel that rent control works hardest on the inner-city poor which may cause an actual contraction of housing stock?

ASSEMBLYMAN KEAN: I don't, Assemblyman; I really don't. I think it is the poor people, the people who are living on fixed incomes, the older people, who are being hit hardest by the present situation. I think that this bill is not only going to help them, but it is a necessity if they are going to maintain any kind of quality in their lives; because of the small incomes they have, they are paying a percentage of their income for rent that they just can't afford. Eventually comes the rent increase and they don't have the income to afford it. You see this again and again and again. I see it most vividly in Irvington, but I am sure you see it in parts of your district as we all do. They want to be sure that if they have to pay an increase in rent, that increase is justified, that it is not an increase in rent that is going to be given because somebody is making an excessive profit. They want to be assured and under this bill they would be assured. If

they got an increase, they would know that the increase was justified. They would know that the landlord was making a profit that he was entitled to and was not making a profit that he was really not entitled to. Right now, he has no idea.

ASSEMBLYMAN IMPERIALE: One final question: How do you feel this type of legislation would fit in with the present tax proposal that Governor Cahill is trying to get in, in other words, where tenants can now make certain claims with rents paid in? How would it affect the people then?

ASSEMBLYMAN KEAN: I think it would fit in like a glove, very frankly, because one of the best ways that we can determine -- Under the proposals of the Cahill administration, we would have to determine exactly what a landlord was making, at least as far as his taxes went. Because we would have to determine what percentage went back to the tenant. The best way we could do that is to have a Rent Stabilization Law in my mind. It would be the easiest way and it would be the least expensive way for the State of New Jersey. That's why I say, if this bill were to pass, it would fit in very well with that.

ASSEMBLYMAN IMPERIALE: Thank you.

ASSEMBLYMAN MEGARO: Mr. Kean, one question: Newark has many senior citizens' units sponsored by the Federal government and other housing sponsored by the Federal government, in which the rent is based upon ability to pay. How would HUD feel towards any new development that would be for private purposes on rent stabilization?

ASSEMBLYMAN KEAN: I don't really know. I have HUD's figures, but I haven't talked to anybody about HUD. As far as I know, on bills of this nature they haven't taken any position. I really can't answer your question. I would think it would help them because it would enable more people to live in private housing and less people to live under the sponsorship of HUD, which is something we all desire.

ASSEMBLYMAN MEGARO: I ask this question because of the great amount of building that will be able to come into Newark under the Housing and Urban Development Corporation. I was curious how they would feel about this. In no way was I trying to stump you with any questions. I appreciate your comments.

Are there any other questions?

ASSEMBLYMAN MENZA: Who would oversee the rent increases and determine whether in fact they are based on the four propositions contained within the bill?

ASSEMBLYMAN KEAN: This sets up a bureau within the Department of Community Affairs.

ASSEMBLYMAN MENZA: Where is it?

ASSEMBLYMAN KEAN: On page 2.

ASSEMBLYMAN MENZA: Well, the way I read the bill, Mr. Speaker - perhaps I am in error - it only states that the department will conduct a survey and make a determination as to the state of emergency. But where does it set forth the procedure for this?

ASSEMBLYMAN KEAN: The actual procedure is on page 4, down at the bottom of the page: "There is hereby created in the New Jersey Department of Community Affairs a Bureau of Rent Leveling." Then it goes on with what the Bureau of Rent Leveling would do.

ASSEMBLYMAN MEGARO: Any other questions? (No response.) Thank you, Mr. Kean.

Our next speaker will be the Honorable Burt Ross, Mayor of the Borough of Fort Lee.

B U R T R O S S: Mr. Chairman and members of the Committee, approximately half of the people living in Fort Lee, the Borough I serve as Mayor, are tenants. Needless to say, that number is growing every day. No issue more vitally affects them than does Rent Leveling, and it is because of their unanimous support for rent leveling legislation that I appear before you today.

The Fort Lee governing body passed without a dissenting vote, a local rent leveling ordinance. This bi-partisan supported ordinance, similar to what has been passed by a growing number of municipalities, is now a test case in our courts. If this legislative body were to act now, many of our communities would save expensive court costs, and our tenants would have uniform protection.

I do not intend to dwell on the need for rent leveling. It should be obvious. An individual signs a lease, and for two or three years his apartment becomes his home. He invests in it with wallpaper, carpeting, built-ins, etc. His children enroll in the school system, he joins a fraternal organization, and perhaps his wife gets a job in town. Before long, they establish good friendships. They join the local church or synagogue, learn the best places to shop. They have become good, active citizens of the community.

In a couple of years, the lease expires and the landlord jacks up the rent 35 per cent. The tenant's income has not risen proportionately, and he is forced to move. But how many more times may his family have to suffer a costly uprooting because of someone's greed? The avaricious landlord, knowing very well how difficult it will be for the rooted tenant to move, charges every cent the traffic will bear.

The rent leveling ordinance passed in Fort Lee prevents this type of rent gouging. It recognizes that most landlords are responsible men intent upon making a reasonable return on their investment. But it also protects the tenant against the landlord whose greed knows no limit.

One might argue that the free enterprise system thrives on the uninterrupted interplay of supply and demand - something I am well aware of as a stockbroker, or at least I think I am a stockbroker. Sometimes on days like this, I don't know. But isn't it true that the government regulates to some extent almost every major element of our economy today? The law of supply and demand is constantly tempered to protect the public, as well it should be in

the realm of rents.

Now I would like to address myself to the tactics which opponents of this bill unsuccessfully used in Fort Lee; for you can be certain that they will continue to employ shady means to accomplish their immoral ends. You must remember at all times that this legislation confronts men of tremendous wealth, but of little conscience, who will literally stop at nothing to gain their goals.

When the bill was first introduced in Fort Lee, some of the landlords went straight to Madison Avenue and financed a vicious public relations campaign, specifically intended to appeal to people's basest emotions. Now I want to deviate from my prepared statement to illustrate something that happened this morning.

I was sitting up there and somebody comes along and hands me a card that says, "Save our homes. Vote no on this piece of legislation." The individual happens to be a tenant who is a real estate broker in town. So when he talks about "saving our homes," it is not his home he is talking about saving. There isn't a conceivable way of protecting tenants in this area of rent leveling that would destroy a person's home. There is no way that anyone can come before you today or at any other time and illustrate how that could possibly happen.

What has affected the homeowners in the Town of Fort Lee is the tremendous high-rise construction boon that has taken place in the last ten years, during the past decade. Every homeowner will testify to this. Their taxes have doubled and tripled.

If a homeowner is going to lose his home in Fort Lee it is because of the following type of situation: You have a home and you find practically in your backyard a 30-story, high-rise apartment building goes up. As it is going up, it is not a very comfortable place to live and even when it goes up, it is not a very comfortable place to live. So you decide to sell your home. And who buys

it from you? The landlord, the builder. Down goes your home and another building goes up. If you look and see where there has been a loss of homes in Fort Lee in the last decade, you will see the greatest cause of loss of homes has been the continued, uninterrupted kelter-skelter construction of more and more high-rises.

Back to my text. When their campaign failed, the landlords financed a front organization, the ostensible purpose of which was to protect homeowners' rights. The leader of this movement, a former tenant himself, said in an article appearing in the Bergen Record on April 15, 1972, that the New Jersey Builders Association had paid for a flyer, a press release, and the petition form his organization had used. Referring to the builders' association, he said, and I quote, "They said as long as we opposed rent leveling, they will help us out."

An attempt was made by the leader of this organization to split the town between homeowners and tenants. Tenants were called transients and New Yorkers, and when all else failed, homeowners were told that their taxes would go up if rent leveling were passed. But this, too, failed and the ordinance was passed unanimously.

Action is long overdue. An ever-increasing proportion of New Jersey residents are tenants and that will continue. They need protection now, and they are looking to you. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mayor Ross. Assemblyman Manner has a question.

ASSEMBLYMAN MANNER: Mayor, you referred to the ordinance which was passed in Fort Lee. How long has that been in effect?

MAYOR ROSS: It is in the courts now. It has not taken effect. The landlords got an injunction. It is now before Judge Pashman and we are waiting for his decision.

I hope that if this legislative body doesn't pass an actual rent stabilization bill, at least the municipalities

in New Jersey are given enabling rights, so that we can protect our citizens ourselves. That is vital.

ASSEMBLYMAN MANNER: Thank you.

ASSEMBLYMAN MEGARO: Any other questions? (No response.)

Thank you, Mayor.

Our next speaker is the Honorable Albert E. Logan, Mayor of the Borough of New Milford.

A L B E R T E. L O G A N: Mr. Chairman and members of the Community Affairs Committee: As Mayor of the Borough of New Milford, I wish to take this opportunity to thank you for giving me an opportunity to tell you that the Council and I, representing the people of New Milford, are in favor of passing, as a temporary measure perhaps, Assembly Bill 656.

It is not my intention to spend these five minutes given to me castigating all landlords or all tenant groups. I believe there are good and bad in each division. Unfortunately, I am sure what I have to say and what will be said by others today will be to a degree repetitious. A great deal has been said by many, many people, including our Honorable Senators, Assemblymen and local representatives of our municipalities concerning rent regulations established under Phase II of the Economic Stabilization Act.

It has become apparent to all - landlords, tenants and, yes, even the Internal Revenue Service - that ambiguity predominates. No one seems to know about the legislation. As a result, there are literally thousands of cases where injustices have occurred and are continuing to occur.

Obviously there is a need for correction and that is why I am here today. It is my intent then, in the light of all that has been said, to concentrate not on particular and specific cases, because there will be many of these - and to mention cases without hearing both sides sort of weakens the very essence of the argument - but rather to talk of the peculiar problem that exists in the Borough of New Milford.

In New Milford, we have approximately 2,060 garden apartment dwelling units. They cover approximately 250 acres. They are broken up into three units.

Both locally and statewide - and I want to be very definite about this - we are all aware of a housing shortage, especially in the middle-income area. During the past year it has been reported to us that there have been very large rent increases in the various apartment developments, with the greatest increase being experienced in the largest of the three.

We on the Council of the Borough of New Milford have been studying this problem, specifically the rent increases and the effects of said increases upon the tenants.

A good portion of the tenants can be classified as senior citizens and are living on a very fixed income, with a great many of the other tenants on incomes which would make it very difficult to accept a high percent in rent increases and still maintain what might be considered a good standard of living.

The Mayor and the Council are unanimous in their opinion that some relief in the form of rent leveling is necessary for all apartment dwellers. They are also cognizant of the legal difficulties in attempting to provide rent leveling under a local municipal power and are looking to the Legislature for the establishment of a State rent leveling program which would provide fairness to all parties concerned.

The trouble in our apartments concerning rent increases, which have often been referred to as rent gouging, is that bitter accusations have resulted between the parties involved, with termination notices being served upon many tenants and with the tenants having to take the position that the notices are being served as a method of harassment because of their stand in relation to such increases. The problem in our borough, in my opinion and in the opinion of Council, results from the complete lack of action by the

State Legislature.

We are fairly convinced that the equitable method of rent leveling can only be established on a statewide basis. In addition, it is thought that if the proper legislation is passed, the question of validity would not be present as it now exists in pending litigation.

It is obvious from the experience of these tenants that the Phase II Program under the Emergency Stabilization Program is not achieving a solution to the problem for the tenants of our municipality. It is my understanding through various reports that the Federal Internal Revenue Service is or has investigated many of the rent increases as they apply to the Phase II Program, without having come to any conclusion as to their validity. Be that as it may, it is still quite clear that the increases permitted or allowed under this regulation would still not be a solution to the problem, especially with the possibility that the Phase II program might be terminated in the very near future.

It is also evident that the housing shortage in the State of New Jersey will not be resolved in a short period of time and until that problem is resolved, it is an urgent necessity that some sort of rent leveling be put through which will benefit our tenants.

We would like to make a very clear stand in regard to this legislation that we are very firmly in favor of the American way of doing business. The spirit of laissez-faire which established this country and made it the great country it is today enabled people to go forth and to work, as a result of which profit was a necessity.

We feel that the landlord should be able to receive a fair and equitable return for his investment. A fair and equitable return is what must be decided.

As a businessman, if I were a contractor and chains were put around my legs and arms as to how much money I could make or I was restrained to the nth degree, I would be very reluctant to engage in future construction and

future construction might very well be the answer to our housing problem in the State of New Jersey. Therefore, we have to be concerned with both aspects of this problem.

I feel by reason of the fact that our tenants are in such a position as they are in today that there is a dire need for an emergency measure to be put through, which will stabilize their rents. I think it is unfair that rent increases, as has happened in our town, have gone from 20 to 65 per cent. It borders on exorbitant. Yet I say to you that I am in favor and the Council is in favor of a temporary measure of stabilizing these rent increases. However, we are not in favor of rent control.

So, in concluding, I strongly urge - I humbly beg - that the Legislature of the State of New Jersey enact the necessary rent leveling legislation without delay. Thank you, gentlemen.

ASSEMBLYMAN MEGARO: Thank you, Mayor Logan. Any questions?

ASSEMBLYMAN IMPERIALE: Mayor, I have heard much reference made as to how this bill would help senior citizens, particularly a stress on senior citizens, because it seems to be a very hot spot. Yet we know the bill makes provision in the event there may be an increase in taxes, the landlords can raise their rent then. If we have such a provision in this bill, how do we justify the increase on the senior citizens then when they do not get an increase in their Federal subsidy or wherever they get their subsidies from? In essence, doesn't that affect them adversely?

MAYOR LOGAN: The senior citizen unfortunately will have to be affected one way or the other. I think what we are talking about now is how little can we affect them. Of course, they will be affected. Any rent increases will affect everybody. Any tax increases in a municipality are bound to be shared by all people, whether they be tenants or homeowners. I think what we are trying to do is to

minimize the effect it will have upon our senior citizens and at the same time give a fair return to the landlord so that the maintenance of these apartments can be kept at a level where the assessment value does not depreciate to the point where the tax returns from these apartments are a direct reflection upon the homeowner.

ASSEMBLYMAN IMPERIALE: One final question: I am asking you your personal opinion as mayor of a town on this. Don't you feel with this type of legislation, in order for it to be implemented properly, there should be some sort of study, combined with the Federal government and State, where all concerned could be taken care of? In other words, this bill may appear very good now. But there is a part missing. There is a part that comes before this bill, the protection of the citizens. I am just curious how you feel about that.

MAYOR LOGAN: Speaking as the mayor of the town and not for the entire council, it has been my experience over the last few months that the municipality has been on the front line for the tenants of the apartments who felt as though their local councils and mayors should be able to take some definite action, some stand on this thing. Many have actually refused to recognize the fact that it is not within our jurisdiction to so move. Yet if we were to go to the extremes that you recommend, Mr. Imperiale, I would say that we would be six months, a year, perhaps two years, maybe three years away from making any sort of a determination.

At the very inception of my talk, you might have heard me say, as a temporary measure, we are in favor of doing something and doing it now. So the Council and I hope that you will enact this bill.

ASSEMBLYMAN IMPERIALE: Thank you.

MAYOR LOGAN: You are quite welcome.

ASSEMBLYMAN MENZA: Two questions, please: On the one hand, you argue for rent stabilization; on the other

hand, you argue for increased construction work. The argument against rent stabilization very simply is that it will deter future construction. What is your comment on that?

MAYOR LOGAN: I don't think that rent stabilization properly administered would deter construction. I do think rent control would. I think there is a vast difference between the two. I think under rent stabilization, we are trying to give a fair return to a landlord. Again this is only a temporary measure. As soon as the housing shortage begins to resolve itself, there will be some encouragement on the part of contractors or landlords to build more apartments.

MR. MENZA: Mayor, you stated in your town there was substantial rent increases in numerous apartments.

MAYOR LOGAN: Yes.

ASSEMBLYMAN MENZA: You stated also that your council made a study of these rent increases to determine the effect on the tenants. What determination did you make, one, as to why the rent increases and, second, the effect on the landlord's return on his investment?

MAYOR LOGAN: Yes. Over the past number of years, due to the poor return on the investment of these landlords, we have had to make adjustments in tax assessments which resulted in rebates in taxes. Since this Rent Phase II has come through, the landlords in our town, and, in particular, one large unit, have found that their rents were far below the norm. According, as he started to increase rents, they were appreciable increases, which perhaps might account for the effect that it had in a violent reaction of the tenants in this particular area. This is one of our great concerns.

ASSEMBLYMAN MENZA: I am a little confused, Mr. Mayor. You said that your municipality gave tax rebates to the landlords. Is that correct?

MAYOR LOGAN: That's right.

ASSEMBLYMAN MENZA: Were the tax rebates, when given, reflected in the tenants' rents?

MAYOR LOGAN: Apparently it was reflected in the

tenants' rents because that is his income. If his maintenance cost and his cost of operation were of such a nature that the income he got was considered by the courts not to be a fair return on his investment, then the assessed valuation was adjusted accordingly.

ASSEMBLYMAN MENZA: I am not asking you that. I am asking, after your council adjusted the assessments, if you then made a statistical study, if you will, as to whether the decrease in taxes was reflected in a decrease in rents to the tenants.

MAYOR LOGAN: Reflected in a decrease in rents to tenants? I never said he decreased his rents.

ASSEMBLYMAN MENZA: Stabilization of rents then?

MAYOR LOGAN: Stabilization. We feel as though stabilization would give him a better return .

ASSEMBLYMAN VEIT: Mayor Logan, does New Milford have an ordinance against new construction of multiple-family dwellings?

MAYOR LOGAN: No. We are not in favor of and have disapproved any rezoning which might result in high-rise construction.

ASSEMBLYMAN VEIT: How about generally, take the garden-type variety? There is no restriction?

MAYOR LOGAN: No restriction.

ASSEMBLYMAN VEIT: Do you know whether or not a number of the surrounding communities have ordinances that would prohibit any new construction?

MAYOR LOGAN: Not to my knowledge.

ASSEMBLYMAN VEIT: O.K. That's all I have.

ASSEMBLYMAN MANNER: Mayor, you referred several times to a fair return on investment and previous speakers have also referred to this. But to this point, we have not had an estimate in answer to our question as to what would be considered a fair return. Would you care to venture what your opinion is?

MAYOR LOGAN: I would say somewhere in the neighborhood

of 7 or 8 per cent on his investment.

ASSEMBLYMAN VEIT: Mayor, when the re-evaluation or reassessment of the apartments in your town were made, when they went down and they got a rebate on their taxes, didn't that in fact mean that the other taxpayers in the town had to pick up that difference?

MAYOR LOGAN: Very obviously, yes. The burden had to be carried by the rest of the taxpayers.

ASSEMBLYMAN VEIT: So, in fact, because there was less income, because they got a lower valuation, the homeowners and the other taxpayers in the community had to pick up the difference. I just wanted to establish that.

MAYOR LOGAN: Yes.

ASSEMBLYMAN MEGARO: Any other questions? (No response.) Thank you, Mayor Logan.

Our next speaker will be the Honorable Thomas Dunn, Mayor of Elizabeth.

T H O M A S D U N N: Thank you, Mr. Chairman and members of the Committee.

I don't want to scare you gentlemen with all the papers that I have in front of me. Truthfully, I am not prepared to give a formal statement to you, but what this envelope does contain are letters that have been coming to my office for many months, indeed many years, pleading with me to do something about giving the tenants a break in our city.

First, let me give you a very brief breakdown of the City of Elizabeth. We are now the fourth largest city in the State of New Jersey. We are the only city of the so-called "big six" that grew in population during the past ten years. I would like to say that we must be doing something right in our town if people are leaving other cities and trying to find places to live in our city.

For your information also, as some other speaker mentioned, we have had a tremendous influx or migration, if you will, of Spanish-speaking people into our city in a

very brief period of time. So there will be no misunderstanding about it, I might say this, that we welcome them and they indeed have been an asset to our city, especially in the area of revitalizing some of our business districts.

In our town today, approximately 50 per cent of our residents are tenants, which gives me cause to make note of a question that was asked of the speaker before Mr. Kean about the possibility that if a new Legislature were voted into office, couldn't this 656 be knocked out or repealed. Well, from a political standpoint, and I am not being facetious when I say this, I sincerely feel that if you do at long last adopt into law Assembly 656 or something even stronger than that, that you won't have to worry about there being a new Legislature. I think the tenants of this State will show their appreciation to those men who vote in favor of it or something similar or something stronger than it.

Since 1969, I have been trying to do something in our city, and so has our city Council, toward giving the tenants a better break than they have been getting. Unfortunately, just about everything we tried has been ruled unconstitutional or our Law Department simply told us that we could not do it.

What has happened in our town - and I am sure in many other towns - is that what was once a personal relationship between landlord and tenant has almost disappeared, except in some cases where you have two-family houses or three- or four-family houses where the landlord still lives on the premise. But in our town - and I can only speak about our town - one of our big problems is that the big apartment-house complexes are owned by conglomerates and the tenants are not recognized as Mrs. Clancy or Mrs. Schwartz, but by numbers. For example, we have one large complex in our city and we are still trying to ascertain the true ownership of that particular complex. We are dealing with a corporation that has been swallowed up by a conglomerate

and, therefore, the personal touch is no longer prevalent in our city between landlord and tenant, except in rare cases.

We have noticed too that when we increase taxes in our city - and like all other governmental bodies, they have averaged somewhere around 10 per cent per year - surveys that we have conducted as the official family and surveys conducted by other agencies have indicated to me concretely that in many cases some unscrupulous landlords have been making money on tax increases foisted on them by city governments.

While the survey that I have in front of me is an old one, I would like to make reference to one specific situation that was brought to our attention by our Tax Department a couple of years ago. The report that I am reading from was dated February 25, 1971. Therefore, it is not too old. One apartment house owner in our town had a total increase in taxes of \$10,600 for the years 1968, 1969 and '70. He raised the rents in 1970, \$75 per month per unit on 63 units, thereby increasing his gross income \$56,700 for that year. This specific case reflects an increase of 60 per cent in gross income. Yet increases in taxes and other operating expenses amounted to only 20 per cent.

Now, in fairness to landlords, I do believe that this is an exceptional case of rent gouging. But we have been faced with an ever-increasing number of rent gouging cases of late, despite so-called Nixon Phase I and Phase II programs.

I don't mean to be political with this comment, but in my opinion both Phase I and Phase II have been frauds perpetrated on the people of this country, especially in the area of rent control or rent stabilization or rent standards or rent guidelines. Because there is absolutely no agency in the State of New Jersey or any place else in this country, as far as I can see, that has the ability or

the manpower to enforce the Federal guidelines on landlords who wish to take unfair advantage of the situation. As a matter of fact, any contact that I have had with IRS or any other so-called authority on these guidelines only makes me more confused than ever. And I know when our tenants and landlords contact the so-called authorities, they are more befuddled and confused than ever before. So while the intent and purpose of the guidelines may have been commendable and good, there has been definitely a lack of enforcement and the unscrupulous landlords have been taking unfair advantage.

I am here as the Mayor, but I am also here in the company of a very strong agency in our city or group, known as the Elizabeth Tenants' Association. I am here to lend that organization moral support in asking you to adopt into law Assembly Bill Number 656.

If I have any comment to make whatsoever about this bill, it is that it is not strong enough. We in the City of Elizabeth have been trying to get rent control for several years now because we have a less than one per cent vacancy factor in dwellings in the City of Elizabeth. You referred to a situation of less than five per cent. We have been living with this less than five per cent area for many years now. While we are proud of the fact that we are growing in population, we are saddened by the fact that we have no place to put the people who want to come into our city. Therefore, it opens up an opportunity for unscrupulous landlords to take advantage of it.

This appearance also gives me the opportunity of touching briefly on what has already been mentioned. Someone questioned previous mayors of suburban towns as to restrictions on construction of new apartment houses, whether they be high-rise or the low-rise type. I think this indeed is one of the problems of the State of New Jersey and perhaps other states, that too many suburban towns are not accepting the responsibilities of a new culture, a new society. They

are not accepting low-income people into the suburban towns. By zoning restrictions and other discriminatory practices, they are restricting the new construction in suburban towns that could be opened up to low-income and middle-income people. As a result, low-income people, middle-income people, and - I don't like to refer to them as senior citizens - I like to refer in this particular category to people living on fixed incomes - they must of necessity stay in the cities. If the suburban towns would accept their responsibilities and help out in this over-all problem, which is a problem of the total society and not just a problem of the urban cities, indeed I do not believe there would be need for this Assembly or for any other governmental agency to be worrying about the total problem.

I respectfully ask you gentlemen to give serious consideration to using your influence with other members of the Assembly and Senate and the Governor to enact into law, at least, Assembly Bill 656 or indeed something perhaps with more teeth in it.

ASSEMBLYMAN MEGARO: Thank you, Mayor Dunn.

ASSEMBLYMAN IMPERIALE: Mayor Dunn, I would just like to make reference to two statements that you made, one pertaining to the statement of how the tenants would react if this legislative body would vote in favor of this type of bill. I just wish to say that I have remained open-minded and I am sure this Committee has. It is incumbent upon this legislative body to protect the poor as well as protect the landlords. Sometimes where legislation may sound good, it doesn't really serve the poor people. Concerning the reference to President Nixon's program, I agree that Phase I and Phase II are frauds. It is unfortunate the President of the United States didn't freeze everything when he put on the freeze, including taxes.

You made reference to the migration to your city, I would like to ask a question that is important to me: With the increase in population in the City of Elizabeth, what

has been the increase in your welfare rolls?

MAYOR DUNN: There has been no radical increase in our welfare rolls in the City of Elizabeth, despite this migration. It is a tough thing to gauge, however, in view of the fact that most of the welfare problems are now being absorbed by the county. But with the migration of the Spanish-speaking people into our town, there has also been a stabilization, I believe, of the Black population. The percentage of increase on the welfare rolls, I do not believe to have been increased to any great extent by the increase in population over that same ten-year period.

ASSEMBLYMAN IMPERIALE: You said since 1969, you have been trying to give a break to tenants. Since 1969, what has been the increase in taxes for Elizabeth?

MAYOR DUNN: Well, if you take about a 10 per cent increase per year, I think that would be a pretty good score.

ASSEMBLYMAN IMPERIALE: Of these unscrupulous landlords that you spoke about, how many has the City of Elizabeth ever brought in and tried for being slumlords and convicted?

MAYOR DUNN: We have brought in many. In most cases they are the same landlords. Again, to repeat, in some instances, it is quite difficult to truly ascertain who the landlord is. The one conglomerate that I speak of has its main office in Chicago, I believe, and they have one or two local people who manage the property and, in fact, do not even give the management of the property to a reputable local real estate broker. So as far as we know, the owner of that property is nothing more than a post office box in Chicago.

ASSEMBLYMAN IMPERIALE: Mayor, just two more questions. Do you have much vacant land in Elizabeth?

MAYOR DUNN: We have no vacant land, except a parcel of land now of some 13 acres that we completely leveled with a very firm commitment, in fact, from the Federal government that we would be able to build housing for the people who need it most, the low-income people. However, after

eight years of planning, after eight years of relocation of people, after eight years of demolition of everything that looked like a structure and everything on that land, - it is now a barren piece of land - the Federal government has violated its commitment to the City of Elizabeth and they have stopped us from constructing the homes that we wanted to build because after eight long years, some genius in Washington recognized the fact that the Newark Airport was right next to that site.

We have vacant land that was meant for housing, but the Federal government will not allow us to build housing there now because of the noise factor coming from the Newark Airport.

ASSEMBLYMAN IMPERIALE: One last question - In places like Newark, Elizabeth, etc., would you agree there are times where little land or none is provided in zoning for construction of new apartments? I notice a lot of towns and cities drag their feet in zoning. There is very little zoning, so there can be new construction of apartment houses. How do you feel about that?

MAYOR DUNN: Our city has bent backwards. We have a Variance Board, a Board of Adjustment, whatever you might want to call it. They have been extremely liberal, in my opinion, in allowing the construction of apartment-house complexes where it would not radically affect the character of the neighborhood.

ASSEMBLYMAN IMPERIALE: Thank you.

ASSEMBLYMAN VEIT: Mayor, since 1969, you have been trying to get some rent control you said in Elizabeth?

MAYOR DUNN: Well, actually it was before that. But in 1969, we started to notice an increase what we considered to be rent gouging or excessive increases in rents being charged tenants.

ASSEMBLYMAN VEIT: Since that period, has there been any substantial new developments in the community - any purchasing of old buildings, demolition - by private industry, not necessarily by government sources?

MAYOR DUNN: In just about every area, there has been a stabilization of everything because of the lack of land. The Port of New York Authority has taken over perhaps the prime land of our town, to the extent of some 25 per cent of it. The piece that I referred to on which the Federal government now prohibits construction of housing is vacant and will be for some time.

In my opinion, urban renewal has been a dismal failure in our city as in every other city across the country. So we can go nowhere now except up and that presents many problems to our community.

ASSEMBLYMAN VEIT: Especially for the airplanes coming in.

MAYOR DUNN: Right.

ASSEMBLYMAN VEIT: Mayor, have you received any overtures from private industry on that 13 acres as far as development is concerned?

MAYOR DUNN: Yes, overtures are being made to have it rezoned for light industry.

ASSEMBLYMAN VEIT: Light industry, not housing?

MAYOR DUNN: Light industry, not housing.

ASSEMBLYMAN VEIT: Thank you.

ASSEMBLYMAN MEGARO: Any other questions? (No response.)
Mayor Dunn, thank you very much.

We will have one more speaker before we recess. I would like to ask the speakers to try to limit their remarks to five minutes.

Our next speaker is the Honorable Matthew Rinaldo. Is Senator Rinaldo present? (Not present.)

Mr. Daniel Gaby. (Not present.)

Mr. Michael E. Levin, Lakewood Township Committee, Lakewood, New Jersey.

M I C H A E L L E V I N: Gentlemen, I will try to be very brief. My name is Michael Levin. I am a member of the Lakewood Township Committee, which I believe in the summer of 1971 was the first township to pass a rent leveling ordinance, which was modeled primarily on some of the

suggestions that were made in former Assemblyman Kravarik's bill in 1970.

Again, just to be brief, I attended similar hearings before Assemblyman Brown's Committee, now Senator Brown, in April of 1970 here in this Chamber. It is interesting to note that at that time there were approximately four or five other people here from Lakewood and I came merely as a spectator, but I knew the people and they asked me to speak for them. They asked me to speak for them because they were tenants who were afraid to speak for themselves.

I want to commend you at this time for doing away with that evil and passing the Tenants' Bill of Rights.

I would like to give you the benefit of our experience in Lakewood with the rent leveling ordinance. We reached our decision to pass that ordinance in the summer of 1971 because in 1970 and in 1971 nothing had been done on this level to give us enabling legislation. We also reached that decision because we were concerned that many, many of our citizens, our elderly and retired, had been, in essence, lured to our community by very low rents. They had been locked in on fixed incomes. Their buildings had been sold at higher prices after the buildings were filled and these people were forced to pay exorbitant increases, increases that they could not afford.

We felt because nothing had been done, because this situation existed and because there was a need to focus attention on the plight of our tenants, we had to take the drastic step that we did. So in July of 1971, we did pass a rent leveling ordinance.

I would like to happily say to you that the passage of that ordinance was not completely without the cooperation of the landlords in our town after the ordinance was passed. I say that because we did establish a Rent Control Board with two members of the Township Committee, myself included, and a member of our Housing Authority being included, and I can report that that particular Board did help negotiate a

lease between the largest landlord in town and approximately 300 apartment units.

I would like to comment on two of the questions that have been raised here this morning, those questions being: one, will more construction be hindered by rent stabilization; and, two, what is a fair return for a landlord?

I think I can answer both by concentrating on the fair return question. I don't think there is a definite answer to what is a fair return. However, I would urge you to do this - pick a day and come to Lakewood. We have many, many apartment buildings in Lakewood and we have good zoning for apartments. Come to Lakewood. Pick out any five apartment buildings built in the 1960's. Then you and I will try to get a list of the owners - and we can - and we will say to the owners, "Submit to us your Federal income tax returns." Then let us submit to our CPA's these returns and let them do an analysis on what the return on their original cash investments is. Let's do an analysis and see what actual benefit that initial cash outlay has been. I think you will find, gentlemen, that the return has been substantial. I think you will also find if you were willing to trade them 15 per cent per year compounded on their original cash investment, they would not trade you. I think you will find, particularly in our town and our area, that apartments are built more and more by people who want and have to take advantage of our tax laws, our depreciation laws, etc.

There was some question raised by Assemblyman Imperiale about there perhaps being some need for more study before this bill is passed. Well, I urge you to study this. But I urge you to pass the bill first. Because I have been coming to these hearings since 1970, our Legislature and many others have been studying it. The more you study it without action, the worse it becomes for the tenant. I urge you to pass this bill and then to study it some more.

In closing, I have been thinking as I have been sitting here - and I am sure you are going to pass this bill because it is so badly needed - about some of the things you might consider after you pass it and which might be included in future amendments and future bills.

Number one, Mayor DeFino - and I wholeheartedly agree - made the suggestion that whereas in this particular bill before you now you have put in some machinery so that municipalities can get out of the provisions, you should have some machinery for municipalities to ask to be included in the provisions, and I agree. I also would urge that there be more municipal control in this area because I believe that people on the municipal level are more attuned to the problems in their townships. However, I do recognize that there are certain political considerations about becoming locked in once this type of legislation has been passed. And I do recognize that there may be people who feel that once you pass rent leveling, the next thing you will do will be to go to rent control and rent freezing. I urge you to avoid this so we can avoid the type of problems that existed under the New York situation where there were some buildings that in 1970 had rents frozen at 1943 levels, and that is what creates slums. I believe that rent leveling will not create slums.

I also urge you in the future to provide some machinery to foster improvements in building and I think it is only fair when improvements are put in, something be passed on to the tenant to pay for those improvements. However, I would urge you, as you become more sophisticated in setting up the bureau which must necessarily accompany this legislation, to tie in those improvements with tax depreciation, etc., etc., and have some machinery available to check this.

In closing, I would like to agree with some of the officials from some of our larger cities here in New Jersey. I come from a township that has approximately 30,000 people. Approximately one-third of our township is developed. We

have some of the largest corporate builders now building single-family homes and apartments within our township. We face innumerable problems. But I think it is only fair to say that if a township committee or a mayor or a borough council wants to have some kind of rent leveling ordinance, then they too must show their good faith by having adequate zoning laws to provide housing for low- and middle-income people.

I urge you to follow up whatever you are going to do in this particular area of rent leveling with the necessary corollary of perhaps providing in the future legislation whereby municipalities who don't have adequate zoning laws to provide for low- and middle-income housing are not eligible for this type of remedial legislation. Because all the people of the State of New Jersey are concerned and it would be unfair to many, many others if you didn't follow it up with that. Thank you very much.

ASSEMBLYMAN MEGARO: Thank you. Assemblyman Imperiale has a question.

ASSEMBLYMAN IMPERIALE: Mr. Levin, with reference to your statement that we should pass this legislation and then study it, in the past I have witnessed too much legislation that has been passed first and then studied later. The poor people and the middle-class people are always the ones who suffer for it. That is why we are trying to scrutinize this as much as we can.

MR. LEVIN: My point is, sir, that a lot that is in this bill was before a similar committee in 1970 and 1971, and you know you can study it to death. I think that it is fine to keep studying it, but you are keeping the status quo. I urge you to study it and at the same time, it is time to give the tenants a break because they have had their troubles.

ASSEMBLYMAN IMPERIALE: Thank you. We have been tenants for many years and I know what it is to be a tenant.

You made reference to the town from which you come. You have permitted zoning for single houses and for apartment

houses.

MR. LEVIN: Yes.

ASSEMBLYMAN IMPERIALE: Yet, if I am not mistaken, in the town you come from you have very strict zoning pertaining to apartments.

MR. LEVIN: Absolutely not true.

ASSEMBLYMAN IMPERIALE: How many apartments have been built in your town for ~~low-income~~ and middle-income people?

MR. LEVIN: For low- and middle-income people?

ASSEMBLYMAN IMPERIALE: Yes.

MR. LEVIN: For private industry?

ASSEMBLYMAN IMPERIALE: No, for the people, whether private industry or not. How many have you built lately?

MR. LEVIN: We have a Housing Authority, which is a separate and distinct body from the Township Committee. It is my understanding there has been built since their existence approximately 200 units for senior citizens, subsidized housing, and they have built approximately 100 units for low- and middle-income. In my estimation that is not enough. If I had my way - and I have been on the Committee for the last year and a half - I would like to change the philosophy on that particular Housing Authority. I am sure you are aware the financing up to this point has been chiefly Federal funds available for that type of housing.

Now the State of New Jersey has created the New Jersey Housing-Finance Authority and I hope that our township will see fit to take advantage of that particular authority and create more middle-income and low-income subsidized housing.

ASSEMBLYMAN IMPERIALE: Thank you.

ASSEMBLYMAN MEGARO: Any other questions? (No response.)
Mr. Levin, as Assemblyman Imperiale stated, the policy of this Committee is to study the bill and then release it, not to release it and then study it.

MR. LEVIN: I understand that. What I am saying is that the basic elements of this bill have been considered for

more than two years. I sincerely believe that it is time now to pass this bill and not put it away for another year. I think it is awfully important.

ASSEMBLYMAN MEGARO: Thank you, Mr. Levin.

In keeping with our policy of having elected officials speak first, we have one more elected official, and that is Mayor Robert Brune of Dover Township.

R O B E R T B R U N E: I would like to thank you gentlemen for the opportunity to speak on such short notice and I will be brief.

As Mayor of the largest township in the fastest-growing county in the Nation, I fully support the residents of my community who are concerned about the tremendous increases in rents they have experienced in the last few years.

As one example, rents in some of the trailer parks in Dover Township, I have been told, have increased in the last year and a half up to 86 per cent, and the people there are now being asked to bear the burden of the cost of sewer assessments.

We are experiencing in Dover Township and throughout Ocean County a population explosion. The military officials at Lakehurst Naval Air Station are desperately seeking housing for their personnel and there is no doubt we have a vacancy rate of housing well below 5 per cent.

I think the groups that are particularly hardest hit are the people that are in the military, the senior citizens that have just recently moved into our area, and the young people that are just starting out in life and do not have the means to afford their own home.

I applaud the efforts of this Committee for addressing themselves to an issue of vital concern to a very large group of people, not only in Dover Township and in Ocean County, but throughout the State. I would hope you make a favorable report and take into consideration the pleas you have heard here today.

I thank you again for the opportunity of being

heard. Thank you.

ASSEMBLYMAN MEGARO: Any questions? (No response.)

Thank you, Mayor Brune.

I would like to thank every participant this morning for your undivided attention. We will recess now until 1:30, at which time we will reconvene. Thank you very much.

(Recess for Lunch)

(Afternoon session)

ASSEMBLYMAN MEGARO: I would like to ask all members of the Municipal Government Committee to please take their places at the head table.

Good afternoon, ladies and gentlemen. Welcome to part two of the hearing on the Rent Leveling Bill, Assembly No. 656.

I would like to thank you for returning this afternoon and I would like to reiterate that all of the rules pertain to the afternoon session, as well as they did to the morning session.

I would like to also mention that any written statements by any speaker can be presented to the stenographer and they will be made a part of the record. Secondly, if there is anyone who has to leave at a particular time who would care to have his statement recorded, he can do so by leaving it with the stenographer and, again, it will be included in the record of this hearing.

We will try to follow the five-minute rule in order that we may hear as many people as possible in this afternoon session.

Again, the rules of this House: There will be no demonstration of any sort in the manner of any cheering, whistling or clapping for any one speaker. We would appreciate it if you would refrain from doing so. I urgently request you to cooperate with all of the rules so that we can move along rapidly. And I am sure, if you will extend the same courtesy to us this afternoon as you did this morning, we will be able to have a very successful hearing. I am sure the members of this Municipal Government Committee will extend every possible effort to hear you and to make an equitable decision.

I would like to again introduce, for the benefit of those who were late in arriving, the members of this Committee. This is the Municipal Government Committee of

the General Assembly of the State of New Jersey. On my left, your right, the Honorable Arthur Manner, Assemblyman from Union County; the Honorable Robert Viet, Assemblyman from Bergen County; on my right and your left, the Honorable Alexander Menza, Assemblyman from Union County; and also the Honorable Anthony Imperiale, Assemblyman from Essex County; and yours truly, from Essex County, Frank Megaro.

We will proceed by calling as the first speaker, Mrs. Bess Gollin, Chairman of the Hudson County Rent Payers Organization. Mrs. Gollin.

M R S. B E S S R. G O L L I N: My statement today is, why we need rent control at once.

Mr. Chairman, Assemblyman, Mr. Megaro, Committee Members, ladies and gentlemen:

I am Mrs. Bess R. Gollin, Chairman of the Hudson County Rent Payers Organization and President of the Jersey City Rent Payers Association, Inc.

For the past 14 years, since the demise of rent control, I have been going to Trenton in behalf of the rentpayers, asking for a rent control bill. There were many bills put in the hopper in the Assembly Chamber, but none, however, were brought out on to the floor for a vote. Rent control is needed at the present time, as long as the housing shortage is still with us. You know and I know just how acute the shortage is, and there is no argument about it.

Many of us live in heavily industrialized and populated areas throughout the State where available housing is at a premium, especially in apartment dwellings where moderate and middle income people reside and where rents are increased time and time again with no end in sight. And in the light of the very serious housing shortage, tenants need some protection against the vindictive landlords and agents for arbitrary rent increases and evictions that are cluttering up our courts today.

These increases are imposed upon a hapless and helpless people who have no one to turn to in their behalf, all because of no realistic rent control bill. The rentpayers are bewildered, exploited and desperate and are forced to deny themselves the very necessities of life in order to pay the excessive rents demanded. In the interim, despite the current recession, inflation and lay-offs, and with the high prices of food and other commodities, a great number of mothers are compelled to leave home and children for work on account of this condition to help supplement the husband's income, not to acquire luxuries, but to meet actual expenses to survive.

Many landlords are taking undue advantages of the hard-working family man, those living on fixed pensions and social security, the crippled and the lone person. Their constant cry is, "Where can we go? What can we do?"

There is no weapon being used at the moment to stop these increases for the foreseeable future unless we have some kind of control that would be fair and just to both tenants and landlords. Despite this chaotic state of affairs, nothing seems to be done to ease this burden in behalf of the rentpayers.

Housing in all areas is no longer a competitive business. It has become a monopoly and, like any other monopoly, has resulted in skyrocketing prices. We all know very well that the demand of housing is greater than the supply; therefore, in the meantime, a solution must be found.

We are not against all landlords but we are against the unscrupulous landlords, especially the absentee ones who take no interest in the City or its affairs. And they, through their unreasonable and greedy demands, are inflicting untold sufferings upon unprotected people, condemning them to live in fear and uncertainty, even afraid to ask for the necessary repairs and decorating due

them for the higher rents being paid, and compelling them to live without the dignity which is every man's birthright.

The rentpayers are appealing to you today, as both human beings and your people. They do not live on a distant planet. They are your people from your own State. The rentpayers' needs have been ignored and we have been held in contempt at the State level by men duly elected in both houses to serve all of the people, not just a chosen few, such as the powerful Real Estate Lobby, which can buy anything for their own good.

A democracy where partiality is supposed to be unknown - let us rid ourselves of these people who trample the weak and turn deaf ears to the pleas of the rentpayers.

A temporary and optional rent control bill should be passed at once, until such time when adequate housing can be had for all people at the prices one can afford. The rent bill should be based on cost-plus, taking into consideration land value, taxes, cost of repairs and upkeep, and actual investment, for a return thereon. There should be established immediately in the State a separate tenant-landlord division under the New Jersey State Community Affairs Department, to which both parties can have an opportunity to register their complaints and suggestions.

This is a democracy where people are supposed to be given equality and consideration when in need, and not to be ignored or handed over to the powers of money. This rent issue transcends party lines. It is not a Democrat or a Republican issue. Ours is a people fight - a fight for our God-given rights. It is now a matter of whether we can survive with these present conditions. The rentpayers are the majority of the voters and taxpayers, yet they are the most neglected ones today. Frankly, we suspect feet dragging in Trenton and we now feel that it is certainly the time for all who claim to be our friends in both Houses to stand up and be counted. We are only asking for what

is rightfully due us.

Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mrs. Gollin.

Our next speaker, Ellsworth Morgan, Newark Tenants Union. (No response)

Mr. Alexander Feinberg, New Jersey Builders Association.

A L E X A N D E R F E I N B E R G: Mr. Chairman and members of the Committee, may I at the outset thank you for the opportunity of appearing here today and being able to present testimony on behalf of my client, the New Jersey Builders Association.

Not for the purpose of boasting, but for the purpose of giving some credence to my qualifications, may I submit to you that I was a member of the drafting committee of the Planning Act which is now a part of Title 40 of our New Jersey legislation. I also served for ten years as a member of the Executive Committee of the National Association of Home Builders; and likewise served, in the year 1967 and 1968, as a member of a Presidential commission, known as the Douglass Commission, a national commission on urban problems, which dealt almost exclusively with housing, zoning and taxation.

I merely make that statement to give some credence and some authenticity to some of the remarks that I may make.

I appear before you today as a representative of perhaps the most maligned group of businessmen in the State, that is the landlord. And as Counsel to the New Jersey Builders Association, I think that I can speak for most landlords when I state that we are pleased that the moment of truth has finally arrived. All the headline-hunting hullabaloo, emotionalism and name-calling by certain advocates of this bill finally is over. At last we are being presented with the opportunity to appear before a

responsible committee of the Legislature in order to explain logically, reasonably and realistically why A-656 is a bad bill. The truth is, as will be demonstrated by a series of speakers following me, that New Jersey does not need and cannot afford rent control.

At the outset, I think it important for us to arrive at an understanding of terms. It doesn't matter whether you call it rent leveling, rent stabilizing, rent minimizing or some other fancy-sounding euphemism. A-656 means only one thing -- pure, unadulterated rent control. The fact that its most vocal proponents steadfastly refuse to identify it by its proper name serves as an eloquent testimonial to the inadequacies of and onus placed upon "rent control" by most people. The reluctance of that well-publicized but largely fictitious tenants' organization which is pushing this bill to admit that this is out-and-out rent control serves to underline the importance of much of the testimony which we will present here today.

For New Jersey, a State desperately trying to combat what Gov. Cahill has referred to time and again as our "crisis" in housing, rent control is absolutely unacceptable. Why? Because it is ludicrous to try and cure any illness of this magnitude by what is recognized by housing and governmental experts alike as a thoroughly repudiated quack medicine. If rent control is the cure, perhaps we're better off with the disease. Rent control was appropriate and even desirable during the emergency conditions that existed in the days of World War II, but it is hardly appropriate for today's times. You need look no farther than New York to see that the imposition of so-called "temporary" rent control would create such catastrophies as:

- * Wholesale apartment abandonment.

- * Declining property values and massive building deterioration.

- * A substantial shift of the property tax burden to home owners.
- * A bureaucratic crisis.
- * Most importantly, an absolute deterrent to new housing construction.

Other speakers will elaborate on these and related points and discuss the positive program which the New Jersey Builders Association and the Apartment House Council have developed to allow the law of supply and demand to work in housing by creating a true buyer's -- and renter's -- market.

My role is to provide at least a partial analysis of A-656, offering some observations on its failings and the lack of logic in many of its provisions. I will seek to highlight some of the deficiencies of this measure.

Considering that A-656 is only eight pages long, it is remarkable that it contains so many faults. In stating its purposes, the bill asserts in Section 2 that "a serious public emergency exists due to a critical shortage of housing space..." Yet, enactment of this legislation guarantees that this emergency will worsen because no new rental housing would be built.

We should be able to dismiss Section 3 as mere inflammatory language. However, I would point out that this is the type of language which applies a broad and vicious brush to all landlords, lumping all under the charge of imposing "exorbitant, speculative and unwarranted" rent increases. The vast majority of landlords are, in fact, independent businessmen seeking a fair return on their investment.

As for the impairment of the tenants' standard of living, passage of this measure almost guarantees it since landlords would be forced to reduce standards of maintenance, curtail improvements and let buildings go under, as occurred in New York. In that city, by the way, the abandonment rate had reached 1,000 apartment units a week before rent control finally was tempered last year.

And if I may deviate from my text for just a moment, I recall very distinctly, during the course of our public hearings which we held all over the Nation on the Douglass Commission, one of the things we found was the failure of the local government to literally enforce code enforcement to see to it that people had habitable and decent housing.

Under Section 4 (e), the definition of "vacancy rate of housing space" is inaccurate since it applies only to space "available to rent to tenants which is unoccupied and offered for rent." This overlooks all housing space which may be occupied now but might be offered for rent a month or two from now. Even in today's era of housing shortage, the annual turnover often runs between 25% and 50%.

Those promoting this bill have consistently advanced the argument that landlords would not suffer since increases would be tied to the "Consumer Price Index" as it appears and is provided for in Section 4 (g). For reasons which other speakers will discuss, there is no relationship between the Consumer Price Index and housing costs.

The local option provision contained in Section 7 is a mere illusion since there really is no option at all. Rather than allowing a local governing body to decide whether rent control should be imposed, the bill sets a strictly mathematical basis for any decision -- the artificial 5% vacancy rate. The local governing body would have nothing to say about it.

Section 8 is particularly disturbing since it assures that no landlord could take into account predictable cost increases during the operative term of a lease. Any cost-related increase would have to be based on price changes during the preceding rental or lease period. Thus, if prices rise sharply during the term of a lease, the landlord must absorb the loss. He never would be able to catch up.

I think it essential to point out that both landlords and tenants would have to be economists in order to meet the complicated requirements of this and other sections. This section, for example, refers to a court but there is no indication of which court. Other sections do specify "the County District Court." A-656 not only threatens to tie up the District Courts, but the County and Superior Courts as well. Whatever the court of jurisdiction, the amount of time that would have to be consumed by hearing rent control and related cases would sharply decrease the time available for all other types of civil and even criminal cases.

Section 9, while permitting a limited increase based upon municipal property taxes, does not take into account special assessments, water charges and other non-tax payments to governmental bodies. Furthermore, the language regarding return of moneys placed in escrow because of tax appeals is vague. It dictates that every successful tax appeal must result in a full repayment of all the money held in escrow, less expenses of the appeal. What happens in the case of an appeal which is only partially successful? There is no provision for partial repayment of tenants' moneys.

The creation of a Bureau of Rent Leveling, provided in Section 10, would mark the beginning of a major new State bureaucracy. It would be a monumental task to administer housing matters involving hundreds of thousands of individual apartments. Proponents of this bill claim that it would take only "two or three people" to man the proposed bureau. This is patently ridiculous. Experience with various levels of government makes it clear that it could take two or three people just to man the waiting room. It cost New York City \$15 million a year to administer rent control. Costs in New Jersey would include not only the operations of a Bureau of Rent Leveling but new judges and attendant court personnel for the District and other Courts.

Sections 11 and 12 epitomize the illusory -- and almost fraudulent -- nature of the entire bill. They claim to permit a landlord to recover for "improved services, furniture, furnishings or equipment," or for providing a "major capital improvement." But both of these sections set a 1 1/2% maximum charge. Simple analysis reveals that this will not provide the funds for any major changes. For example, a three-apartment building with average rentals of \$200 per month would be allowed \$9 a month for improved services or for a major capital improvement. The maximum "major capital improvement" that could be financed under this provision would cost \$750.

A 100-unit luxury apartment house with average rentals of \$300 a month per unit, could spend a total of \$5,400 on improved services. Try and get a doorman for that amount in one of the luxury apartment buildings in which certain spokesmen of the so-called Tenants Organization reside.

Making matters worse, even these meaningless 1 1/2% surcharges could not be obtained unless the landlord files an action in County District Court. I wonder how many retired people who supplement their Social Security with income from a small apartment house would thereby be precluded from any such increase.

Section 15 is most disturbing. Although this bill does not take effect until present federal controls end, under this section the base rent would be rolled back to January 1 of the year the bill is approved -- presumably 1972. Federal controls could last several more years, and increases might be legally obtained by landlords in that period. As a result, the rollback to January 1, 1972, would have catastrophic economic consequences. Here is a perfect example of the irresponsible, ill-conceived nature of this legislation.

A claim that the exemption given new housing by Section 17 would produce a construction inducement is ludicrous. No investor in his right mind would put money

into new housing knowing that his freedom to establish later rentals disappears once the first rental is established.

Section 19, which lists the records which must be maintained by landlords, seems to assume that every property owner is a big businessman with well-equipped and staffed offices and substantial clerical and other personnel. In reality, of course, just the opposite is true. Most rental property in New Jersey is owned by individuals who depend in great measure on the income of the property for their livelihoods. Most of these owners conduct the business from their homes which are hardly suitable for the kind of public and governmental record inspection authorized "at the owners' principal place of business within the State."

Section 20 represents another open invitation to expensive litigation that will assure that District Courts will spend most of their time trying to settle cumbersome landlord-tenant cases. Further, the backlog of rental cases will be so large that by the time decisions are reached the cause of action will have either disappeared or be so aggravated as to bankrupt the landlord.

Finally, Section 26 offers the best demonstration yet of why this bill is such an exercise in futility. By providing that the rent control program not begin until federal controls are lifted, it is conceding that, at this time, the bill is meaningless. Who can say what conditions will be when the wage-price freeze is over? Does it really make sense to enact such stringent, unbelievably burdensome legislation without taking into account conditions which may exist when the bill becomes operative? This merely substantiates our contention that A-656 is no more than an inflammatory attempt to reincarnate a program which died in New Jersey years ago in an alleged effort to alleviate our housing shortage. Considering what the consequences would be, such an attempt is all the more unfortunate.

The worst factor is that this effort is being made at a time when the State appears to be beginning to emerge from its housing slump. To pass this bill would be to signal private housing developers to look elsewhere. This enactment could only guarantee housing and economic strangulation in our State.

It is worth noting what the New York Times said in an editorial on April 19, 1969, before rent control was extended to new housing. The Times stated that the effects of such an extension "would be to deepen the morass in which the city is now floundering. More buildings would be allowed to deteriorate and be abandoned and new construction would be stifled. This would strip the city of the only hope of relief from its housing crisis."

Or, as the New York News cautioned its New Jersey neighbors just a few months ago: "Thousands of abandoned dwellings in New York City bear witness to the high cost of rent controls -- a price measured in blight and sub-standard housing for the very people the ceilings are supposed to protect."

Logic dictates that A-656 must be dropped in the legislative scrapyard now. To give it further consideration would only serve to encourage those who, knowingly or not, would destroy the New Jersey housing market and wipe out the hopes of hundreds of thousands of our people for a better life.

Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Feinberg.

Any questions?

Assemblyman Imperiale.

ASSEMBLYMAN IMPERIALE: Mr. Feinberg, your presentation was well put but there is something that bothers me. The New Jersey Builders Association - you just said in your speech that if this bill were to pass it would very probably stop construction from going on in certain cities. Is that so?

MR. FEINBERG: Well, I want you to understand,

Mr. Imperiale, it was not stated as a threat.

ASSEMBLYMAN IMPERIALE: I mean as a fact. I didn't question it as a threat. That doesn't worry me. Was that correct in what you said.

MR. FEINBERG: They would be discouraged from new construction.

ASSEMBLYMAN IMPERIALE: The question is now, the City of Newark, before this bill came up, has had dwellings that have been abandoned and I have not seen where the New Jersey Builders Association wanted to come to Newark and build. Why?

MR. FEINBERG: There may be other factors, Mr. Imperiale, that I cannot at this moment attest to.

ASSEMBLYMAN IMPERIALE: You see, I'm just concerned about this because here is the City of Newark which is a dying city --

MR. FEINBERG: I agree with you.

ASSEMBLYMAN IMPERIALE: -- and for the past two years, I've checked, the New Jersey Builders Association has not come in to contemplate building any new homes.

MR. FEINBERG: I think that that statement might be more appropriately addressed to one of the following speakers who is actually in the construction business and the development business and who could more, shall I say, authoritatively answer your questions.

ASSEMBLYMAN IMPERIALE: Okay, fine.

ASSEMBLYMAN MENZA: I don't know if I am reiterating Assembly Imperiale's question but on page 2 the statement is made that the enactment of this legislation guarantees that this emergency will worsen because no new rental housing would be built.

MR. FEINBERG: Well, no multiple housing or housing for rental would be built because they would be discouraged from doing it because of the apprehension that they would experience in not knowing whether they could economically successfully operate it. If there are rent controls and the taxes are increased, the cost

of maintenance service is increased, they are without any limitation, without any reserve, and yet, if the rent control is put into effect, why should a man step into an areas of that kind where he would be endangered economically.

ASSEMBLYMAN MENZA: Why do you equate rent stabilization with rent control? I understand that the intent of this bill is rent stabilization and that the rents would be tied in with consumer index prices.

MR. FEINBERG: Some one of the other speakers will explain to you, sir, and to the Committee much more ~~adequately~~ than I can as to why it does not fit into -- the consumer price index does not fit into rent control. And it is our contention, I respectfully submit that whether you call it rent stabilization or rent leveling when it's cut right down to the bare point, it's nothing more or less than rent control, in our opinion.

ASSEMBLYMAN MENZA: Let's assume, for the sake of argument, that it is in fact rent control. I pose this question to you, Mr. Feinberg. I know your reputation. I'm also an Attorney. I know your reputation in planning and zoning and so forth.'

MR. FEINBERG: Thank you, sir.

ASSEMBLYMAN MENZA: So I pose this question. What's wrong with rent control if it in fact insures against rent gouging and also insures a fair return to the landlord on his investment?

MR. FEINBERG: What's wrong with it? From past experience - at least mine has been and maybe I haven't been shown everything, and my client's has been, that regardless of how well intentioned it is that a fair return will be there, it doesn't work out that way when you have a bureaucratic control. Now, I'm not in favor of rent gouging; I'm not condoning that; I condemn that. But what I am fearful of is that the whole or greater majority are being condemned and being given a blanket

indictment for the conduct of a very few.

ASSEMBLYMAN MENZA: Well, are you not here now weighing the equity of the two, weighing the rights and the position of the tenants as against a fair return as far as the landlord is concerned, and can't we, therefore, under those circumstances reach some sort of compromise hopefully in this bill so as to prevent rent gouging and yet in turn insure that the landlord gets a fair return?

MR. FEINBERG: Well the bill in its present form I don't think would accomplish what I am sure you are trying to do. Let me say this, that if you have a free market - you've probably heard this before but I mean this most sincerely -- if you have a free market which would encourage more construction - and since there is a dire need for more housing space, the greater the supply to take care of the demands and the needs, that in itself will level off any high rents because people will not be compelled to either take this or else; they will have a choice. And the building industry must proceed, it cannot stop, and they will construct and they will build and they want to fulfill that which the Governor has said, there is a housing shortage in this State.

If I may add, one of the things that has deterred the builders from building even more in some areas is the restricted zoning requirements. Now, fortunately, you may have read about the decision rendered by Judge Martino in Burlington County recently, Mount Laurel Township, where that wall, the Walls of Jericho now have fallen and it may be - to use the vernacular - a new ball game now. Now, this may help the suburban areas where we found, when we were on the Douglass Commission, the suburban areas were very stand-offish, they didn't want to take any problems of the urban areas; yet it was their obligation to absorb some of the population but they didn't want to do it. Now this may bring that about.

ASSEMBLYMAN MENZA: It's not my intention to

engage in colloquy with you but your proposition may be a valid one as far as building in an open market for the benefit of the entire State, but one of the situations, such as the City of Elizabeth, which I represent, one of my cities, where we only have approximately 13 acres, buildings are in fact there, the people don't want to live someplace else and they don't care about another apartment house being built at Parsippany; they want to remain in Elizabeth and they want to live there free of any gouging in decent apartment dwellings. How does the idea of new building effectuate from the urban type cities such as Elizabeth?

MR. FEINBERG: Well, let me say it this way. I am going to make a statement and I hope you will forgive me if I'm in error, but I would venture to say, because of my experience in other cities, that therein, within the bounds of the bounds of the City of Elizabeth, are many properties which should be torn down and replaced by new buildings. Is that correct, sir?

ASSEMBLYMAN MENZA: Yes.

MR. FEINBERG: That is the answer. That is the way to create the land to create new building and decent housing for people, which they are entitled to. Every man, woman and child is entitled to a decent home.

ASSEMBLYMAN VEIT: Mr. Feinberg, I just have a couple of questions for clarification here. I asked some of the previous speakers this morning if they could give me some sort of estimate. What, in your estimation, is considered a fair return for a landlord, fair return on investment?

MR. FEINBERG: Well, I'm not a good financial advisor. I wish you would propound that question to one of the other speakers.

ASSEMBLYMAN VEIT: All right, I'll skip that question then.

MR. FEINBERG: I can tell you this, 6% is somewhat

antiquated. It costs you more than that to borrow money from a bank.

ASSEMBLYMAN VEIT: Right. On page two of your statement, second from last paragraph, you say that the annual turnover runs between 25 and 50%.

MR. FEINBERG: Yes. They are the figures given to me by our research people.

ASSEMBLYMAN VEIT: I was just wondering why there was such a big disparity between 25 and 50 %.

MR. FEINBERG: I don't know. That's a figure that I accepted from the research.

ASSEMBLYMAN VEIT: Do you know offhand whether it's based on various regions throughout the State, you know, like the high and low throughout the State as an entirety?

MR. FEINBERG: Again, I don't mean to evade the question but rather than give you a guess, I would prefer that you propound that question to one of the other speakers.

ASSEMBLYMAN VEIT: There is a big disparity though.

MR. FEINBERG: Yes. There is someone here who can answer that, I know. This mathematical figure was handed to me, which I accepted.

ASSEMBLYMAN VEIT: All right. Now, on page 4, last paragraph, "Most rental property in New Jersey is owned by individuals." Do you know what percentage or what the total dollar figures are in that?

MR. FEINBERG: No, I don't. I heard Mayor Dunn, for instance, talk about absentee ownership and conglomerates own these large apartments. That's true in many instances but as a majority we find that it's a businessman, the individuals who own most of the rental housing in New Jersey. Our survey shows that.

ASSEMBLYMAN VEIT: You have no percentage figures.

MR. FEINBERG: I don't. Someone else may have but I don't have that.

ASSEMBLYMAN VEIT: On page 5, the third paragraph,

you say that we are emerging from the housing slump. On what basis do you make this statement?

MR. FEINBERG: Well, I think that basically, if you took an actual count, our survey shows on building starts - I think it is increasing, on the upswing now. Financing is a little more available which, of course, is one of the controlling factors. Some of the municipalities are opening up a little bit now on their zoning, some by sheer fear of being attacked as they were in Mount Laurel and some because of their sincerity to absorb the population which is overcrowding the urban areas. And I think, therefore, there is an upswing now or about to be one of some consequence in the building industry.

ASSEMBLYMAN VEIT: For how many years have we had this housing shortage, in your estimation?

MR. FEINBERG: Oh, I would say we've had this housing shortage for the last 8 to 10 years, in my opinion.

ASSEMBLYMAN VEIT: All right, no other questions. Thank you.

ASSEMBLYMAN IMPERIALE: Mr. Feinberg, I would just like to ask one final question. Here on page 1 you made reference to the rent control during World War II, which, if I'm not mistaken, was called the OPA.

MR. FEINBERG: I guess it was.

ASSEMBLYMAN IMPERIALE: Why is it that it worked then and it cannot work now?

MR. FEINBERG: Well, ~~because then~~ there was a housing shortage and then there was no choice, there was no material available, you couldn't do any building. All that material that we use in the construction business was used for the war effort. There was an absolute curtailment of this industry at that time. Obviously, there were very few places for a tenant to go and it would be unfair not to give him some protection.

ASSEMBLYMAN IMPERIALE: Would you agree with me that, in the present dilemma that we have facing our nation now, there is still a housing shortage and that we still have a limited supply of certain steel and lumber available to us?

MR. FEINBERG: I think that if the zoning laws -- someone asked me to mention this and I didn't think it would be apropos but you've opened the door. If the zoning laws were modified, if there was a little bit more receptiveness within the communities to take the steam off of the urban areas, particularly where they are just bursting with people, then I think the supplies will be available, the material will be available, and the desire and the willingness and the money is there to build the housing for the people of the State of New Jersey.

ASSEMBLYMAN IMPERIALE: Thank you.

MR. FEINBERG: Thank you.

ASSEMBLYMAN MENZA: Mr. Feinberg, I've just got to comment. You stated a few times if the zoning laws were less restrictive. Let me say this, that I was the Mayor of my town for a while and if the zoning laws were any less restrictive you would have very, very few suburban one-family residential homes left because they would all be apartment houses. In all fairness I have got to respond by saying that your proposition is not a correct one because my experience in my town very simply is that the builder could care less about the residential families; he comes in and builds an apartment house and leaves it, he goes, the heck with the community.

You know, I'm taking the prerogative as an Assemblyman sitting here to respond to you knowing full well your reputation in the field. And I personally think that zoning laws, at least in some communities such as mine, are good zoning laws and should not be completely wide open to builders.

MR. FEINBERG: Well I agree with that. I don't mean to convey the idea that they should be wide open and come in and do just what you want. But to get a well balanced community - are you familiar with the appeal of Joseph Gersh, the Pennsylvania Supreme Court case --

ASSEMBLYMAN MENZA: No.

MR. FEINBERG: -- which struck down an ordinance that didn't provide -- this ordinance didn't say there couldn't be any apartments for lower income families, it didn't say there could be, it made no mention of it, and the Supreme Court Justice wrote the opinion, the Supreme Court of Pennsylvania, and struck down the ordinance as being discriminatory. What we're trying to do, and what they did in Mahwah was the same thing, - that to make it a well balanced community there must be provision for all segments of the population; for the luxury, who can afford it; for the middle-moderate income and for the low income who need subsidization. But there should be some provision. Now you must admit to me, sir, that in most communities they do everything they can to keep out low income housing and only do it when they are literally forced to, with certain exceptions. The basic attitude of the suburban municipality is as I have stated. At least that has been my experience and if I am in error, I apologize to those who may be offended.

ASSEMBLYMAN MEGARO: Thank you, Mr. Feinberg.

I would urge all speakers to limit their remarks to five minutes so that we can move along.

Mr. Joseph F. Talarico, Professor and Chairman of the Department of Economics, Rider College

J O S E P H F. T A L A R I C O: Good afternoon, gentlemen. I am Joseph F. Talarico and I am Professor of Economics and Chairman of the Department at Rider College. I am an academic economist as against, let us say, a business economist or a government economist.

What I propose to do is to spell out the way an

economist approaches the issue of rent control, to say something specifically about this issue of rent leveling, so-called, coupling this particular proposal with the cost of living index, and to suggest certain deficiencies in it as an economist sees it. Then, if I have time and you the inclination, I might venture one or two suggestions as to alternatives.

To economists, rent is really regarded as a price. So rent can be defined as the price paid for the temporary use of some durable or semidurable good.

The explanation of how prices are determined is the central part of economic analysis.

To the economist, rent controls represent a certain type of price control. Economists attempt to explain economic variables and to predict the effects of changes in these particular variables. Economic analysis hopefully is then useful in evaluating proposed social and political policy issues.

Let us examine how economic analysis is applied to rent controls and with what results. By rent controls we mean ceilings on the prices of apartments primarily, although house rentals can be included. We speak of the market for apartments in general although we are all aware that the apartment housing market is really subdivided into many markets depending on location, number of rooms, amenities, etc.

Rent controls - whether you call them rent leveling or rent controls - are attempts by government to keep prices down by imposing some maximum ceiling price that can be charged.

Economists like to use diagrams to illustrate principles and relationships. The most familiar of these is the demand-supply graph which we can apply most readily to rent controls. And I prepared one for you. The numerical values used are merely illustrative, they do not reflect or are not intended to reflect precise real world

values.

Now here we have a graph which I've constructed, with the vertical axis depicting price or rent from zero on up, and the horizontal axis standing for the number of apartments of a specific type in a specific market at a specific time. This is a so-called short-run market.

The demand curve, the green curve, slopes downward and to the right reflecting the willingness of people to rent more apartments at lower prices or rents than at higher ones. The supply curve, the red curve, slopes upward and to the right reflecting the willingness of landlords to provide more apartments at higher rents than at lower ones. In my arbitrary example, if the market is free, not controlled, then the market price would be \$200 a month and the market will clear in the sense that the quantity of apartments that renters would take and the quantity that landlords would be willing to supply are equal. In a free market the rent would be \$200 a month and the number of apartments rented would be 500. On the other hand, if the government imposes rent controls with a maximum of \$150, let us say, which is below the free market price, the number of apartments wanted by renters would be 700 while the quantity offered by landlords would be only 300. At the ceiling price of \$150 the quantity demanded, 700, would exceed the quantity supplied, 300, and you have a shortage of 400 apartments.

Incidentally, this is the only way in which I, as an economist, recognize the meaning of the term "shortage". As far as I am concerned, there is no such thing as a shortage if you have a free market. In other words, people either pay the price or they do not buy.

The shortage is a price phenomenon in the sense that it would disappear if price were permitted to rise and the price mechanism permitted to perform its rationing function. And this is a very important aspect of the

pricing mechanism, the rationing function.

Now the diagram analysis illustrates the nature and suggests the implications of rent controls. These can be summarized in terms of the disadvantages of price controls in general and rent controls in particular.

But before I summarize, gentlemen, permit me to take up the proposed linking of rent controls to the so-called cost of living index.

Now in this State, this is an interesting but I think misleading and peril-fraught proposal which would seek to impose rent controls but permit adjustments in rent based on the cost of living. Changes in the cost of living are currently measured by changes in the cost of living index, which is really the popular name for the Consumer Price Index which is published by the U. S. Bureau of Labor Statistics. The Consumer Price Index is designed to measure changes in the prices of roughly 400 goods and services that the average city clerical worker buys. Some prior period is taken as a base period for comparative purposes.

To illustrate, let us take 1967 as the base period and April 1972 as the current period. We want to compare prices today with what they were in 1967. In 1967, the Consumer Price Index would be 100 - that's always it in the base year - and the Consumer Price Index for April, as just reported, was actually 124.3. Now the 1967 CPI of 100 was obtained by calculating the cost in 1967 of that fixed market basket of roughly 400 goods and services and, let's say, it came to X number of dollars. Then they calculated the cost of that same market basket for fixed goods and services for April - and let's call that Y number of dollars. So they divided the Y number of dollars by the X number of dollars and they got something - actually, they got 1.243. They multiplied it by 100 to get a percentage and dropped the percentage sign and you have an index number. The index number for April of '72 based

on '67 was 124.3. What's the interpretation? In April, 1972 the price of that fixed market basket was 124.3% of what it was in 1967 or it was 24.3% more than it was in 1967. Or in other words, what cost \$10 in the base period 1967 cost \$12.43 in April 1972.

Now, what's wrong with tying rents to the Consumer Price Index? The purpose of the Consumer Price Index was to measure changes, and is to measure changes in the real income of city workers. Real income means in essence, what you can get in the way of goods and services for your money income. This means that the Consumer Price Index may be inappropriate when applied to the population of the United States as a whole or, for that matter, to the population of New Jersey.

A casual observer of the proposal to link rent adjustments to the Consumer Price Index is likely to believe that this would be fair since as cost increased the landlord's incomes would also rise. However, there is no necessary connection between the Consumer Price Index and the cost of maintaining and repairing and operating apartments. For example, assume that there is a sharp increase in the price of food or the price of clothing, important components of the Consumer Price Index. This would require an increase in rents even though there has been no cost in operating apartment housing. Or there might be a very significant rise in the cost of apartment maintenance and no increase or relatively smaller increase in the Consumer Price Index.

Now, of course, one could construct a price index that would measure changes in the costs of operating and maintaining apartment houses and rent increases could be adjusted on that basis. But this is not necessarily the solution. If the cost of maintenance rose at a time when the demand for housing fell, rent hikes would be inappropriate and actually futile. If the demand for housing is rising faster than operating costs, there is still a short-

age with the familiar problems of allocating what's available among many more people. If the supply of housing is to increase at something like the same pace as the demand increases, rents would have to be adjusted upward on a level sufficient to encourage new construction and supply. Rent increases of the magnitude needed to stimulate increases in supply are likely to be obtained with better efficiency and greater rapidity via a free market than in a controlled one.

Now, let me sum up rather quickly, the case against rent controls.

The first problem is the allocation problem. With rent controls you have a classic allocation problem. In terms of the diagram, how do you allocate 300 apartments among 700 would-be tenants? Since the free market is no longer permitted to allocate these scarce resources there must be created a replacement mechanism to distribute the limited amount of housing. So, in effect here, what you do is you have to develop a political rationale in order to justify the new basis for allocation whether the latter be by sheer chance or some form of preferential treatment.

Criticism number two; Another layer of bureaucracy. A government agency appropriately staffed and supplied will have to be created to administer the rent control program, certainly at the State level and probably at the local level as well.

3. Corruption. Whenever there are price controls there almost invariably spring up illegal or black markets. Rent ceilings would be no exception. Tenants, landlords, superintendents and agents, to say nothing of bureaucrats, would be tempted to cheat on rent controls. There will always be some tenants who would be willing to pay more than the ceiling price to get the apartments and some landlords or their agents who would not be averse to taking some covert payment in return for preferential treatment.

4. Perpetuate shortages. Likely to perpetuate shortages. I'll go over this quickly in the sense that to the extent that you have a free market and the rent prices are very high, then this should serve as an attraction for additional housing. You see? If the price is not high enough in the judgment of the suppliers of housing, then you are not going to get the needed increase in housing.

5. Distorts the composition of production. Notice these distortions, gentlemen. I can only suggest some of them here. If office rentals are not controlled and housing rentals are, landlords will attempt to change the use of their properties by converting residential to office space. Similarly, new construction will shift from residential to commercial as much as possible. If only urban areas are rent-controlled --

ASSEMBLYMAN MENZA: Excuse me, sir. I am having a great deal of difficulty hearing. I would honestly appreciate it if the people here today would keep as quiet as possible. You've got to remember that we have to vote on this bill and we have to think about possible amendments to this bill and it's important that we obtain all the information that we can and hear all of the speakers. I should add that for over a hundred years it has been a tradition in this House that we have proper decorum. I respectfully request, Mr. Chairman, that this be adhered to now. I can't hear the Doctor, quite frankly.

ASSEMBLYMAN MEGARO: I strongly urge you to follow Mr. Menza's recommendation and we will adhere to this tradition. Unfortunately, if we do not, we will have to adjourn this meeting or we will ask for a recess. So in order not to prolong this hearing any longer than is necessary, I would strongly urge and request that every speaker try to limit his remarks to the five minute rule, otherwise, we will limit it to five minutes and cut the speaker off. Thank you very much.

MR. TALARICO: To go on with the discussion, ladies and gentlemen, if only urban areas are rent-controlled, there will be a shift in new construction to the suburbs and away from the urban areas where the need is presumably greatest.

Now, suppose that after a landlord remodels or improves apartments he is permitted to raise his rents. If, as is often the case, rent per square foot is higher in small apartments than in larger ones landlords will tend to remodel and subdivide large apartments into a greater number of smaller ones and thereby increase the population in the buildings.

6. Subsidizing the well-to-do. It is sometimes argued - and I've heard this throughout the day - that rent controls are necessary in order to assure that lower-income groups can get some housing which otherwise they could not afford. In effect, this would be a subsidy since the lower-income persons who get to live in rent-controlled apartments pay less to the landlord than the landlord will receive in a free market. Now, subsidization of the poor may well be a desirable thing. I'm all for it. But why is it necessary to subsidize the well-to-do in the process, as frequently happens under rent controls? When well-to-do people are able to live in rent-controlled units at less than what would govern in a free market they are being subsidized and the result is a redistribution of income away from landlords to tenants. To repeat, subsidization of the poor is desirable but the better way to do it is not through rent controls which benefit the well-to-do as well as the poor - at least those who can get access to the scarce housing - but rather to pay the housing supplements to poor people which would permit them to rent higher-priced units than they otherwise could afford. This could be achieved by expanding and improving federal rent-supplement programs.

7. Reduced mobility. People who live in rent-controlled housing will, other things being equal, be reluctant to give up the subsidy they might be enjoying. Take the following example also: a family of four in a large apartment can be reduced over time to one - a surviving widow or widower, let us say, who might otherwise be interested in moving to a smaller apartment. Rent controls tend to lock him in because he probably could not get access to the smaller apartment.

8. Accelerate decay of existing housing. That rent controls would contribute to the decay and abandonment of housing is a reasonable conclusion. Realistically, housing must be regarded as including maintenance and repair services. If the cost of these latter services goes up faster than rental income, which is likely under rent controls, the result is a decline in the provision of service which makes decay and abandonment almost inevitable in the case of many properties.

9. Increase the property tax burden of homeowners. Now, to the extent that rent controls limit rents and hence net income on apartment properties the taxable value of the rented properties will be lower and so will their property taxes. Given ever-rising services costs to the community the result is likely to be a shift of the property tax burden from tenants to homeowners.

And, finally, Discrimination. Rent controls discriminate rather arbitrarily against owners of apartments if price controls are imposed only on rents and not on all other goods and services.

To summarize the case against rent control - rent controls tend to create all sorts of problems: nonprice rationing of scarce resources, acceleration of housing decay, corruption, burgeoning bureaucracy, perpetuates shortages, contributing to the decay and abandonment of housing, reducing mobility, subsidizing the well-to-do, increasing the property tax burden, and discrimination.

The motives of government in seeking to establish rent controls may be good. The consequences, however, in a peculiar perversion of Adam Smith's famous doctrine of the "invisible hand", are likely to be precisely the opposite of what is intended -- public welfare is worsened rather than improved.

Finally, and I will take just a moment on this - alternatives to rent control. These can only be superficially listed here but basically they would involve working on the demand for housing side and on the supply of housing side. The former might be pursued by providing rent supplements for the low-income groups which is better than subsidizing all renters. Tenants would get a wider choice of places to live, they could move without losing their subsidy, which could not be the case under rent controls. Landlords would be encouraged to maintain buildings; supplements would eliminate housing built especially for the poor, and thus reduce the concentration of the poor in certain neighborhoods. Expanding the supply of housing would be pursued via such things as construction subsidies in the form of loans made available at low interest rates and public housing which by adding to the supply would tend to restrain price or rent increases.

Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Talarico.

Any questions?

ASSEMBLYMAN MENZA: Your basic or initial proposition was regarding the free flow of the market, supply and demand. Isn't that correct?

MR. TALARICO: Yes, correct.

ASSEMBLYMAN MENZA: But government has always imposed certain price controls which haven't really affected the economic aspect of our country, have they?

MR. TALARICO: Oh, yes, they have. You see, every time government comes into the picture it either

affects the supply side or the demand side. And I say government is well-intentioned but take, for example, the farm price support program which is just one more example of price control.

ASSEMBLYMAN MENZA: Your basic argument then, Doctor, as I understand it from what you've stated and your written report here, is that you're against price controls completely --

MR. TALARICO: Absolutely.

ASSEMBLYMAN MENZA: -- because it has an adverse affect on --

MR. TALARICO: Absolutely. In other words, --

ASSEMBLYMAN MENZA: Excuse me. You are against price controls.

MR. TALARICO: Yes.

ASSEMBLYMAN MENZA: And that's in all areas of --

MR. TALARICO: That's correct. And for the reasons that I've stated. I don't see how you can get over this. So long as you have price controls, whether they be rent controls or foreign exchange controls -- if you have ever gone abroad where they have exchange controls, they always have a black market. It's always the case of more people wanting to buy at this artificially low price than there is available supply. So how are you going to distribute what's available? It has to be a political decision rather than an economic one.

ASSEMBLYMAN MENZA: What do you do in a situation, for example, the urban cities, where the demand for housing is extreme and yet the supply is very limited? How would this relate to an economic principle? How could it?

MR. TALARICO: It does. You see, the assumption is this. At a very low price there is no desire, there is no need to economize. In other words, if the price is very high, then people have to decide whether or not it's worth that much to them - the item in question is worth that much to them. I don't drive a Rolls Royce but I

would like to have one.

ASSEMBLYMAN MENZA: You misunderstand me. In urban cities where people intend to remain in those cities and the supply is so limited and the demand is so great, they have only one alternative which is very simply to move out of town or to hope for price controls.

MR. TALARICO: Or not to come to the city in the first place if the housing is priced higher than they can afford. As I say, I am not completely calloused, I'm merely saying that when you start to interfere with the market you create more problems and worse problems than the ones that you genuinely and really want to solve.

ASSEMBLYMAN MENZA: What you are saying then, Doctor, is that it is a political consideration, that we must concern ourselves with the people in the cities and we just can't say, from an economic point of view, move out of the city, go buy a house.

MR. TALARICO: I couldn't agree with you more. There is more to life than economics. When you are trying to cope with the problems of the city, you have to be a complete social scientist, you understand sociology, political science and economics, but you ignore economics at your peril. All I am trying to do here is to indicate the economic consequences of a certain course of action. It is up to you gentlemen to decide whether those consequences are worth bearing the inevitable price; or perhaps seek alternatives.

ASSEMBLYMAN MEGARO: Thank you, Mr. Talarico.

With the next speaker we will enforce the five minute rule. Five minutes for the first speaker. In four minutes I will signal you and then you will have one minute remaining to address the group.

Thank you.

Our next speaker, Mr. Martin Aranow, New Jersey Tenants Association.

M A R T I N A R A N O W: Gentlemen, I will try to excerpt most of my remarks.

Today really marks the third time in a year and a half that a Committee of the New Jersey Legislature has held public hearings on the question of rent leveling. Quite honestly, I am at a loss what to say that has not been said before. Should we talk about how elderly people on fixed incomes are being hurt by rent increases? Should we recount the number of instances where people are having 30 and 40% rent increases? What can we say that has not been told by countless numbers of people throughout the State? I have submitted testimony which I gave last year which has a number of statistics, facts and figures which I think would be helpful to the Committee, and I will skip that.

The testimony that has been heard so far today for the bill and those who are opposed to the bill still has not answered one basic question - What are tenants to do until there is an adequate supply of housing?

What can the opponents of Rent Leveling say that is really different from what they said before? Will the Builders Association, Realty Boards, and Investment Bankers tell us again that the housing shortages are the cause of our problems? Will they repeat the same nonsense that rent control caused the decay, abandonment, and deterioration of New York City? Or will they end up by threatening the Committee and the New Jersey Legislature that if A-656 is adopted the housing industry in New Jersey will collapse?

Personally, I do not believe that any fair-minded person or group could honestly oppose rent leveling on either economic, moral or human grounds.

I submit, and I have never done this before, that the testimony that you are going to hear from members of the Builders Association, Realty Boards, cannot be trusted, cannot be substantiated - and I base this on their own

testimony in the past.

In February, 1971, at Senate public hearings, representatives of the New Jersey Builders Association stated publicly what they had released to the press earlier. They promised the Committee that industry-wide review boards were being set up within each county in the State. These review boards would be staffed with retired judges, prominent citizens, etc. The stated purpose was to review the cases of alleged rent gouging and take some appropriate action. "Do not enact rent leveling" they said, " and we will police our own industry."

No one asked them to make this offer, but the Legislature and the Committee gave them the opportunity because rent leveling was not enacted. In 15 months not one single review board has been announced; not one single instance of formalized proceedings has been revealed. The point is that these businessmen bluntly and frankly lied to a legislative committee. They have proven themselves either unwilling or incompetent to police themselves. They have proven there is a definite need for rent leveling to protect us since they obviously will not do it or cannot do it themselves.

I've heard testimony today that rent control has caused abandonment in New York City at a rate approximating 100,000 units per year. Assemblyman Imperiale asked what about the abandonment in Newark where there is no rent control. No one revealed the fact that New York City has the fifth highest rate of abandonment in the nation. The National Urban League did a study and found out that St. Louis, Philadelphia, Hoboken, and one other community that I can't recall, had a higher rate of abandonment than New York City. We have it in Camden, Paterson and Passaic. We do not have rent control.

Recently, there have been statements put out in the newspapers how the New Jersey Builders Association and members of the Board of Realtors went to visit the Massachusetts Cities of Somerville and Cambridge. When

they returned, press coverage stated that tenants and home owners were upset over rent control. It was discontinued because property taxes went up 40%. We were told how abandonment was rampant and how both Cambridge and Somerville, Massachusetts, threw out the local rent laws after they proved disastrous. "Somerville" they said, "was living proof of urban disaster".

Gentlemen, someone decided to check these statements, and what we found out was very interesting. Mayor S. Lester Ralph of Somerville, Mass. came to New Jersey to meet with the Mayor and Council of the Borough of Fort Lee. The Mayor was very upset about these charges of Somerville. He pointed out that Somerville did indeed have rent control, did indeed have it discontinued as the last act of a lame duck council, but they did reinstate it. Mayor Ralph said that rent control has improved relationships between landlord and tenant in Somerville because it has eliminated many of the tensions between the two. He noted that construction of new units was up over 300% since rent control was introduced and that there was no abandonment specifically attributable to rent control. He did note, however, that the local real estate interests are still trying to get the local law revoked.

I am not saying totally that rent control is what the landlords -- let me rephrase that. The landlords in this State are saying that rent control is the cause. Rent leveling is different. The builders said you cannot control one sector of the economy without the other. They've waived the American Flag and endorsed the Economic Stabilization Act. As witnesses before me have indicated, the Economic Stabilization Act for rents controls prices and wages but not rents. It legally permits rents to go up as high as 50%. We need rent control even now. Why else do we need rent leveling?

Many landlords have entered into leases for one, two and in some cases three years. They have extracted

their 20% or 30% rent increases. That is not all they have done. I have attached to this lease a rider for a lease going to the tenants in some complexes of the Alexander Summer Company, one of New Jersey's leading realtors. This rider states, and I quote, and I'm taking from part of it, - "In the event any control of the rent reserved hereunder shall be terminated, the rent hereinunder shall, on and after the first day of the calendar month next ...be in such amount as the landlord shall advise the tenant in writing, and tenant agrees to pay such increased rent..."

In other words, when the federal rent guidelines end, regardless of how long a lease the tenant has remaining, the landlord can and will increase the rent and the tenant has no other alternative but to pay this increase. We have other examples where landlords have inserted automatic 15% increase clauses in leases.

Gentlemen, we need rent leveling to protect us from landlords like these who wave the flag with one hand, and hold a gun to the tenants with the other.

Before concluding, I would like to address myself specifically to the bill.

On page 4, line 27, we recommend for your consideration a clause that should be added which clearly states that any reduction in property taxes would accrue to the tenants in the form of lower rent.

On page 4, Section 10. There is no provision to set a specific number of people on the Bureau of Rent Leveling, who appoints them, and what qualifications are necessary.

Since the purpose of the Bureau of Rent Leveling is primarily to set forth rules and regulations, I think that a very limited group of people having some expertise would be ideal.

Finally, I believe that the enforcement penalty provisions of this Act are inadequate. Although I personally do not believe that criminal penalties serve a

useful purpose, I think that substantial money damages should be made a part of this section dealing with enforcement.

As far as the enactment date of this act, I would suggest that the act take effective immediately, and that the federal controls or the act itself, whichever has the lower increase, be applicable.

Gentlemen, today is the first time in three years that I have directly attacked the real estate interests because I believe they are a living symbol of what is wrong with our society. This is an industry that is a throw-back to the Robber Barons of the 1920's that raped our society at that time of the principles of human decency and compassion.

New Jersey's real estate interests are vast concentrations of wealth and power that are not directed toward the social good of man, but toward gaining more wealth and more power. They have claimed we need more housing yet have not produced more housing. They know our cities need to be rebuilt - and I defy anyone to show me where Newark, Paterson, Camden, are getting the housing that they need, and 75% of those citizens live in sub-standard housing.

When the people have tried to bring protests to elected officials, the money and power of this industry is used to attempt to discredit them. With their economic strength, they have the ability to set up many front organizations, hire professional public relations firms and lobbyists. All to achieve their purpose of molding public opinion. They do not stop there. They refuse to give campaign contributions.

I have attached to these documents a series of correspondence that I received anonymously in the mail a year ago. Rather than read the entire thing, I would just like to read some excerpts.

This is a letter from Mr. Alexander Summer to

Mr. David Van Alstyne, Jr., Finance Chairman of the Bergen County Republican Finance Committee:

"Dear Dave: Answering your letter please be advised that, for the first time, we will neither attend nor contribute to the May 17th affair of the Bergen County Republican Finance Committee and have decided to discontinue all future contributions to the Republican Party per se. In recent years we have not only contributed substantially of our own money, but have helped raise sizable funds for the Party in County and State. We realize now we have made a mistake in contributing to Republican organizations rather than to specific individuals.

"We are motivated into taking this step because, lately, too many Republicans in the Bergen County official family are not Republicans at all but simply political opportunists. The recent action of the Board of Freeholders in publicly supporting rent control is an example of this and, ironically, they aren't even aware that in so doing they will be stepping on the toes of their own supporters, the home owners."

I skip to the response, the sickening response from a gentleman who at the time was Director of the Bergen County Freeholders:

"Dear Al: I received a copy of your letter to Dave VanAlstyne in regard to the resolution passed by the Board of Freeholders at last Wednesday's meeting. I don't blame you for being concerned, and as Director of the Board I feel obliged to render an explanation as to how and why this resolution was proposed.

"On January 1, 1971, our all-Republican board was blessed with a newcomer of the opposite political faith, and from time to time is presented with surprise resolutions all motivated, I might add, to embarrass his Republican colleagues on the Board.

"On April 7th, the Democrat advised the Board in

executive session that he was going to offer a resolution at the April 21st meeting in support of Senate Bill 972, condemning rent-gouging and co-sponsored by three of the five Republican State Senators from Bergen County. As you see, Mr. McDermott" - and I may add that he is the Democrat they are alluding to - " was hopeful that the Republican majority on the Board would vote against this resolution and thereby cause a rift between the Board and the State Senators from Bergen County who had signed their names to this bill.

"In the meantime, I received a copy of Senate Bill 972 and read comments of the New Jersey Tenants' Organization. Under the provisions of this bill, a landlord could refuse to renew a lease and evict a tenant in order to obtain a rent increase. The bill provided that a landlord could set the rent at the level he wanted after the apartment was vacant.

"Therefore, any landlord who wanted to elude the rent provisions, could evict a tenant and obtain increased rental from a new tenant. The New Jersey Tenants' Organization recognized this and felt that Senate Bill 972 was totally worthless. In addition to this bit of information, I found out that the bill was killed in committee the day before our meeting, on April 20th.

"So, what do you do?

"It was felt by the majority of the Board that it would be better to go along with this resolution, which probably would get little or not publicity in the papers, than to be accused by the Democrat of favoring rent-gouging and against a bill proposed by our Republican Senators from Bergen.

"As a fellow realtor and Conservative Republican, I have always been against government control, whether it be rent, wage or the like and I can assure you the Republican members of the Board feel the same way.

"I do hope this letter somewhat clarifies any mis-

understanding as to our motivation in supporting this resolution and I certainly would be happy to sit with you and discuss it further, should you so desire."

Mr. Summer wrote back a letter. Rather than go into detail, let me just conclude with his last paragraph:

"In conclusion, Frank, I realize that while we have several pretty fine Republican legislators representing Bergen County in Trenton, there should be effort by more Republicans at all levels to get all the facts and then state their convictions firmly, logically, and frankly. Do Republicans sincerely believe they can attract the radical vote by out-promising the Democrats? I think you'll agree that our economy couldn't survive if the policies of the Cases, Javits, and Lindsays prevailed."

Gentlemen, what I am saying is, how many other elected officials, how many people get letters like this? When a tenant votes for a candidate for office, is he voting for that candidate or the money behind him? I hope and I urge that this Committee and the New Jersey Legislature will show that there is no price tag on your consideration of rent leveling and there is no price tag on the New Jersey Legislature.

Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Aranow.

ASSEMBLYMAN IMPERIALE: First, what I would like to do, Mr. Chairman, is make a request that the minutes be made available to us from one of the meetings that was supposed to have been held here in the Legislature, as made in this man's statement that they would do their own policing. I think that it would be helpful to us in making our decision as to what must transpire here.

Second, I would like to make a statement. The reason for public hearings is so that we can hear the people and that the people's will, providing it's a good will and proper, will be heard and will be had. I like to think that I sit among a body of men who do not have

price tags on their souls but rather have the people of this State in mind, and I am sure that most of us do. There will be no powerful lobbying here; there will be no buying here; and there will be no selling in this Committee or this legislative body. We will see that justice does prevail. (Applause)

MR. ARANOW: Assemblyman Imperiale, I think all we have ever wanted to do was present the facts and let the Legislature make a just decision. That's all we ask, for equity.

ASSEMBLYMAN MEGARO: Any other questions?

ASSEMBLYMAN MENZA: Yes. I have a question.

I heard a rumor that Assemblyman Imperiale was running for President of the United States. I know now that it is true. (Laughter)

MR. ARANOW: After he votes for the bill.

ASSEMBLYMAN MENZA: Mr. Aranow, the basic argument against this bill is twofold, that it is going to thereby decrease the fair return for the landlord (1), and, secondly, that it will in fact - almost as a fact it was stated - deter building.

Your comments, please, on that.

MR. ARANOW: I would like to answer the second one, if I may, first, the fact that it will deter building.

In 1950, from 1950 to 1962, the State of New York had rent control for the entire State. Rent control was tied to a 5% vacancy rate. Forty of sixty-two counties and municipalities were placed under rent control in 1950. By 1962 only seven municipalities were left with rent control because, despite a 33% population increase, the housing construction industry boomed, and the decontrol of housing under rent control was established because it boomed. So we do have adequate statistics. And I may add that these ~~are~~ published statistics put out by the State Department of Rent Control in New York State.

Another factor, Assemblyman Menza, is that the

only reason that we have heard that rent control deters construction is that we have heard it, we have heard statistics and citations of New York City. But the fact remains that if any one -- and I honestly have not gone into it -- what I have found out is that there has been substantially decreased housing in all urban centers and I do not know if this fact is the truth. It has been propagated for a number of years. I think the thrust of what I was trying to say in my comments is that, I don't know if it's true but I am relatively certain that the real estate interests don't know whether it's true either. And if we compare it to other cities and other factual situations, I do not believe that it would show that there has been an inhibition of building.

Your first question was whether it would limit a fair return on investment. In my way of thinking - and prior to my testimony I asked a gentleman who is a stock-broker, How do you determine a fair rate of investment? and his comment was that, just as there are different bonds and different stocks, it depends on what you want to risk. We cannot say that there is an adequate return on investment of 10%, 15%, 20% or 30%; it depends on the housing. Certainly there may be a higher return on investment for housing in an urban center than suburbia. So, to answer your question, I couldn't set a price tag on it. That answers your question, I believe, sir.

ASSEMBLYMAN MENZA: Yes, sir.

ASSEMBLYMAN MEGARO: Any other questions?

Thank you, Mr. Aranow.

MR. ARANOW: Thank you.

ASSEMBLYMAN MEGARO: Our next speaker will be Mr. Milton Marcus.

M I L T O N M. M A R C U S: Mr. Chairman and members of the Committee: At this time I would like to present my credentials. I am Milton M. Marcus, President of the Tenants Association of Elizabeth, New Jersey, a State chartered and a non-profit Association.

I am appearing here today on behalf of the Tenants of this State, who are asking for rent relief.

This Tenant Association conducted a survey of rents and services as of May 1970, to the present time, in Elizabeth, the 4th largest city of this State. These findings are indicative of conditions in most cities throughout the State of New Jersey.

We found in our documentation of these surveys, that rents were increased on the average of 30 to 40%, and in isolated cases, as high as a 90% increase in rent. To illustrate this point, in one building in Elizabeth, rents were increased from \$90.00 per month to \$175.00 per month, an increase of \$85.00 per month; in another building, rents were raised from \$284.00 per month to \$360.00 per month, an increase of \$76.00 per month. In still another building, rents went from \$223.00 per month to \$295.00 per month, an increase of \$72.00 per month. On the other hand, to be perfectly factual, we do have good and fair landlords, where in one building rents were raised from \$150.00 per month to \$160.00 per month, an increase of \$10.00 per month.

Attached to this speech, you will find an analysis based on the aforementioned survey to substantiate these facts. Since this is a lengthy and detailed document, I will leave with you this fact sheet to be examined by this Committee at the caucus meeting. (See p. 143 A)

I also have surveys here that we made in the City of Elizabeth from May, 1970, to the present, of the rent increases and the lack of service; plus, we stood at the corner in Elizabeth for three weeks in a row and we have petitions signed by tenants and by landlords asking for rent stabilization.

We concede that there are fair landlords but this bill is not in any way intended to affect them but to restrain the aforementioned rent gouging landlords.

We admit that landlords are entitled to a fair return on their investments, a fair consideration for the rising costs of maintenance. The key word here is "fair", fair to the landlord and fair to the tenant.

The return on investments, according to the realtors we have consulted with, should be in the area of 8%. As it is now, it would appear that the landlords are looking for a 20 to 25% return on their investments. To be honest, we feel that a 10% return should be sufficient.

In the year or so prior to 1970, when there was more than adequate housing available, landlords were, in some cases, giving a one or two month rent concession. Included with this concession was good painting, proper building maintenance and complete services. Today, services are being curtailed, building maintenance is being neglected, and if any painting is done it is a whitewash job.

In addition, with reference to security deposits, at that time the landlords did not ask for security; today, security is demanded for a month and a half of the amount of the rent. Also, one did not have to give credit references and the tenant's life history; today one must give bank references, credit information, etc. In short, it is a landlord's holiday.

The tenants of this State are being shortchanged. They do not have the protection of a bill of rights, but the landlord does. A tenant cannot call his apartment his castle. He is always at the mercy of the landlord and lives in fear of being dispossessed.

Senior citizens and those on pensions and fixed incomes, the average working man, are finding it practically impossible to pay these exorbitant rents demanded of them.

Tenants living on social security are being penalized by their landlords for late rent payment, and cannot help themselves if the check is a day or so late. Should they be punished for this by having to pay a late charge?

Is it fair to allow senior citizens and those on pensions to have to be harassed and be in mortal fear of their landlords?

Yes, I have heard the story from the Governor on down that if we wait long enough there will be sufficient housing and the rents will in turn be stabilized. This is a fairy tale. We have to think of today and not what may happen in five to ten years from now.

Action must be taken now to relieve and stabilize this situation. The only way this can come about is by the prompt passage of this bill.

I have, as President of this Association, received hundreds of calls from panic-stricken tenants demanding help and relief.

It is up to you, our elected officials, to give these tenants this help and relief that they so sorely need. Help must come and it must come now.

Gentlemen, can you visualize what will happen if you do not pass this bill and the Federal rent guidelines are dropped? There are reports circulating around the country - and I will quote from a news item that appeared in the New York Times on Monday, May 29th: "Ezra Solomon, a member of President Nixon's Council of Economic Advisers predicted that controls could be lifted within 12 months or sooner."

I cannot stress enough the importance and urgency for prompt action on the passage of this bill so that this bill can become effective immediately upon the lifting of the Federal guidelines.

Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Marcus.

Are there any questions?

ASSEMBLYMAN MENZA: Mr. Marcus, for my own edification, this survey that you have attached, - I would like you to give me at my office, this week, please, the names of the apartments that went up 45% or

more. There's one at 58%, I believe.

MR. MARCUS: Yes, I will.

ASSEMBLYMAN MEGARO: Thank you, Mr. Marcus.

Our next speaker will be Mr. Alexander Summer, Sr.

A L E X A N D E R S U M M E R, S R.: Gentlemen, I have lived with this subject of rent control, unfortunately, for some 30 years. I was a member of the Advisory Committee to President Franklin D. Roosevelt when rent control was first adopted in 1942. I, and the Association I represented, favored rent control. G.I.'s were being sent overseas and defense workers were being shifted around the country. And throughout the war we backed it 100%.

When the war was ended and wage and price controls --

ASSEMBLYMAN MEGARO: May we have quiet, please.

MR. SUMMER: I was pointing out that the National Association of Real Estate Boards and myself favored rent control. I served on President Roosevelt's Advisory Committee on rents, helped write their original rent controls, and we supported it during the war. When the war ended price controls were taken off and wage controls were taken off, we then opposed rent control.

And here is a point, gentlemen, that I hope you pay attention to.

ASSEMBLYMAN MEGARO: Excuse me, Mr. Summer. May I have the attention of this Chamber again, please. Let us try to be courteous to the speaker in order that we may move along at a rapid pace. Thank you very much.

MR. SUMMER: I want to point out one thing that is not fully realized. We had some 80,000 members, 97% of whom were in the business of selling homes throughout the United States. That organization was unanimously opposed to rent control even though because of rent control the G.I.'s coming back from overseas couldn't find a place to live and under the G.I. Bill of Rights the government loaned them money with which to buy homes,

and we made a lot of money out of this, selling homes to G.I.'s because to a great extent, not entirely, of the existence of peacetime rent control.

My point in stating this, I at that time owned no rental property; 97% of our members owned no rental property or had any interest in rental property, but we saw firsthand what rent control in peacetime without price and wage control was doing to our community.

I am not speaking theory today, gentlemen, I am basing what I am going to tell you on firsthand information. I personally managed properties. - and I am talking now of the period following the depression, - in Elizabeth, Jersey City. I had an office in Jersey City, an office in Passaic County. I'm talking about Paterson; I'm talking about Elizabeth; I'm talking about Plainfield; I'm talking about Asbury Park. I'm talking about these communities where we had whole neighborhoods of very old, modest, humble homes. They were obsolete in many ways but they were reasonably well maintained. They met minimum housing standards and the people in them were not rich people but working people or poorer but they were happy there and they took care of their homes and it was a happy community.

Now I've heard so many of these advocates keep repeating, well, Newark doesn't have rent control, how do you account for the slums of Newark. Well, I'll tell you how I account for the slums of Newark, many of the streets I knew well in Newark. The owners could no longer maintain them even at those minimum standards and those people, poor as they were, moved out to other places. They couldn't stomach the physical condition of the properties anymore.

Now they talk constantly about this being a rent leveling bill, not a rent control bill. Gentlemen, I have been active - and I'm going to talk in a moment about Mr. Aranow's accusations -- active and close to the

political picture nationally and in this State for many years, and many sponsors of bills and writers of bills did not recognize their own handiwork after a bureaucracy was appointed to administer it and regulations were adopted. And what do you have then? You have the interpretation of the law, you have the interpretation of the regulations and you have the interpretation of the interpretations.

If you asked me to write a rent control bill that I thought was fair, I couldn't do it, gentlemen, because any bill the next day is subject to amendment, is subject to various actions by the bureaucracy that controls it and the Legislature sits helplessly by.

So there is a tremendous difference between rent leveling and rent control - yes, the word "leveling" and "control" is the only difference, realistically, once the administration of controls gets under way.

Now I am going to depart from my text to answer Mr. Aranow. I would like to answer Mr. Aranow. As usual, he quotes out of context. He read a clause in leases in my apartments. We use that rider that he read where we have the right to set the rent when federal controls go off only in those leases where we were forced to renew the lease under sub-market rents. We had to renew a lot of leases below the market, below what the other apartments were, and those particular leases for those units have that clause in it and the bulk of our leases do not have that clause.

Secondly, we have the lowest rent project in Fort Lee, one of the best maintained. And when some of the politicians before election began to knock Lynwood Park, the tenants rose up and sent in articles and letters by the hundred to the editors defending Lynwood Park as their home and they were proud of it. That's for Mr. Aranow.

Let me tell you what happened. We gave them air conditioning and no charge to the tenants, sir, in these

days. We put in a wire for air conditioning but we told the tenants that they would have to put a standard air conditioning unit in because of the casement windows; we didn't want a hodgepodge. We named a local dealer or any other dealer of your choice, but that's the unit we want. Mr. Aranow had an article appearing that we had a kickback arrangement with a local representative. Mr. Aranow finally was forced to write a retraction and send us a copy of the retraction, send it to the publication. Three months later we called the publication and they said he never sent in his retraction. He pulled that old trick of sending me the copy of the retraction which he never signed himself.

That's the kind of man Mr. Aranow is, representing his people. Mr. Aranow is the one who threatened the candidates for office at the polls in Bergen County if they didn't go along with his policy. And I decry the tactics, and I'll stake my reputation against Mr. Aranow's anytime.

Let me tell you this. Mr. Aranow --

ASSEMBLYMAN IMPERIALE: I don't mean to be rude and interrupt your speech, sir, but I think it's incumbent on every person involved in these hearings that we refrain from bringing in personalities. This doesn't do justice to the people we are trying to serve. I think we should stick to the facts and not bring in personalities.

MR. SUMMER: I will do that when I finish two more statements, for this reason. I was surprised that he wasn't stopped from using personalities. He wasn't deterred one second. But I have my reputation on the line. There are a lot of people here, many members of the press, and I am saying to you that when I wrote a letter saying I do not want to contribute to the likes of Senator Case, that's my privilege. There is nothing to be ashamed of about that.

ASSEMBLYMAN MEGARO: Mr. Summer, may I interrupt you a minute. I think Mr. Aranow was out of order as far

any accusations, if he made any, and I think that we should direct our remarks to the bill. I hate to cut you off.

MR. SUMMER: All right. I will stick to one more remark on the bill in connection with Mr. Aranow. Mr. Aranow has publicly announced 500,000 members, a powerhouse in political effectiveness. Sometimes he says the dues is \$1.00 and sometimes he says \$5.00. For three years now at a minimum of \$500,000 in one year, that's \$1,500,000 that he has collected; or if it's \$5.00, it's \$7,500,000 that he has collected. What has happened to that money? He won't accept checks. It's sent to a box in Fort Lee and he has refused to disclose what he has done with the money.

Now I will go back to--

ASSEMBLYMAN MEGARO: Mr. Summer, will you kindly direct your remarks to the bill. Otherwise, we will have to cut off the discussion.

MR. SUMMER: Yes, I will.

ASSEMBLYMAN MENZA: Excuse me, Mr. Chairman.

This Committee is here trying to obtain information from both sides in order that we may work on this bill and study this bill for possible amendments. I respectfully request, Mr. Chairman, that these last remarks regarding Mr. Aranow - and I don't know Mr. Aranow - but the prior remarks relative to the campaign contribution be stricken from the record. It is not part of this hearing. I so move now. Gentlemen, this is an Assembly Committee meeting on the bill.

ASSEMBLYMAN MANNER: Mr. Chairman, I think in a hearing of this type people have a tendency to be emotional and there are statements made by both sides that should not be part of the record. I think you have to weigh heavily on our ability to be able to separate the facts from the fiction and come to a conclusion based on the evidence presented. I don't think anything should be

stricken from the record but I think we have to weigh the validity and the emotionalism put into the record.

ASSEMBLYMAN VEIT: Mr. Chairman, I agree with Assemblyman Menza that this does not help nor hurt any particular case here but, in fact, with the press coverage of this, this is on the record, what both Mr. Aranow and what Mr. Summer have said. This is on the record and just striking it I think would be meaningless at this point.

ASSEMBLYMAN MENZA: Assemblyman Manner's and Assemblyman Veit's positions are well taken but let me make my position quite clear. I could care less about what Mr. Summer thinks about Mr. Aranow or what Mr. Aranow thinks about Mr. Summer. I am concerned about the bill and that's why I'm here. And I wish that further comments would be directly and solely to this bill, please.

ASSEMBLYMAN MEGARO: Thank you.

ASSEMBLYMAN IMPERIALE: I think the charges that have been leveled here today, if they are authentic charges, should be referred to the Prosecutor's office of your particular county. And I think that this would settle the problem. If you think there is any underhand method on your side or on the gentleman's side, who is not here to defend himself, I think that should directly be referred to the County Prosecutor's office in the event there was any violation of the law.

ASSEMBLYMAN MEGARO: I am sorry to interrupt you, Mr. Summer, but as a matter of record I would also like to indicate on behalf of this Committee that our sole purpose is to hear the public on the rent leveling bill. The gentlemen and ladies appearing before this Committee should have some code of ethics when they come up here to address this Committee on any bill, and I would rule anyone out of order, from this point on, who comes up here and makes any personal attack. I think we have extended a courtesy and we have over-extended the courtesy, and an injustice has been done. I think from this point

on we will see that no injustice is done and that some code of ethics is followed.

I am very sorry, Mr. Summer. Thank you very much.

MR. SUMMER: Thank you, Mr. Chairman. I didn't come here with any intention to be personal but when my reputation and business are affected, I must speak up. I will no longer discuss that subject.

In concluding my justification for talking on rent control, in addition to the experience during World War II, I served on President Eisenhower's Advisory Committee on Housing, the only Realtor on that Committee and the only Jerseyite on it; I was President of the National Association of Real Estate Boards in 1951 and traveled 85,000 miles here and abroad on an inspection tour. Wherever I went I was shown around, good and bad. In 1962 I was a guest of Time and Life Magazine on a housing study tour of Europe where we rang doorbells to study conditions, including conditions of rent control. And, as I said, I've managed properties in Bergen, Hudson, Passaic and Essex.

Gentlemen, on this Committee you have a greater responsibility probably than some of you may be aware of. The decision you will make is not "Shall we help out the tenants and curtail the occasional rent gouging?" The decision you will make is, "Shall we help the tenants out temporarily with the likelihood that we are condemning them to a decade or more of futility." You will be gambling on stopping new construction, now so promising, and all chances for tenants to pick and choose, and also wiping out any opportunity for young couples and newcomers for finding any place at all. You will be making a decision to expose the tenants to gouging on a broad scale by superintendents and unscrupulous owners, agents, and others, parenthetically a situation that has always accompanied rent control by whatever name - rent leveling

or whatever. Your decision will force many tenants to pay \$1,000 or more for worn out, worthless furniture as a subterfuge to obtain apartments that are becoming ever scarcer as a result of controls.

Gentlemen, the decisions you make will determine whether our towns and cities improve or deteriorate; whether there shall be re-escalation of slums, whether business and industry are to be stifled by inability to house their employees, whether rent control shall again become a major political factor wherein those seeking office perennially out-promise those in office and use the growing dirth and deterioration of apartments as their battle cry.

The advocates of this bill have repeatedly demonstrated their unwillingness to help solve the basic problem. It is now being solved without them. They cannot and will not answer the question, "Which way is a tenant better off, if he can pick and choose and bargain or if he surreptitiously bribes a superintendent to tip him off when and if the next apartment becomes vacant and later finds another desperate, prospective tenant has outbid him." Which way? On

Gentlemen, this is what has happened. I'm giving you history, not theory. The advocates of control scoff at history, not only the experience of New York City but everywhere, everywhere in New Jersey, Europe, you name it, that rent control left its disastrous aftermath. New construction decreased and then stopped. Properties deteriorated and taxes went up, not on apartments but generally went up.

These advocates who weren't around when we had the last round of federal control in the United States and in New Jersey are theorizing. They ignore the fact that 3.5 million rental units went permanently off the rental market during federal rent control. They were converted to other uses, torn down or abandoned. They ignore what

I personally learned, as did all those who were active in our industry during the '30's and the '40's. I told you about visiting these old neighborhoods that were well maintained until after rent control.

As a result of post-war rent control, when wage and prices were lifted, that's when, and not before, the slums began. All this is in addition to the 3.5 million rental units that were completely taken out of the rental inventory.

Now, do you want to be responsible for repeating something like this? The advocates of control can't point to a single example where rent control ever worked successfully. I would like to see one, anywhere in the world.

Let me remind you too that once laws are on the books, temporary or otherwise, they are not easily repealed, especially when repeal would be doing away with a vested bureaucracy. That's pretty rough.

We have rent control now, the only kind of control that could work because it's accompanied by wage and price control. You know that a bureaucracy will want to perpetuate itself. Why create a Frankenstein monster when it is so obviously unnecessary and becoming less so every day?

A favorite argument of the control advocate is that, if, as we insist, a surplus of vacant space is the best rent control, why can't they bring rents down now? A good question. We contend, and the record will clearly demonstrate that this is so, that a surplus of vacant space will very rapidly wipe out all gouging. How can an owner gouge if he has vacancies and his competitors have vacancies? Gouging is the alleged reason for control. Controls theoretically will be terminated when vacancies reach 5%. How can vacancies ever reach 5% or even 1% if an economy of rental scarcity is adopted? This bill would do just that. Remove the constant

threat of rent control once and for all; allow the owners and their employees to divert their efforts from contending with the constant harassment or threat of rent control or rent leveling to the normal purpose of serving the tenants and maintaining the property.

If rent leveling were to be adopted, the red tape, the waiting, the appeasement of bureaucratic requirements, the reams of paperwork would occupy the full time of owners and their employees. Whether the controls were at the state level or local level or both, there would be little money or time left to take care of the properties themselves and to help serve the tenants.

Did it ever occur to you to ask why builders elect to pay higher interest rates and accept smaller mortgage amounts from private lenders, banks and insurance companies, than to deal with the FHA? It is because of the loss of thousands of hours spent on bureaucratic requirements and red tape and the endless delays make it uneconomic and unrealistic. How can apartment owners then, under rent control or leveling, survive when dealing with similar red tape that at best can only have a negative result? They can't. They will be forced to seek other areas or other fields of construction. Why should they build here when they can go to other states? Why should they build apartments when they can build office buildings or shopping centers or diners or motels? And the tenants and our industry and business will sit by helplessly while the builders do something else.

Gentlemen, this is a far-reaching bill, a bill that reaches down into every apartment, every home, every business, and enters the political arena of every community. It will be a factor at every election from now on. The hypocrisy of the leadership of the rent control lobby is demonstrated most clearly than ever by recent developments in Fort Lee, the community where all this started. Ironically, the originators, major sponsors

and prime movers of this legislation are high-income tenants who live in luxury housing in Fort Lee, pay monthly rents of from \$300 to \$700 or more. They, themselves, have fled from the New York City morass caused by rent control.

Although claiming hundreds of thousands of members, the rent control movement was initiated by a handful and is kept alive by a handful.

Two years ago when mortgage money for apartments was almost nonexistent, they refused our request that we join in a program to obtain more mortgage funds so urgently needed. Two years ago we asked them to cooperate with us. They even refused to join us in seeking more simplified standard building codes to help bring down the cost of rental housing. No, they would not work with us or do anything about this on their own. Now that mortgage funds are again plentiful and new apartment construction is accelerating, these same tenant leaders join in a demand - now, listen to this, gentlemen, - join in a demand for a moritorium on new apartment construction in Fort Lee. They want a moritorium. The advocates of control want a moritorium. A moritorium means stop building for a time. Imagine that. They're tenants claiming gouging on one hand and simultaneously supporting measures to stop apartment production and thus prevent a surplus of vacant apartments, the best insurance against gouging. Why? To help tenants? Not at all. Its purpose is clearly to keep a largely magnified crisis alive.

Two years ago rents on office building space here and in New York were skyrocketing. So everybody got into the act of building office buildings, even the Port of New York Authority and Fairleigh Dickinson University decided to build office buildings. Today we have a surplus here and in New York. What happened? First, rent stopped increasing, then concessions were offered in the form of many months' free rent, and all sorts of inducements in the form of free office partitions, free

lighting fixtures, free draperies, free carpeting, and so forth, and finally a leveling off and a dropping of rents. Furthermore, tenants now have an endless selection.

This first chart shows millions of square feet of surplus office space in New York City. In 1969 - zero. Because there were no controls on it and everyone was getting into the act, in 1972, three years later, 20 million surplus square feet of office building in New York.

Prime space in 1969 in New York was renting for \$25 a square foot; it is now down to \$12.50 a square foot. Average new space at that time was \$15, average, today it is \$8.50, average. Average of renovated space was \$13 a foot; today it's \$7.50 a foot.

This is what is actually beginning to happen in residential property. Rent increases are getting smaller and in many buildings they are non-existent, rent increases in those buildings. Certain structures, like the 1,260 family unit, known as a rise now, because of increased vacancies - 90 just a short time ago - offered concessions and has reduced rent. Now this is not theory, this is what's happening.

The climate is perfect. The banks are stuffed with money and looking to put it into mortgage loans. They call our office every day. Limited only by zoning, permits for new apartments are being taken out all over New Jersey.

I am going to show you the Sunday Edition of the New York Times, this Sunday. On this page, 9 columns of apartments for rent; 9 columns more of apartments for rent; 9 columns more of apartments for rent. Here there are a few columns and some ~~co-ops~~ being offered. Here are a few more columns and ~~co-ops~~. Over here, 9 more columns of apartments for rent. This is all in the New York metropolitan area including New Jersey. Here's another page 9 more columns of apartments for rent. Here are 8 columns of apartments for rent. And now we get six full

columns of spaces for rent in New Jersey.

You couldn't find an ad like this a year ago or two years ago; you couldn't have found it six months ago.

The question was asked, and I would like to answer some of the questions the other witnesses were asked, - the question was asked how long ago had this shortage taken place. This shortage started about 5 years ago when mortgage money became tight. At that time the New York Times had as many ads as this. Here's one, four months free rent. There are others like it. At that time, five years ago, they were offering free trips to Europe, three and four months rent, a concession, free rent if you would only rent from them. What happened? Mortgage money became tight and it was almost impossible. The interest rates were confiscatory and you couldn't economically build an apartment at those rates and get an economic rent. So apartment construction stopped. And when it stopped, you've seen the results. It's like controls. You put controls on and it will stop. These guys don't have to build here or they don't have to build apartments. Why should they if they don't have to contend with it elsewhere.

Right today, you have 15 to 20% vacancy in Texas and Arizona and California where you had no vacancies two years ago. I went out there to buy some buildings because I was afraid of rent control in New Jersey and when I went out there I was afraid to buy because of the increased vacancies and the bargains that were available everywhere. And that's spreading throughout the country.

This is not theory that I'm giving you; I'm giving you facts, gentlemen. Of all times to consider rent control, this is the least feasible time in the last five years. Three years ago there might have been more reason to back it up though there is never reason for creating a shortage.

I realize that the hour is growing late. I have one more minute of my prepared text but I would like to

just touch on one or two things that were brought up here today.

If the proponents of rent control haven't discredited themselves in the past, when they contend it will take three people to administer hundreds of thousands of apartments in New Jersey, I say that's ~~asinine~~ New York is spending \$15 million to control rent, the bureaucracy, and they were short of people and months of delays took place. Months of delays means months of vacancies, unnecessary vacancies.

I will skip some of these things.

I would like to have you show one more chart and then I will be through with the charts.

The problems of senior citizens and low income families is real and I think we should face up to that. I'll discuss that in a moment.

Gentlemen, here is a chart based on figures of the Bureau of Labor Statistics, the Northern New York and Northern New Jersey Region, between 1960 and 1970. This is the last period. During this period of time, rents increased 27.3%. Now I know rents went up - I've heard 40, 50, 60%. We've investigated those cases. They said we never investigated. I've been out myself night after night checking with owners - How come you're charging these rent increases? And they've shown us that this lease was two years old or three years old and was being renewed for two more years and you're comparing the price of three years ago with the price of two years from now, five years apart. Of course, it will be a big increase to hit you all at one time. Until you know all the facts on these things, it's bad: Now, there is gouging and we will get to that point.

Now during this period wages of production workers increased by 48%; home ownership cost, if you owned a house, went up 50%; and the wages for office and clerical workers increased 60%. These are government figures, not our figures.

Now this is not to say all is well but this, combined with the fact that building is going up all over, is evidence of that.

Now, I took the trouble yesterday to ask some very important people to spend the whole day to survey the situation in Fort Lee. Now that's a luxury area but I'll get back to the relationship to the --

ASSEMBLYMAN MEGARO: Excuse me, Mr. Summer. Can we wrap this up now?

MR. SUMMER: I am wrapping it up.

ASSEMBLYMAN MEGARO: All right. Thank you very much.

MR. SUMMER: Give me one minute.

The survey yesterday showed - I'm talking about 6,230 units in existing buildings, 528 vacancies today. That's 8.5%. If you add 50 notices to move, that haven't moved yet, that would make it 9%. In addition to that there are 2,343 apartment units to come, based upon building permits definitely issued, which are not included in available apartments.

The turnover last year was 898 apartments, that means 898 tenants moved. Some of them may have had economic problems but most of them moved because they had found someplace else to go. This is no time to introduce rent control.

Now my last few words are simply this: We all agree that abuses exist and they must stop. But the way to stop them is not this bill but to produce more housing. They can't gouge where there is competition. Is this then the time to adopt rent control?

Gentlemen, please base your decision on history, on facts, not on dramatic theory based on isolated cases.

In conclusion, in recommending this legislation you would not be solving some isolated problems, you would be laying the foundation for economic disaster of major proportions that will hurt the entire community and

eventually damage the tenants most of all.

Would you do away with sex in order to stop prostitution?

Would you do away with an entire rental industry and downgrade the rental housing inventory in order to stop relatively few gougers?

Leave the market alone. It's working out, dramatically so. For the first time in years I've seen things like this. If you want action, we suggest constructive action - the adoption of a standard, realistic building code, cheaper mortgage money, more apartment zoning - not destructive legislation like this bill.

Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Summer.

ASSEMBLYMAN IMPERIALE: Mr. Summer, on your second chart - would you pick that chart up again, please?

MR. SUMMER: Yes, sure.

ASSEMBLYMAN IMPERIALE: I notice that you have rent increase, wages of production increase, home ownership increase, and the wages of office and clerical workers increase, but where is the increase of the old people who are on pension and have a limited amount of money coming in?

MR. SUMMER: The Bureau of Labor Statistics didn't provide charts on that but I have some words to say on that subject, if I may.

ASSEMBLYMAN IMPERIALE: I think with this type of legislation we should be provided with some information like that because this is the type of person this bill is really going to affect. The figures look beautiful up there but I like the ones that we cannot see. What you said, do away with sex to curtail prostitution, - you know, we have many kinds of prostitution and sometimes people think that by legalizing prostitution you will do away with a crime. We are going to have to just make provisions, I think, for servicing not just what you have

on charts but for things that are not on charts. And if you could make available to us pertinent information that would help this Committee in its findings, we would appreciate it if you would do so.

MR SUMMER: Well, do you want some comments quickly now?

ASSEMBLYMAN MEGARO: Yes you may.

MR SUMMER: I think the low income family and senior citizens may be less affected by a surplus of housing than would the luxury apartment dweller. But this again is something that we should never lose sight of.

If you have a vacancy, a large number of vacancies in luxury housing, those fellows have a big mortgage on that building and they have to rent them out one way or the other. Sometimes they have to waive amortization for a year or two to get them rented up. They can't leave them vacant. So people who occupy these when the rents are lowered, couldn't rent them at the present rents, move out of someplace - some come from New York but most of them come from the area or the State - they leave someplace that may be somewhat lower in the rent level, and so on down the line - what we call musical chairs. We have traced specific rentals at the luxury level to as many as six moves. It has affected six levels of income, making vacant apartments. Now a lot of people live in quarters they don't like and can afford more but haven't been able to find it at the money they can afford to pay. A surplus will accomplish this.

Now this is not the solution, to answer your question. It is one of the things that will help. Another thing that will help, minimum housing codes must be streamlined which will cut down construction somewhat. But the fact still remains that in the Northern New Jersey area the high cost of construction, no builder can build in Newark at today's building costs and rent those properties at the rent that lower-income people can afford

to pay and come out whole economically. So the surplus may not help those people so much but what will help the people in Newark are two things - number one I believe was what the economist said that if subsidy is necessary, and it is, it should be to the family - there is more dignity to it, they shouldn't have to live in subsidized housing - to the extent of their needs, not their entire rent, and for the length of their needs. A subsidy like that should be available to certain classes of people where you can't afford to build for them. But what's more important in the City of Newark, what I've been crying out for, for years, to Governor Cahill and his predecessors - and this is what we came up with on Eisenhower's Advisory Committee, if Congress had listened to us, you wouldn't see the failure in your urban renewal -- we said, there is no justification for spending a dollar for subsidy unless minimum housing standards are maintained and codes are enforced. I know the problem, but damn it to hell, the housing inventory is going down through non-enforcement of codes at a rate that far exceeds new construction. And if you think it's bad today, I dread to think what it's going to be like two years from now.

So, number one, let's get code enforcement. If we get code enforcement - it's not simple but I have a detailed program on it which I will not take the time to go into here - you then start getting interest in renovation; money should be available for renovation but only if codes are enforced because if you renovate now and somebody let's the building go next door --

Taxes. Your municipalities, your cities, have a tax problem that's second to none. Why? Visualize three houses, if you will, built twenty years ago. This one was well maintained and he pays the highest taxes; this one just meets minimum housing standards and he pays a somewhat lower tax, because the law says you must tax according to true value; this third house has been

milked and pays a negligible tax. And I insist that if you want to get your cities straightened out, adopt a law wherein all properties are taxed as that middle house. What would the house be worth if it met minimum housing standards. There is no profit in letting it go down or being penalized if you take care of it and improve it. I'm not talking about capital improvements but maintaining it.

Now this is one of many things. But I say to you, we also need subsidies for the construction of homes for the lowest income in cities, or a rent subsidy, or a combination of both. But the musical chairs will help.

ASSEMBLYMAN MEGARO: Thank you, Mr. Summer.

No questions, Mr. Summer. Thank you very much.

We intend to recess but we will have one more speaker before the recess if he promises to be only five minutes, and, hopefully, every speaker thereafter will try to keep their statements to five minutes.

Mr. Daniel Gaby.

ASSEMBLYMAN MANNER: Mr. Chairman, if I may, Senator Rinaldo had to leave and he asked if I would give each member a copy of his statement and have it included in the record. (See p. 146A)

ASSEMBLYMAN MEGARO: Thank you, Assemblyman Manner.

DANIEL M. GABY: Mr. Chairman, my name is Daniel Gaby and I am Chairman of the Democratic Policy Council of the Democratic State Committee. I will be very brief. In fact, I am going to forego reading my original statement because, having listened here this afternoon, it's quite clear that you gentlemen have heard at least my side of the argument. My side of the argument does fall with rent stabilization, and those arguments have been made very eloquently by Mr. Aranow and I won't repeat them. However, there is one point that I do want to make.

It is perfectly true that the answer is not rent

stabilization but rather an increase in housing. It is equally true, particularly to those of us who are involved in the political process, that the conditions necessary for a sharp increase in housing in this State simply do not exist and are not very likely to exist for a long period of time.

The fact is that the shortage of housing in this State is the result of excessive property taxes, of exclusionary and restricted zoning, of building codes, of high closing costs, and of high mortgage rates.

Now the problem here is that we have a very serious political problem in that zoning is one of the most explosive issues that exists in the State today; a reform of the property tax which must be based on the imposition of a statewide graduated personal income tax. These two conditions, in my judgment, are very far from us, unhappily. And until that happens, we are very unlikely to see any sharp increase in the housing supply.

So that arguments against rent stabilization seem to me to be specious in the light of these circumstances. I have listened this afternoon to one argument after another about the weaknesses of rent stabilization. I have listened to specific arguments against particular points in this particular legislation, but I have not heard a single constructive alternative suggestion that would cope with the situation that exists today, because what is necessary today is that we create legislation which will give short-term relief to people caught up between the political reality that we're facing today and the economic reality that they're faced with.

A previous speaker mentioned that there are in fact rent gougers. He also mentioned that rent gougers are in the decided minority within the building and landlord community. I am not prepared to argue if that is so or not. However, one particular act of good faith which would persuade me of their good intentions would be

if on a systematic regular basis the building and landlord community would identify these rent gougers and cite chapter and verse as to the particular situations so that we would have some impression that they were in fact policing themselves. Because in the absence of this kind of information, we can only assume that they are sweeping some things under the rug. The abuses unquestionably do exist; the abusers unquestionably have no intention of policing themselves. The Legislature, the body that you gentlemen represent, is the last defender of the public interest and you must unquestionably provide relief.

Thank you very much.

ASSEMBLYMAN MEGARO: Thank you, Mr. Gaby.

Are there any questions?

ASSEMBLYMAN IMPERIALE: One questions. Are you a candidate for the U. S. Senate?

MR. GABY: I'm a candidate for the Democratic nomination for the United States Senate.

ASSEMBLYMAN IMPERIALE: Do you have any constructive views on paper that you can submit to this Committee that you think would be of help to us?

MR. GABY: I certainly do. My own feeling - again, I don't want to take too much time on this but very quickly - is that the Federal Government ought to be assuming much more of the cost of local education of health care and of income maintenance. And if, in fact, these programs were instituted, the burden on the local property taxpayer would be appreciably decreased particularly with the assumption of education costs and the pressure for exclusionary zoning would subside very rapidly.

One of the reasons that I am a supporter of the State income tax, the assumption by the State of the cost of local education, is that I believe sincerely that this is one of the principal reasons why communities have restrictive zoning, they clearly have an interest in reducing the number of children in their school system.

And if that incentive were to be eliminated, it seems to me that you would be moving much more rapidly toward the kind of zoning that makes sense in this State, which is much more balance, and you are going to move much more rapidly toward building a supply of housing that we're all looking for.

ASSEMBLYMAN IMPERIALE: Thank you.

ASSEMBLYMAN MEGARO: Are there any further questions?

Thank you, Mr. Gaby.

We will take a ten minute recess.

(Recess)

ASSEMBLYMAN MEGARO: Will everybody please take a seat. May I have your attention, please. We have quite a few speakers listed. We will adhere strictly to the five-minute rule. Assemblyman Imperiale will be the timekeeper. After four minutes, it will be indicated that you have one minute left. We have to follow the five-minute rule in order to hear every speaker listed for the balance of the day.

We will adjourn around 6:00 P.M. and we will make a decision as to any future hearings at that time.

We will now call our next speaker ---

ASSEMBLYMAN MANNER: Before you call the next speaker, there was a gentleman approached the table during the recess, Mr. Michael Leggiero, from the North Hudson Community Action Corporation, with a prepared statement that he asked be put in the record, and he accompanies it with what he claims are 15,000 signatures. And judging from the stack of material here, it looks like his count is correct. I will turn them over to you to be put in the record.

(Mr. Leggiero's written statement can be found on page 153 A.)

ASSEMBLYMAN MEGARO: Thank you, Assemblyman Manner.

Our next speaker is Charles B. Ferrara, representing the Homeowners Council of New Jersey.

C H A R L E S F E R R A R A: Assemblyman Megaro and members of the Municipal Government Committee.

My name is Charles Ferrara and I live at 2449 Camner Street in Fort Lee, New Jersey.

I come here as a spokesman for the Homeowners Council of New Jersey to voice my opposition to the rent-leveling bill before you, because I am convinced that this proposed legislation will raise property taxes.

I want to be frank with you, gentlemen. As a homeowner in this State, I've had it up to here. I think you understand what I'm saying. Anyone who owns a home in New Jersey knows what I'm talking about.

The property taxes in this State are unreal. The people are disgusted. Just look at the way the voters have been reacting to school-bond referendums.

Young couples cannot afford to buy homes in New Jersey. Parents with college-age kids are worried sick about how they are going to meet their bills. Our senior citizens - and we have them, gentlemen, just like the tenants - who are living on fixed incomes are really up against it.

I - and I am going to go off my text a little bit - am also a president of a local Homeowners Chapter in Fort Lee of 600 members, and of that number, 110 of them are between the ages of 66 and 73, own their own homes and are about to lose them because of taxes.

Our senior citizens on fixed incomes are really up against it, because they thought their troubles would be over after the mortgage-burning.

Why have the homeowners in New Jersey been an oppressed majority in this state? Because, we've been too busy working, taking care of our kids and staying out of our neighbor's way. Without raising a fuss or asking anyone's help, we have been the foundation of this state.

Well, gentlemen, the foundation is cracking under the weight. And, now we are going to scream and holler, too.

I've come here to reason with you, to argue intelligently. But, I don't think you will blame me for raising some hell, too.

We're not staying home anymore, gentlemen. You'll be hearing from us regularly.

Let me get down now to the subject before us. The tenant lobby calls it "rent-leveling."

Do you know what I call it?

I call it "rent-chiseling."

Rents are going up in New Jersey, so a small group of tenants form an organization and they lobby for a free ride.

They figure that with enough muscle they can get a law to keep rents from going up. Just where do they get the nerve?

The tenant lobby knows that rent-leveling will place an unfair burden on the homeowners, but they just don't care.

If this Legislature approves "rent-chiseling," it will have to accept the responsibility for raising homeowners' taxes, again.

Here's how rent-control will force homeowners to pick up the check.

Controlled rents keep the income of apartment buildings down. Now, in almost all cases, the taxes on apartment houses are based on their income.

So, rent control will mean that apartment buildings will be paying proportionately less in taxes.

Meanwhile, tax reform or not, the cost of public services will continue to rise. Therefore, someone will have to make up the difference.

That someone is me and the members of my organization.

If you doubt the logic of my argument, ask any tax assessor in a municipality that has apartments what will happen if rents are controlled. I've asked tax assessors and none of them has disputed this argument.

You know as well as I do that you can't get something for nothing in this world. If tenants can live in apartments that, by the law of supply and demand, should be renting for more, someone other than the tenant will suffer for it.

Well, I'm tired of suffering.

I've done some research, too, and I know that I'm not suffering alone. Homeownership costs rose 50 percent in the New York-Northeastern New Jersey region from 1960 to 1970. During the same decade, rents rose only 27 percent.

I know something else, too. Homeowners outnumber tenants in this state. According to the 1970 Census and figures provided by the State Department of Labor and Industry, there are about 4.4 million people living in their homes in New Jersey. There are only 2.8 million tenants in the state.

The homeowners have given a great deal to New Jersey. Now it's New Jersey's turn to give us something-- give us a break and scrap this bill to make rent-chiseling the law of this state.

ASSEMBLYMAN IMPERIALE: You have one minute, Mr. Ferrara.

MR. FERRARA: I would like to go a little bit off my text because I was involved in the rent-leveling legislation that was passed in Fort Lee. Our former mayor was here before and spoke concerning this. He said it was a unanimous decision on the part of the municipality, the Mayor and Council.

Well, I am here to say that we had 2200 signed petitions from homeowners in the Borough of Fort Lee, which were against rent leveling or rent control of any type. We brought 1200 people out to the meeting, three different meetings. The rent-leveling ordinance that was passed was passed with the understanding at an open hearing that amendments would be immediately introduced two weeks prior to its going into effect. The only reason they passed it was because if they didn't, they would have to readvertise. Well, they passed the rent-leveling ordinance and in two weeks they scrapped the amendments.

So we were not for it. We do pay 50 per cent of the taxes in Fort Lee.

ASSEMBLYMAN IMPERIALE: That's your five-minute limit.

ASSEMBLYMAN MEGARO: Thank you, Mr. Ferrara.

Assemblyman Veit has a question.

ASSEMBLYMAN VEIT: Mr. Ferrara, the statement was made before that a homeowners' organization in Fort Lee was a front for the builders. Was that your organization that was so accused?

MR. FERRARA: I am sure it was my organization he was accusing. But it is an out-right lie.

Let me say this: Our organization was formed as a direct result of the rent-leveling ordinance that was being introduced in Fort Lee. In sight of 3 weeks, we had over 600 members join the organization. The only thing we asked for, since we didn't have finances and the local Builders' Association was coming out with literature and fact sheets

saying why a rent-leveling ordinance should not be passed - we asked for copies of this. We also asked them if they would send out a leaflet announcing the meetings under our name so that we could get them to come out.

I announced it to the paper before the leaflet went out that I had asked the support of the local Builders in this particular area. As a result of my getting some national publicity on TV, etc., fighting this thing, I was then approached to join a statewide organization, which is a formation of 50 homeowners' organizations throughout this State in every county. As a result, I ended up as president. We again used the same tactics to help us here tonight. We did approach the New Jersey Builders and asked them to send out a leaflet for us, which they agreed to do.

As I said before and I say again, as a homeowner, this is the first time that I have found that the apartment owners have been on the side of the homeowner in this specific issue. If I can use them in any way, shape or form to help me to cause the homeowners to have less taxes, I will use them and I will continue to use them.

ASSEMBLYMAN VEIT: So, in fact then, the accusation that your organization is a front for the builders and landlords is baseless.

MR. FERRARA: That's right.

ASSEMBLYMAN VEIT: I am glad you are here to put that on the record.

MR. FERRARA: Just one other point - referring to the mayor that was here, he supports rent-leveling 100 per cent as you have heard. He happens to be a high-rise apartment dweller in the Horizon House Apartments, which is the most exclusive, and is paying upwards of \$700 a month rent. He is the same guy who is introducing the moratorium now. There were 3,000 apartments being built in our town when they introduced this ordinance and this is the same town that bars garden apartments. They said that an emergency existed and they pushed through this ordinance. He is now saying we don't need any more apartments in town.

ASSEMBLYMAN MENZA: Mr. Ferrara, what business are you in?

MR. FERRARA: I am in the life insurance business. I am a general agent for John Hancock Mutual Life Insurance Company in Palisades Park, New Jersey.

ASSEMBLYMAN MEGARO: Are there any other questions? (No response.) Thank you, Mr. Ferrara.

Our next speaker will be Mr. Tex Weiner, apartment owner, Asbury Park. Will you kindly curtail your remarks to five minutes.

T E X W E I N E R: Well, I'm going to try, but I think it is an imposition because I have heard men here speaking for 15 or 20 minutes and to restrict me is very unfair.

ASSEMBLYMAN MEGARO: In order to give everyone a chance to be heard this evening before this meeting is adjourned, we have to limit each person to five minutes. I would appreciate it if you could curtail your remarks to five minutes.

MR. WEINER: All right.

ASSEMBLYMAN MEGARO: Thank you, Mr. Weiner.

MR. WEINER: Gentlemen, I want to thank you for letting me appear here. My name is Tex Weiner and I am former chairman of the Apartment House Council and I would like to tell you that I am a member of the New Jersey Builders' Association. I am very proud of that association. I have been a builder for over 20 years and I own and manage apartment complexes.

A great number of erroneous statements have been made about landlords, some pretty deliberate, some very nasty. I have been called names today worse than I have been called on a football field. Let me tell you, I have never heard such language, couched in such a nice way. Some comments were made by people without knowledge of the management problems we have. There is a lot more to this business than just renting an apartment to a tenant. It has become

a complex business.

I know the biggest hue and cry is rent gouging. All right. As Al Smith used to say, "Let's look at the record." Rents go up because my costs go up. Let's take taxes. One project I own has had terrific tax increases every year. In 1968, I had an increase of \$2800. Here is a tax increase of \$4200 for 1969 - 1970, \$7900; 1971, \$5225; and 1972, \$4459. Gentlemen, in five years my taxes went up \$24,584 for 164 units in one town.

In another project - and this one will shock you - I had a tax increase that will stagger you - \$19,700 for the year of 1972, one year. This is not a large complex. This is another one I own. It is only 104 units. That means a tax rise of \$19.40 each month per apartment.

I'd like to tell you something. I'm going to digress for just one second. I didn't raise my rents \$20 and I don't like this characterization that every landlord is a gouger. I resent it. And I don't like it one damn bit.

This tax rise was so high that it caused a 96-unit apartment house, only two years old, just a half mile down the road from mine, to go into bankruptcy. Everybody talks about shortage of apartments. Amazing isn't it? Just look at the record. It's the Imperial Gardens in Jackson Township. You might wonder about my project. Because of this tax increase, it is in the red. And I borrowed money to keep it going. But how long - if we don't get tax relief soon? I don't know how long I'll keep this one.

I would like to tell you something about the particular problems that we have. Everybody talks about theory. I don't deal with theory. I deal with live people and with projects.

Gentlemen, this is a bucket of paint (indicating). We paint each apartment before a tenant moves in. Our paint supplies went up 18 per cent in just three years. These are some of the items we use.

This is an insignificant item. Your wife may know

about this. It is called Easy-Off. We have to clean every stove when some of our charming tenants do not clean it when they leave.

Let me have a lock, please. Here's a lock. In just three years, this thing went up 37 per cent.

Now everybody needs one of these items. You all need a toilet seat. It is the most indispensable item in every man's library. I would like to tell you how much this went up. It went up 19 per cent in just three years. It's a comfortable seat.

Do you want a drink of water? Do you need faucets for cooking? How about a faucet? Do you know what this cost me? This went up 20 per cent in three years.

Here is a light fixture. This is not the one we use in the apartments but one we use outside so people don't stumble when they go up the steps. This thing rose 24 per cent in just three years.

You know we have master antenna service. Tenants think nothing of it. They know they just plug in it. But if their picture gets a little awry - oh, you will hear them scream, "What's the matter with the antenna?" And we keep it fixed. And that I want you to know, gentlemen, just went up a little matter of 40 per cent.

This big box is a Westinghouse air conditioner. I got trapped into buying that one because the jacket that we put the air conditioner in doesn't fit any other. I am committed for the rest of the life of that apartment house to use a Westinghouse. Now you all want it cool when you are watching television. In three years, these items went up 67 per cent.

You and I know when you have a nice garden apartment, you have to keep the lawns nice and green and neat. And you need seed, fertilizer, lawn equipment. Everybody thinks this is really nothing. Do you know what this stuff represents? a 32 percent increase in labor and machinery.

I'd like to tell you one thing. I have given you

practically all the maintenance costs that I have with me, but not all of them.

I want to go to one item that I just read in the newspaper and that is our service electricity - electricity for the parking area, porches, inside hallways - and on June 1st, that will go up 6 per cent this year. But in 1970, it went up 7 per cent and late in 1970 it went up another 9 per cent - a total of 22 per cent in just two years - plus a kicker. It can go up every month now. The PUC has granted the power companies the right to raise the cost every single month if their fuel costs go up. And you and I know they're going to go up.

Now I'm going to show you something. This is a life-sustaining little bottle of water. Everybody likes a drink of water. Do you know what this costs me? In just two years, a 150 per cent increase.

I would like to show you something else. This, gentlemen, represents a bag of garbage. This is really actually garbage, plain, ordinary garbage. Ninety per cent of the communities in this State do not pick up apartment house garbage. We pay for it. I would like to tell you because they were going to get under some regulation of the State, every one of the scavengers raised their prices to the tune of 47 per cent in just two years.

You know tenants always want their heat and they don't want to hear any noise about it ~~or~~ else they complain to the Board of Health, which they should do. The natural gas industry wants a hike of over \$4 million in the whole United States. We know we are going to get another increase on that. The owners of apartments who use natural gas, who have already gotten an 18 per cent increase, know they are going to get another one.

ASSEMBLYMAN IMPERIALE: You have one minute, Mr. Weiner.

MR. WEINER: I'll cut the rest of this. You have a general idea.

I would like to just show you one thing. I am not even going to talk about the salaries. You are not going to give me time. I just want to show you one form. Gentlemen, I was chased out of New York City by rent control. I saw a \$2 million apartment house that my family owned go for \$80 thousand. If you do that to me, you are going to chase me out of New Jersey.

(Mr. Weiner goes to the back of the Chamber where he had various exhibits set up.) I want to show you something. It is over 200 forms we will have to fill out. What kind of an office space are you going to give me for all these forms? This is what you have to fill out in New York. You want rent control? You'll drive us nuts. Here are some more forms. Take a look at them.

ASSEMBLYMAN MENZA: These are New York forms.

MR. WEINER: What do you think New Jersey is going to give us?

ASSEMBLYMAN MEGARO: We haven't arrived at the point of having any forms yet.

MR. WEINER: Are you going to give me more?

I'm going to let you see them. They are all their forms. You haven't seen them all. We didn't even bring them all. We are being good to you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Weiner.

MR. WEINER: I just want to answer two things Mr. Imperiale asked before. May I?

ASSEMBLYMAN MEGARO: You may.

MR. WEINER: I want to tell you something. You take all these items away from me, gentlemen, and this is what you are going to get.) (Mr. Weiner points to a bag of garbage) This is what you are going to get. If you think this is a joke - I've already been through it once.

ASSEMBLYMAN MEGARO: We have that in Newark already.

MR. WEINER: You have it in Newark already? I'll tell you why you have it in Newark already.

Mr. Al Brown, the former President of the New Jersey

Builders Association, contacted Mayor Gibson of Newark on three occasions and his offers were never answered. You asked about Newark, Mr. Imperiale. I want to tell you that the President of the New Jersey Builders' Association last year, Mr. Al Brown, went to see Mayor Gibson three times so he could do some building in Newark.

I would also like to tell you, sir, that prior to that a consortium of ten builders made a proposal for town houses in Newark. It took them five years before they gave up, discouraged. That's how many roadblocks were thrown into their lap.

I just want to tell you one thing, sir. We will build. I'll build you up a storm. I have already done it. You let me build. I come from Monmouth County. Let me tell you, sir, I offered the Township of Wall 400 senior citizens units on a 22 acre tract that I had that would give them over \$44,000 in clear profit. Because with senior citizens there are no school kids. We take care of everything. They turned me down.

ASSEMBLYMAN IMPERIALE: Mr. Weiner, let me tell you, when you want to build in Newark, you come and see Assemblyman Anthony Imperiale.

MR. WEINER: You've got a date. How's that? You've got a date. I'll build you up a storm. You let me. I'll build it for you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Weiner. Assemblyman Menza has a question.

MR. WEINER: Do you have a question, sir?

ASSEMBLYMAN MENZA: Yes, I do, but I must say now I am convinced, Mr. Imperiale, that you are definitely running for President, and I'm not voting for you. (Laughter.) You gave a very interesting demonstration.

MR. WEINER: Thank you, sir.

ASSEMBLYMAN MENZA: However, not very convincing, sir.

MR. WEINER: Oh, let's go into it.

ASSEMBLYMAN MEGARO: Will the Assemblyman please ask his question.

ASSEMBLYMAN MENZA: First of all, these photographs are not your proerties, are they?

MR. WEINER: No, sir.

ASSEMBLYMAN MENZA: You don't know whose properties they are, I take it.

MR. WEINER: I left New York. I thought I made that clear.

ASSEMBLYMAN MENZA: You have no idea then why these buildings deteriorated in the manner in which they did.

MR. WEINER: Oh, yes, I have first-hand knowledge.

ASSEMBLYMAN MENZA: Tell us what it is.

MR. WEINER: I'll tell you why. The rents on these apartments were pegged to 1945. They were never increased. But the oil, the repairs, the maintenance - that went up and up and the taxes went up every year to a point where it was not feasible, not economically feasible.

ASSEMBLYMAN MENZA: Mr. Weiner, the bill in question reflects increased rentals when, in fact, taxes go up, when improvements are made, and when the Consumer Index increases.

MR. WEINER: What is a super index?

ASSEMBLYMAN MENZA: Are you familiar with the bill, sir?

MR. WEINER: Am I familiar with this bill? Oh, yes, I am familiar with the bill. I didn't hear the word "consumer."

ASSEMBLYMAN MENZA: Can you tell me, Mr. Weiner, --- You, of course, understand that in the bill there are certain provisions for rent increases under certain circumstances. You understand that?

MR. WEINER: I am well aware of that, sir.

ASSEMBLYMAN MENZA: Let me ask you a question. When all these prices went up the last few years, I presume your rentals went up.

MR. WEINER: Yes.

ASSEMBLYMAN MENZA: I presume you are not losing money.

MR. WEINER: On one apartment project, I am. --

ASSEMBLYMAN MENZA: But on the rest of your projects, you are making money.

MR. WEINER: -- The others, I am not.

ASSEMBLYMAN MENZA: You are losing money on all your projects?

MR. WEINER: No, sir.

ASSEMBLYMAN MENZA: You are in business to make money.

MR. WEINER: No question about it.

ASSEMBLYMAN MENZA: And you are, in fact, making money, are you not, out of these rentals you are talking about?

MR. WEINER: Correct - absolutely.

ASSEMBLYMAN MENZA: So when, in fact, your expenses have gone up, your rents have gone up, have they not?

MR. WEINER: Commensurately, not gougingly. That's the answer.

ASSEMBLYMAN MEGARO: Thank you, Mr. Menza. Any more questions? (No response.) Thank you, Mr. Weiner.

(Mr. Weiner's written statement can be found beginning on page 154 A.)

Our next speaker will be Mr. Roy Sampath, the Chairman of the Committee on Christian Social Concerns, Bethany United Methodist Church, Fort Lee.

R O Y S A M P A T H: Mr. Chairman and members of the Committee: The galleries are empty and most of the headline hunters are gone, but the issue remains with us and I hope that some of the thoughts that might be expressed might reach more fertile ground now that there might not be so many interruptions.

Mr. Chairman, I am the Chairman of the Human Relations Committee of the Board of Christian Social Concerns of the United Methodist Church, the Northern New Jersey Conference.

This committee is in favor of rent stabilization. Gentlemen, there are three basic needs of society: food,

clothing and shelter. If, at any time, sizable segments of our population are deprived of any of these three, our society is in trouble. And we are addressing ourselves in New Jersey to the question of shelter.

It is no exaggeration - it is no misstatement of fact - you have heard it from ten o'clock this morning with very few dissenting views - that in the opinion of a number of the leaders of our society, there is an emergency with respect to housing.

I won't bore you with unnecessary repetitions of statistics or reasons why this conclusion was reached. Suffice it to say, that I concur with them.

I will digress a bit from my trend of thought to suggest to you, Mr. Chairman, since so many of the speakers seem to come here from the northern part of the State, that it would be feasible to schedule hearings of this kind either in Newark or at some point north of Newark.

I also live in Fort Lee and I recognize my friend, Mr. Ferrara, of the Homeowners' group, and behind me the gentleman whose building I see as I look out of my window. I am not one of those who live in Horizon House. I occupy a lowly ground-floor apartment. As a matter of fact, it might be called a basement apartment. Heights just don't impress me too much.

By profession, I am a microbiologist and I am not at all in my milieu speaking with politicians. As a layman speaking in behalf of a religious group, I find myself naturally hostile when it comes to politicians. Because most of the time, I find that politicians seem either to start out on a basis of corruption or before they get too far, they become corrupt.

ASSEMBLY MEGARO: May I interrupt you there. I beg to differ with you on your charges. You have made some accusations about politicians, I believe. I want to remind you that we are legislators, representing the districts that we come from. So I would ask you to refrain from any statements to that effect. You may continue, sir.

MR. SAMPATH: Let me make myself perfectly clear. I am saying that there is a tendency. It is a milieu in which I find myself uncomfortable.

The stories coming out of Trenton, New Jersey -- if any of you live in Essex County or Hudson County, you don't need me to recite the headlines that went across the nation recently. In my own state, in my own county ---

ASSEMBLYMAN MEGARO: Mr. Sampath, Assemblyman Imperiale has something to say.

ASSEMBLYMAN IMPERIALE: Mr. Chairman, a point of order.

ASSEMBLYMAN MEGARO: Yes, Assemblyman Imperiale.

ASSEMBLYMAN IMPERIALE: Sir, I don't think we have a meeting of the minds here. First, I think that your approach is arrogant and I resent your implications about politicians, comparing them with us. We are here to serve the people to the best of our ability and we give our time, even though we are part-time legislators, to sit here and listen to what is at hand, which right now is rent leveling. If you want to talk about corrupt politics, I will gladly entertain you after this meeting. I assure you, sir, if you know the names of any corrupt politicians, I will be only too glad to take you some place where we can do something about it.

Right now, especially since you represent a church, I think that you should compose yourself and stick to the issue, which is rent leveling. Now, if you want to call us fat, ugly, bull, that will come in private session. But we ask you as gentlemen - we want to extend courtesy to you of being kind and being receptive - to extend that same courtesy to us. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Assemblyman Imperiale. Will you kindly direct your remarks to Assembly Bill 656.

MR. SAMPATH: As I said earlier, Mr. Chairman, there is very little that could be added to the bill with respect to statements either as a proponent or as one opposed to it.

A lot has been said.

What I want to address myself to was the responsibility of the State Legislature and you gentlemen sitting as members of a committee to respond to the needs of an appreciable number of citizens. Far too long, Mr. Chairman, State legislators, Federal legislators, local legislators, have not represented the best interests of the community.

Now I didn't think that my remarks to which you took objection were going to stir up a hornet's nest. I don't mean to. Mr. Imperiale, you also have a date with me, whether you are running for President or not. I would be very pleased to discuss that aspect of government with you. Because I must say, sir, that only yesterday in our local newspaper, the Bergen Record, a series of articles started purporting to show people in government not being responsive to the needs of the majority of the people, but rather to the needs of special interests.

ASSEMBLYMAN IMPERIALE: Mr. Chairman, a point of order.

Sir, I am sorry. I am sorry I have to interrupt you. But either you are going to stick to the bill or we are not going to listen. What you are saying has no bearing whatsoever on this hearing. You are entitled to your personal opinion, but please stick to the issue. I am going to tell the Chairman, if you do not stick to the issue, I will not extend the courtesy of sitting here and listening to a lot of malarky. If you want to stick to the bill, I will sit and listen to you.

ASSEMBLYMAN MEGARO: Thank you, Assemblyman Imperiale. Mr. Sampath, will you kindly make no generalities and make your remarks to the bill on rent leveling.

MR. SAMPATH: It has bearing only in the sense of trying to state a point, Mr. Chairman.

Historically we had some kind of rent control, as was pointed out by previous speakers, after World War II. This has lapsed. Several of the speakers earlier pointed

out that there have been hearings of this kind before committees of this kind for the last two or three years. I was trying to build my thought up to one central point that you conduct your hearings, sir, and that you report this matter out of committee at the earliest possible time so that the bill will go on its merry way to a vote either for or against. I thank you for your courtesy.

ASSEMBLYMAN MEGARO: Thank you, Mr. Sampath. Any comments from my colleagues?

ASSEMBLYMAN MENZA: I don't know quite how to say this. But the mere fact, sir, that someone may disagree with you and the mere fact that this committee, let's assume for sake of argument, might bury this bill, feeling it is the wrong bill, doesn't necessarily mean that we are "corrupt politicians," or bad politicians or people who don't know our jobs or people who don't respond to our constituents.

Believe it or not, I submit to you for what it is worth, as a person representing churches, that most legislators do abide by the dictates of their conscience. It is kind of difficult for us to sit here and hear this type of rhetoric. Although we as politicians are used to it and perhaps sometimes it is absolutely correct and rightfully focussed, it is difficult, particularly hearing it from you and hearing it from the group that you represent.

To reiterate, for what it's worth, I am sure you will read the paper and say that my comments were nonsense and childish -- but to reiterate, believe it or not, most legislators and most people in public office do honestly abide by the dictates of their conscience and honestly do what they feel personally is best for the good of the public. Just a comment - not really important.

MR. SAMPATH: I am sorry that you are on the defensive on this. I know several Assemblymen personally and have the greatest regard for their integrity. And my statement was not meant to be a blanket indictment of legislators. However, we can scratch at the periphery of issues ad infinitum

and we can forget the basic causes of the problems in our society. If we were to address ourselves to the problems of our society, in particular, the problems of housing, you will find that there is a shortage of money for housing construction. There is one great drain which affects this bill and any other bill that has to do with society, and that concerns this immoral war in which we are involved. But, you see, this you will rule irrelevant. If you have tunnel-vision and you can see the bill at one end of it, we will forget the causes, perhaps the major causes, which affect our society insofar as housing is concerned.

Mr. Chairman, I submit to you one of the cancers of our society, and our society in Northern New Jersey, is the subject of racism, which is rampant.

ASSEMBLYMAN IMPERIALE: I think the whole structure of his speech is out of order. I don't mean to be rude, but we are really drifting. It is as though we are smoking unbranded cigarettes here and we are really high. Let's get on the issue and stick to it. O.K.?

MR. SAMPATH: I am sure we are not on the same wave-length, sir.

ASSEMBLYMAN MEGARO: Assemblyman Veit has a question.

ASSEMBLYMAN VEIT: Mr. Sampath, could you repeat the organization you represent here?

MR. SAMPATH: The Commission on Christian Social Concerns of the United Methodist Church.

ASSEMBLYMAN VEIT: -- of the United Methodist Church of Northern New Jersey?

MR. SAMPATH: Yes.

ASSEMBLYMAN VEIT: Does that commission or council know the entire content of your statement here today and endorse it?

MR. SAMPATH: In general essence, yes.

ASSEMBLYMAN VEIT: In general essence.

MR. SAMPATH: I haven't a prepared text.

ASSEMBLYMAN VEIT: The Commission supports in toto

the essence of your remarks today?

MR. SAMPATH: Yes.

ASSEMBLYMAN VEIT: Thank you.

ASSEMBLYMAN MANNER: Mr. Chairman, just a statement for the record, please, not in the form of a question. I don't think there is any doubt in any of our minds that there are some bad politicians. But I don't think the percentage runs any higher than there are bad landlords and bad tenants. I think the subject today is landlords and tenants.

ASSEMBLYMAN MEGARO: Thank you, Mr. Manner.

Mrs. Deitz will be our next speaker.

EMILY DEITZ: My name is Emily Deitz. I am from Paramus. I speak today as a homeowner and taxpayer, very strongly opposed to this type of legislation in any form.

Before submitting my philosophical reasons, may I submit evidence against the basic premise on which this particular law is based, that there is a housing shortage causing a state of public emergency.

I have brought several ~~report~~ copies of the Sunday Record, which show a ratio of vacancies to rentals needed of 22 to 1. I have marked off the columns. That's the ratio - in other words, 222 empty apartments and homes and 15 wanted-to-rent ads. This does not cover furnished apartments and homes to share and that sort of thing.

I think Bergen County is a reasonably congested area. May I submit this as part of the record?

I don't know how many apartments a tenant needs to choose from or what they consider a state of emergency. I suggest that we are all victims of inflation and that even the State is constantly asking for increases.

May I submit names of people who share my opinion and letters from people who didn't have time to mail them - couldn't assure that they will be here. I would like them to be part of the record. I am sure you will have

time to read the letters. These are names of voters from various areas, which I compiled not with numbers of people in mind, so much as to effect an awakening in many different communities of a nucleus of informed and involved individuals as to this pending legislation and what I consider its unfairness to the majority of New Jersey's citizens. There are 26 communities and many organizations represented.

I also have submitted my itemized objections to this specific bill, which I consider an abomination.

Now my personal views of the subject: As an average housewife and mother who does not usually concern herself with civic affairs at all, the strong convictions which I have formed about rent control came about quite gradually and coincidentally. I had been very happy to hear that the tenants of New York had protection in the form of rent control. And I felt that landlords were opportunists, gougers, etc., and the poor working man couldn't afford to let the rich get richer at his expense. I felt that way until a series of encounters with many people who were directly affected by the law and people whom I considered to represent a cross section of the population and these encounters very definitely changed my opinion as to its effect on everyone involved. Because they all demonstrated a loss of confidence in how the legislators of New York treated investors' money. And that is my basic point.

Landlords and tenants were by no means the only people involved in this problem. The first person who impressed me strongly was a man whom I will call John Doe, a New Jersey businessman commuting from New York, who ran a business employing from four to fifteen men. Besides operating this business, he invested in a large commercial building housing four other businesses. When I asked John why he commuted from New York with time and money spent rather than buying a home here, he replied that it would be foolish to invest in a New Jersey home when he could live in a

4-room apartment for \$60 and have no other headaches, and invest his capital elsewhere. I noticed that his real estate investment was not in New York. He seemed to be demonstrating a very strong lack of confidence in how New York would treat his investment, as he had seen how New York treated the investment his landlord had made, and his business wasn't being operated in New York because he could see business being made to carry the tax burden which the real estate owner could no longer carry.

The second group of people whom I came in contact with was the average-income, employed people. They didn't buy homes, neither did they accumulate wealth. Without the pressure for having to save toward a home, like most of us do, the money went out as fast as it came in. The Joneses took trips to Europe, invested in lessons and luxuries that they could not have afforded if their rents were subject to normal market conditions or if they had the responsibility for the upkeep and improvement of a home. The Joneses had good to excellent incomes, yet their children were being raised in New York tenements, which were deteriorating into slums through --

ASSEMBLYMAN IMPERIALE: You have one minute, Mrs. Deitz. You may continue.

MRS. DEITZ: Their children were being raised in New York tenements, which were deteriorating into slums through predictable neglect, rather than in their own homes, because someone else was picking up the tab. If these people had bought homes instead of voting in a rent control law, they would have homes today which long since would have been paid for and these homes would be worth a great deal more than they paid for them. The Joneses would be worth money today, instead of costing New York taxpayers and real estate owners money.

Then there were the Smiths and their friends who did invest their money that the landlord had saved them, but they didn't invest it in New York. In increasing numbers,

they were buying homes in New Jersey. Since they liked New Jersey, I considered this none of my business and I really couldn't care less.

Then, since I subscribe to the New York Times, I began to get the picture of the drastic effect on the real estate owner. It wasn't just costing him money; it was costing him his entire investment. His capital and opportunity for realizing a profit had been legally stolen from him.

ASSEMBLYMAN MEGARO: Your five minutes are up, Mrs. Deitz. Can you wrap it up?

MRS. DEITZ: I have approximately two minutes. If I don't finish, I haven't made any point, if you follow me, since I am talking about New York.

ASSEMBLYMAN MEGARO: Continue.

MRS. DEITZ: His capital and opportunity for realizing a profit had been legally stolen from him. Again, like most of us, I really didn't care.

Again, with the help of the Times, stories of mass migration of businesses out of the city came to my attention. They were being overtaxed because the cost of running a municipality must come from somewhere. Again, New York's loss was out gain and who cared about New York? Business is coming to New Jersey, which will help the homeowner carry his tax burden. By me, this was only good.

The next very interesting situation was the annual pilgrimage the Mayor of New York City always has to make to the Governor of the State for a dole. With the potential for ratables of the City of New York, instead of capitalizing on them, they were X-ing the realtors from the tax rolls through discriminatory legislation, in favor of a group of people who didn't have one cent invested other than the rent they paid for the right to borrow the premises. And other ratables (the businessmen) were being X-ed off and being forced out entirely. In effect, not only the needy, which a large metropolitan area always has, but every tenant in the City of New York was on welfare at the expense of all taxpayers

in the state. That also I considered New York's problem.

Well, New York has come to New Jersey in my opinion. We have been hearing for a long time now about the poor, oppressed tenant and the wicked landlord. Legislation is being sought to put the tyrant in his place and put the tenants on welfare in one of the highest per capita income areas of the country.

I think we all ought to care about this. Because the apartment owner has invested his money in the State of New Jersey, and I think how we treat that investment is very definitely going to be a reflection on our State.

Individuals who I meet now are buying land in Florida, Pennsylvania and Arizona. Are we going to give them the final push to make room for the "poor New Yorker" or shall we demonstrate that they can confidently invest in our State and we will protect that investment? Will business wisely bypass New Jersey in favor of fairer areas of the country and leave the homeowners to subsidize the growing tenant population?

I think many of the businessmen have already suggested that they had looked elsewhere. I was happy to hear them say that because it bore out my private thinking.

ASSEMBLYMAN MEGARO: Thank you very much, Mrs. Deitz. Are there any questions?

ASSEMBLYMAN MANNER: Mrs. Deitz, I may have missed it, but are you just representing yourself or do you represent an organization of any kind?

MRS. DEITZ: I started out, when I first got incensed over this bill, representing myself. I contacted many people and organizations who didn't have time to meet. However, I have letters, and you have received letters, from these organizations or from the presidents of these organizations.

ASSEMBLYMAN MANNER: Whether you were speaking for or against the bill, I compliment you for your interest as a citizen. I am glad to see an individual come down.

MRS. DEITZ: Thank you. I am, as I say, very incensed.

ASSEMBLYMAN MEGARO: Thank you very much.

Before I call the next speaker, I will repeat again, if there is anyone who wishes to have his remarks recorded in the record, it can be done by giving any written statements to the stenographer and it will be included in the record, even though you don't get a chance to speak.

I will call as the next speaker Mr. Richard Solyom.

R I C H A R D S O L Y O M: Mr. Chairman and members of the Committee, my name is Richard Solyom and I speak to you today as a private citizen, a resident of Fort Lee. I live in a high-rise apartment and I pay a high rent, but I am opposed to rent control laws and bill A 656.

I am not a socialist. I am a firm believer in private industry and the competitive free enterprise system. If my landlord raises my rent too high, I'll move out. And if enough others do likewise, he will be forced by the laws of economics, not the laws of man, to lower his rents.

This bill is highly socialistic. It places in the hands of certain citizens the power to dictate to other citizens how they may use their own private property. It is restrictive and it is not the American way in which everyone has the freedom to work and succeed to the best of his ability.

This bill gives one man, the Commissar of Community Affairs, the power to activate or deactivate rent leveling provisions. It would give us a government, not of laws, but of dictators. The proposed Bureau of Rent Leveling would have the power to, and I quote, "issue and promulgate such rules and regulations as it deems necessary . . . which rules and regulations shall have the force and effect of law. . ." In other words, government by edict! This is socialism and it is not the American way. This bill might more appropriately have been introduced in Russia, rather than here in New Jersey.

Initial paragraphs of this bill limit increases in rents but subsequent paragraphs provide loopholes whereby rents may be increased under the guise of surcharges for additional services, taxes or capital expenditures. Determinations

for these surcharges are not only slanted to discriminate unfairly against investors, but the calculations are so complicated that most tenants and landlords would need accountants, engineers and lawyers to help make them.

This bill will result in a huge, costly, unmanageable bureaucracy, conducive to conniving and fraud. Both tenants and landlords will be forced repeatedly to hire attorneys and take legal action. The courts will be jammed to the rafters and then much of our daily living will be determined by "tribunals" or "Parliament" as was the case in France before the French Revolution.

I question the bill's basic premise that there is, quote, "a critical shortage of housing space," unquote. Bergen is the most densely populated county in the United States. Therefore, if such a shortage does exist, it would be most apparent in Bergen County. However, the Bergen Sunday Record of May 21st, 1972, carried 267 ads in the classified section for unfurnished apartments available for rent. In this tabulation, multiple listing ads entered by realtors were counted only as one. There were 55 houses for rent. There were also many furnished apartments available and "homes to share." On the other hand, there were only 15 "wanted to rent" advertisements. If a critical housing shortage existed, wouldn't the ratio of advertisements be in reverse?

Since most people in New Jersey are not tenants, I must also question the premise that it is, quote, "in the interest of the health, safety and general welfare of the people of New Jersey to prevent increases in rent. . . ." (Unquote) It would be better worded to say "for the benefit of the self-interest pressure group of tenants whose rising cost of living upsets them greatly." The entire population of New Jersey is upset by rising cost of living, but this is no reason to polarize people and make one group in our society finance the overhead of another group.

One simple fact must not be overlooked - apartment

owners are not in the welfare business - they are investors. They have put risk capital into ventures. If laws are passed which decrease the value of investing in this field, smart investors will simply take their money elsewhere and compound whatever problem might have existed. Many other areas of investment exist wherein the return is not controlled by bureaucrats and these will be preferred by those with capital to invest.

In summary, this is a bad bill, socialistic in nature and foreign to the American way of life. I urge its defeat in order that we may preserve our free enterprise system.

Here is a copy of the April 1972 bulletin of the American Institute for Economic Research. The title is: "How to make slums and create barbarians." I request this bulletin be made a part of the record.

ASSEMBLYMAN MEGARO: Thank you, Mr. Solyom. Any questions? (No response.)

Our next speaker is the Honorable Byron Baer, Assemblyman from Bergen County.

B Y R O N M. B A E R: Thank you very much, Mr. Chairman. Mr. Summer, one of the previous speakers, left with an eloquent plea to leave the market alone - it is working out dramatically.

I would submit that that is what is happening - it is working out dramatically, with great success, for the real estate interests. They are making profits as never before because of the tremendous shortage of housing because of the emergency. But so far as the public interest, the way it is working is a disaster. And I submit that we must address ourselves to this public interest.

I am speaking, naturally, in support of A 656. I am really surprised to find anybody still denying the existence of the housing shortage and the emergency because there has been such extensive evidence over such a long period of time from so many sources with undeniable credentials, whether we are referring to the U. S. Census Department or others. I think that it is very unfortunate that hard-headed

businessmen who use objective facts in determining their business policies would attempt to have this Committee determine whether there is a housing shortage based on something as unsubstantial as newspaper ads, when we all know that any person who advertises for housing, for apartments, is likely to have his ads completely neglected in the market that is so favorable to apartment operators that they can pick and choose who they want and require the renters to come to them and that is what the bulk of renters have to do. They don't bother advertising.

We have a tremendous imbalance at present because of the housing shortage, an imbalance in the housing market, and I think that what the State should be concerned with, I think what the Committee should be concerned with, is neither favoring the landlord nor the tenant, but trying to insure that there is fairness for all and no advantage taken of anybody.

I believe A 656 will alleviate many of the serious problems that are caused by the present imbalance in the rental market. I believe it will alleviate the hardships that are experienced by so many citizens that find themselves forced to pay exorbitant rent increases that are based only on the fact that the landlord in many cases can demand whatever he wants - that is, in the case of some unscrupulous landlords. I do not say all landlords are unscrupulous and I must say that I was sad to hear some of the landlords here who objected to ~~category~~ categorizations about landlords and then in turn make ~~category~~ categorizations about tenants. I think what we are concerned with is not categorizing our citizens, but insuring fairness.

I think this bill will reduce abuses where they exist in the real estate industry and I think that it will serve the State a further purpose in trying to maintain an orderly market. Because if we find persons, wholesale, forced out of housing ~~that~~ that they can't afford when there is no adequate housing that they can afford, I think we will find very

serious problems caused for the government and the society.

There is nothing revolutionary about the steps proposed to correct the imbalance in this bill.

ASSEMBLYMAN IMPERIALE: You have one more minute.

ASSEMBLYMAN BAER: I will not be able to complete this in five minutes. I'm sorry. There are a number of points I need to make. I will try to go as rapidly as I can and not stick with any one point and try to continue to be very relevant.

ASSEMBLYMAN MEGARO: As a cosponsor of the bill, we will extend a few more minutes to you, Mr. Baer.

ASSEMBLYMAN BAER: Thank you.

I think we find, for example, that with World War II when we had imbalances caused by shortages of food, of rental space and other things, we saw the government stepping in to correct the imbalance. We find it where we have unequal competition in international trade where we need to protect local industries. And we find the government stepping in there. We find where we have an imbalance caused by the monopolies of certain businesses, unavoidable monopolies, such as in utilities, the government stepping in and regulating. I think in this imbalance it is justified also.

Far from having welfare for the tenant through this bill, as one person charged, we presently, in fact, have a form of welfare for the landlord. The landlord, I think, has been so used to accepting the subsidies in the form of income tax deductions under the property tax and other benefits, such as interest, that they, themselves, lose track of the fact that they are presently the recipients of subsidies.

I think there is nothing wrong to seeing to it that the government protects the tenant also if there is that need, as there is at present.

I am very saddened to find that some of the more powerful portions of the real estate industry have attempted to whip up opposition to this measure by attempting to

turn citizen against citizen. One example of this is the attempt to turn homeowners against tenants and, unfortunately, a number of homeowners, I think, unknowingly have fallen into this trap, even though in a few ways, which I will point out, actually in many ways, the homeowner, himself, is somewhat at a disadvantage with the real estate industry.

I think the essential point raised by the real estate industry in this regard is that the property tax burden will somehow be shifted to the homeowner. This is based on the argument that the assessed valuation of rental property is often based on the capitalization of the rent and that by limiting the rent or income, the assessment will be limited and, therefore, in a continuing inflationary situation, we will find a shift of the burden to the homeowner.

I don't think that this is a valid argument and I will explain why. But I think to put it to rest once and for all, it would be desirable to incorporate an amendment in this act so that this issue could not be used to pit citizen against citizen.

I think one reason that this is not valid at all is when we have a situation as we have today where rents are in many cases skyrocketing, that these rentals and the capitalization based on these rentals do not, in fact, reflect fair market value, but only reflect a situation which is a temporary situation based principally on this shortage of housing. When that is corrected, the other situation will be also corrected, and this in no way represents a fair basis to determine value.

There are a number of ways of determining fair market value and, of course, one approach that the Committee could take in considering an amendment, would be to tie to this act a method of computation that would not allow this type of escalation - it would not be dependent on the capitalization method. I think you are aware there are three or four other methods that are also in use to some degree.

I think perhaps what would put it to rest even more so

would be to have a provision in this act that would provide the taking of a ratio between the value of all assessed rental property in a community and all assessed non-rental residential property in a community, and comparing that ratio prior to the imposition of rent leveling with the ratio after the imposition of rent leveling. And whenever there is determined to be an increase of more than 1 per cent between these two ratios, if you understand me, presumably based on a hypothetical depression of the property value of rental properties, then an additional surcharge in that community of the same percentage differential could be built into the permitted rent increase formula. So if you had, for instance, an increase of more than 1 per cent, - I think you wouldn't want to have it take effect in very minor amounts - but if you had an increase, let's say, of 2 per cent, then you would have an additional surcharge permitted of 2 per cent in that community.

I think we would find in practice that this would never be exercised. But I think that it would be an effective tool to reduce unnecessary fears and the pitting of one citizen against another,

I would further say that if the cries from the real estate industry continue to persist in terms of some unfairness, based on this, I would advise the homeowners to look to the fact that real estate taxes for the real estate industry are in a way related to income and they are not for private homeowners. If the concern about this is so great, then perhaps we should look to a different method of determining taxes for the real estate industry, so the homeowner is not at a disadvantage.

Let me move on to a couple of other points. I realize time is flying.

ASSEMBLYMAN MEGARO: Can you wrap it up, please.

ASSEMBLYMAN BAER: I will try.

ASSEMBLYMAN IMPERIALE: Mr. Chairman, I don't mean to be rude, Assemblyman. But I think we must enforce the time limit because it is not fair to the other speakers whom

we have cut short in the middle of their speech. I certainly wouldn't want to be accused of extending my hand to my colleagues and not to our citizens.

ASSEMBLYMAN BAER: Well, Mr. Chairman, I would submit that Mr. Summer spent an extensive amount of time. I have been here for some time. I have specific provisions here relating to this that I think you want to hear about. I am not digressing, as some speakers have, about the war or about other unrelated issues or the character of individuals. I will be relevant, but I think it would be in the public interest to hear out these relevant matters and I will not take any of these issues and beat them to death. I just want to touch on them and move on to the next.

ASSEMBLYMAN MEGARO: Can you move along because we do have several other speakers. And we want to try to get to everyone tonight so that they don't have to make a trip back, if possible. That is the courtesy we would like to extend to everyone.

ASSEMBLYMAN BAER: Right.

I will also very quickly debunk another means that has been used by some real estate interests in an effort to pit citizen against citizen, and this is to raise the spectre of the slums. Because, in fact, the slums are not caused by this. To some degree, they have been caused by the neglect of some portions, the irresponsible portions, of the real estate interests. I think other legislation must address the problem of the slums and it cannot be addressed here.

Now it has been argued in addition that this act would inhibit construction and the same argument was used to persuade municipalities in this Legislature to allow the lifting of rent control back in the '50's and that there would be a flowering of construction that would eliminate the shortage of housing. There has been some construction, but that shortage has never been eliminated. I think that we cannot wait for that.

I think it is important, however, that there be one amendment to this act relating to that, and that is an amendment on page 6, Section 17, that would strike out the sentence, "Any subsequent rentals shall be subject to this act." I think that all new construction should be totally exempt from this act so that there can be no basis whatsoever on which any investor might be inhibited in investing in new construction, so that we can put that argument to rest once and for all.

It is further argued that Federal rent stabilization makes this act unnecessary. But I believe that is far from the case and, in fact, I would propose that Section 26 be amended to strike out the language - that is on page 8 - "after Federal regulations, pursuant to the 'Economic Stabilization Act of 1970' (P. L. 91-379) as extended by P.L. 92-8 have been removed." What I am proposing is that this act take effect immediately after enactment or, at least, as quickly as is practicable to set it up. I think at the very least it should take effect so as to prevent any landlords beating it to the punch and sticking in rental increases in anticipation of it. The reason I say this should take effect without waiting for the end of the Federal act is because of the inadequacy of that act. That act is particularly inadequate in terms of the rental standards that it sets. There is very little logic to some of the standards, such as those which permit increases based on the size of increases permitted prior to that act. If the landlord had an exorbitant increase prior to the effective date of that act, he would be permitted another. If he missed the boat and got stuck in the squeeze, he would be forced to endure the squeeze for a continued period. That does not make sense.

Also I would submit that there are a number of inadequacies which I will not detail here because of time so far as the regulation machinery, so far as the accessibility. And I would like to submit to the Committee copies of a

memo that was quickly prepared by Mrs. Francis Barber of Englewood, who works with the city's Tenant-Landlord Grievance Committee and has had a lot of experience with this. This memo is untitled, but it will detail, I think, some of the inadequacies of the Federal act.

Very quickly, it has been argued that tenants can just move out and the law of supply and demand will bring rents within reason. But I think we know that the lack of space to move to makes that totally unworkable.

There are two other changes that will strengthen this that I would like to make reference to - two other changes to strengthen the act: One, in Section 21, page 8, where there is reference to the penalties for violation -- no, that is Section 22 -- where there is reference to illegal rent increases and a tenant being able to get that back, I believe, as in some of our other consumer legislation, we ought to provide a penalty so that twice the ~~illegal~~ amount would be returned.

Secondly, --

ASSEMBLYMAN MENZA: If I may, I know you were co-sponsor of the bill, but to throw these thoughts to us at this hour after all these speakers, it is difficult for us to comprehend. A couple of points are well taken, for example, the exemption. I suggest that you make up some amendments - you are the co-sponsor - send them to Spiros, our Legislative Aide, and I assure you they will be considered by the Committee. I think that is the best way, Assemblyman, if I may be so bold.

ASSEMBLYMAN BAER: The matter is in the committee and I am a co-sponsor, I nonetheless did not have an opportunity to amend this bill in its creation. I thought it was an important enough bill to co-sponsor as it was. But I am just about done, so if you will let me conclude.

I would like to add to that, in addition to twice the amount being returned to the tenant where there is an illegal rent collected, that legal expenses also be collectible.

I think those summarize the main points of this and I would urge the Committee to release this bill, with these strengthening amendments. I would urge the Committee to not listen to some of the spurious claims, some of the "grand-standing" here, with merchandise and price increases which were pointed out to, which are all taken into account within the cost of living formula here.

Thank you very much. I would also further want to suggest the Committee give a slight bit of attention to providing machinery in each county that the tenants and landlords can utilize in terms of administering this act. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Baer.

Any questions? (No response.)

Our next speaker will be Mr. Donald Singleton.

D O N A L D S I N G L E T O N: Mr. Chairman and gentlemen, my remarks will be very, very brief.

The ground that I planned to cover has been well trodden today and it begins to look a little like the Burma Road at this point.

I am a homeowner in Hoboken, New Jersey. I have been both a tenant and a landlord. My profession is journalism. I am a reporter. I have done extensive reporting on rent control and housing problems in New York City, involving some months of research, I might say. I had a prepared statement which is really mushy at this point inasmuch as everyone, as I said, has walked over this ground well. I will just quickly go through it.

Basically I agree with everyone. There is no doubt that the problem, as everyone sees it, is a housing shortage. However, I feel that the high rents are a symptom of the shortage. They are not the cause of the shortage, just as high prices are symptomatic of shortages of every commodity in this type of economy that we have.

I believe rent control is basically unfair. It essentially makes the judgment that there is a major social problem and it places the full burden of solving this problem

on the shoulders of one segment, which is the landlords. If it is a social problem, the price of the solution should be borne equally by all members of society, I feel, not just the landlord group.

Much has been made today of the concept of fair return. I believe one committee member asked several people what a fair return is. The fact of the matter is that there is no objective fair return. What a landlord feels is a fair return, the tenant feels is unfair, characterizing it as gouging. What the tenant calls fair, the landlord calls unfair and says is unreasonable. In fact, one landlord, I believe it was Mr. Summer, this afternoon characterized the interest rates as unfair and said that they were prohibitive - "confiscatory" was the word he used. In other words, when something goes beyond our reach economically, we tend to call it unfair.

The fact of the matter is, I believe in our economy today, the only fair way to establish any price is in the open market. I believe if you are going to limit the amount of profit a landlord can make, you ought to limit the amount of ~~profit~~ a used car salesman can make. If a used car salesman buys a car for \$100, why should he be able to sell it for \$150 when a law of the State of New Jersey would limit or restrict a landlord who is essentially a businessman? Unfortunately in this state and everywhere in this country, housing is produced by businessmen. It is not produced by government. So if you are going to limit the income of one businessmen, in order to be fair you have to limit the income of all types of businessmen.

I want to make two more observations generally. One is that it is my feeling that this rent control law is not essentially different from New York City's rent control law. This one makes much of being linked to the cost of living index. In New York City rent control, there was a mechanism where a landlord could apply for relief any time he was not making a fair profit because of rising

costs of various kinds. And all he had to do was show that his costs had risen to certain levels and he was granted a rent increase. I believe this law is essentially a rent control law like New York's. I further believe that all of the objective studies that have been made of rent control laws in New York have said not that rent control caused abandonment, not that rent control caused the decline of the cities or any tragedy, but that rent control was a factor in those problems and it exacerbates all the other problems that go into it. It is not a simple thing. It is a very complex thing. Rent control would be just one more barbwire to that mess.

The second and final observation is that it is my observation, and I am sure yours, that those who favor this act tend to be either tenants or elected officials from cities in which tenants represent a major segment of the population and those who opposed this legislation tend to be developers, those people involved in building and renting housing. I think you ought to make great use of whatever objective data are available - the Rand Study, for example, in New York; Dr. Sternlieb's study in New York, both of which said that rent control was a contributing factor in all sorts of housing problems and the thrust of both of those was that it was too bad that New York did have rent control and that New York ought to look for a way to get out of rent control. In fact, New York has looked for a way to get out of rent control and is getting out of rent control. And I feel it would be a disaster for New Jersey to get into it now, particularly in Hoboken where I live. I feel my town is in great jeopardy, the city that I have come to settle in and love a great deal, because of this bill. It is depressed now. The rents in Hoboken are very low. If you tell the landlords in Hoboken that they cannot raise their rents and they are going to have to keep them at this level, which is unreasonably low in the context of the Metropolitan area, it is really going to cripple the

economy of Hoboken I feel. I guess that's it.

ASSEMBLYMAN MEGARO: Any questions?

ASSEMBLYMAN IMPERIALE: Are you here representing yourself?

MR. SINGLETON: Yes, I am. I feel very strongly about this. In fact, I hope to go from here to a public hearing on the income tax tonight. I felt badly at various times in the past that the Legislature and my city government and other governments that represent me did things I didn't particularly like after the fact. I believe that I have to get involved and I believe that everybody has to get involved. So if this Legislature now passes rent control, at least I have had my say.

ASSEMBLYMAN IMPERIALE: I just wanted to say that your presentation was very warm and from the heart and I appreciated it.

ASSEMBLYMAN MEGARO: Thank you, Mr. Singleton.

Our next speaker will be Mrs. Frances Farber. (Not present.)

Mr. Russell Edmunds.

R U S S E L L E D M U N D S: Mr. Chairman and members of the Committee, I will attempt to keep within the five minutes that so many of the speakers before me have not done, at the risk of being a little disjointed. And I hope you will forgive me for that.

Much of the ground I intended to cover, of course, has been covered.

My name is Russell Edmunds. I am the President of the Troy Hills Village Tenants Association in Parsippany, New Jersey. This Association has several hundred members, not only from the development where it started and whose name it bears, but throughout Morris County and the surrounding areas.

We feel very strongly that some sort of help for tenants is needed and we feel that this particular bill will indeed do a great deal to help the problems.

I have heard many things here today which I consider

to be very specious arguments and a couple of them have not been rebutted. One of the facts which I think the Legislature should be aware of and I would hope that it is already is the fact that when many of these landlords and real estate interests come before you and talk about their returns and talk about profits and loss - when they compile a profit and loss statement from any of the bills which are based on a fair return, they are not talking about the real thing. They are talking about net profits. What goes into making up a net profit? - a little thing called overhead. That overhead includes salaries of all the corporate officers in that community's large complexes, such as my own. So if a bill is based on that, forget it. Because the corporate officers can get their salaries and charge them to overhead.

Another thing - I think really when you are talking about a fair return, there is only one way to measure it. I submit that a fair return would be the amount equivalent to the amount of increase in ~~upkeep~~ or of interest or of taxes which the landlord himself would be prepared to pay under similar circumstances if he had no tenants to pass the increase on to or to double the increase.

I have statistics which will back that up. In Parsippany, for instance, the complex in which we started, Troy Hills Village, last year on the basis of an anticipated tax increase levied increases which averaged on the order of 18 per cent for all apartments. In light of some of the figures that have been cited here, that may not seem like much. Their tax assessment, however, was decreased. The township appealed this assessment and the increase which was finally allowed for a 750-unit apartment complex was \$18,243 in 1971, over 1970. That is a 6.4 per cent increase, for which they turned around and charged tenants. And originally, they weren't even going to have a tax increase. That's the kind of thing we are fighting.

I laud the Legislature for its passage of the Tenants' Reprisal Bill. However, the major problem which caused that bill to be introduced and passed still exists - fear.

My Association does not represent a majority of the tenants in the complex or in the town by virtue of its membership rolls. In spirit, however, we do represent them. I could not begin to tell you the number of calls I have gotten from aggrieved tenants who are afraid to do anything.

Another thing which has been mentioned here many times is a thing called turnover. Mr. Feinberg discussed turnover. Gentlemen, turnover is not vacancy. I expect that everyone here realizes that, except the real estate interests who are trying to convince us that turnover and vacancy are the same thing. It just ain't so. Also they are trying to include apartments which are going to be coming up. They don't take into account the fact that these apartments have been rented three months previous to the time the lease expires to somebody else. They still count them as vacancies.

Another point - we have had several homeowners. The Homeowners Association came before you today to tell you that the burden is going to be passed off to them. These people are very unfortunately the victims of a massive, expensive and vicious advertising campaign waged by the Landlords and Builders Associations of this state, which has been alluded to by previous speakers. As other speakers have mentioned, this is not the case. I will not belabor the point.

There are provisions in this bill for service increases and I see no reason why a landlord cannot live with them. The basic precept of this bill, as I see it, is to provide relief for tenants. The major arguments against it are that it will stunt building growth or that it will restrict private enterprise. I label these arguments pure hogwash. There is no such thing as a free market right now in New Jersey in housing. Where we have a situation where a basic necessity of life is being used by certain greedy interests to abridge the rights of citizens in order that they may make excess profits, this is not a situation where we can sit and listen to the high-priced attorneys' presentations, grandstanding and advertising campaigns that these gentlemen

have brought forth, paid for with their tenants' money.

ASSEMBLYMAN IMPERIALE: You have one minute.

MR. EDMUNDS: I would like to ask one rhetorical question for your consideration to any of the landlords. I don't expect an answer. I wonder how much the campaign they have waged against this bill so that they can continue in their greedy ways has cost their tenants in terms of rent that has paid for this campaign and for the lobbyists whom you have heard here today, whom you will hear in Trenton all the time, because that is where they are all the time.

It is high time the tenants got an equal break with everybody else and it is high time that people are not taken advantage of either because they are just starting out in life or on a fixed income or otherwise limited in their means and unable to fend for themselves.

I sincerely hope and believe that the Legislature of New Jersey will take positive action and correct these problems.

I do have some possible amendments to this bill which I will either go into right now or submit them in writing at a later date.

ASSEMBLYMAN MEGARO: We would appreciate it if you will submit them. We will enter them into the record for you.

MR. EDMUNDS: Thank you.

ASSEMBLYMAN MEGARO: Are you finished?

MR. EDMUNDS: Yes, I am.

ASSEMBLYMAN MEGARO: Any questions? (No response.)
Thank you very much, Mr. Edmunds.

Our next speaker is Mr. Jack Farr, President, Knoll Gardens Association, Parsippany, New Jersey.

J A C K F A R R: Thank you, Mr. Chairman.

To begin, let me state there are over 1200 apartments in Knoll Gardens, which are represented by the Tenants' Association there. We have in the past when other bills of this nature were brought up obtained signatures and letters, etc., in favor of them and we can do so again.

We are very strongly in favor of rent leveling legislation, which is desperately needed and is long overdue. With very few exceptions, laws applying to landlord-and-tenant conflicts date back to somewhere around the Feudal times. Invariably the laws favor the landlord. Even those laws passed last year which prevented landlords from taking retaliatory action against tenants because of their membership in a tenants' organization or their complaints to the Health Department, and provided for return of security deposits within 30 days of the termination of the lease, with penalties assessed for failure to comply, are not being enforced at all.

In listening to the previous speakers, it has been brought out that tenants have a serious problem. Unfortunately, a majority of landlords, although not all of them, don't really care. I have had tenants call me explaining a problem that the landlord had been made aware of. The landlord's reaction to these problems was, "If you don't like it move."

I point this out due to the wording in Section 9, line 19, where it has been stated that ~~ignorance~~ of the law is an excuse. Landlords, or a majority of them, are interested in making a profit and they are entitled to a profit. However, with regard to the question of a fair profit for landlords, I have worked a number of years in the commercial field of construction and lease-back properties. My experience in this field, though limited, has shown an average return on investment of between 11 and 13 per cent. This is a figure that most reasonable investors are willing to accept and this is also based on a 15-year lease with no escalator clauses.

Our landlord at Knoll Gardens has changed from a 2-year lease to a 5-year lease and at the same time increased rents up to 23 per cent and cut back services by 50 per cent in some cases.

It is my understanding that the tax bill presently being considered, as presently formulated, provides that 75 per cent of any property tax refund to landlords be passed

on to tenants. If this rent leveling bill is not passed and the tax bill is passed, what is there to prevent the landlords from raising rents to offset the refund they have made to tenants and claiming it as an expense?

Young couples in the Morristown area - in fact, all of Morris County - find it extremely difficult to rent an apartment. As an example, it now costs \$787.50 to move into my complex. This does not include any moving or other expenses. This is simply for obtaining an apartment. I am sure most of us here are old enough to remember when our parents or other family friends rented an apartment to save money for a down payment on a house so they could finally own their own home. I would like to know how young couples are expected to save money for a down payment when they have enough trouble just paying the rent?

ASSEMBLYMAN MEGARO: Assemblyman Veit has a question.

ASSEMBLYMAN VEIT: Mr. Farr, you mentioned that there was an increase of 23 per cent in rents.

MR. FARR: Right.

ASSEMBLYMAN VEIT: And this was over a one-year period. And there was a decrease of 50 per cent of services. What do you mean?

MR. FARR: Well, by township laws we are required to have -- I believe it is township; it might be State -- one superintendent for every hundred units. As we have 1200 units, we are required to have 12 superintendents. We presently have 6. The landlord has consistently answered this query by saying that he has a problem getting superintendents and the turnover rate is rather large.

ASSEMBLYMAN VEIT: So this is the 50 per cent cut in service?

MR. FARR: Primarily, yes. He has also gone from painting apartments every two years to every three years.

ASSEMBLYMAN VEIT: Has he cut out garbage collection?

MR. FARR: No.

ASSEMBLYMAN VEIT: Or do the people in your apartments have to wait an undue length of time to get something fixed?

MR. FARR: Yes.

ASSEMBLYMAN VEIT: How long does it take?

MR. FARR: Of course, we only know from members who call us complaining they have been unable to get action. We have cases where a tenant has complained for the last year about situations that have not been rectified.

ASSEMBLYMAN VEIT: These were not health violations?

MR. FARR: Some of them are safety violations, say, broken windows, where a man has cut his hand trying to open a window when it was broken.

ASSEMBLYMAN VEIT: Has the Board of Health been notified about this?

MR. FARR: Yes.

ASSEMBLYMAN VEIT: And no action has still been taken?

MR. FARR: No.

ASSEMBLYMAN VEIT: One other question: You say it costs \$787 to move in. Are you including security in that?

MR. FARR: One and a half months' security plus one month's rent in advance.

ASSEMBLYMAN VEIT: So it is not \$787 a month then?

MR. FARR: No. It's \$787 to move in, to physically move in.

ASSEMBLYMAN VEIT: I didn't think it was quite clear. I just wanted to make sure I understood you. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Farr.

We are nearing the deadline hour. However, we still want to accommodate everyone who made this trip here to speak. Is there anyone here who wants to present his statement to be entered into the record? That might eliminate some speakers and then we can hear the rest of the speakers?

ASSEMBLYMAN VEIT: Let me just explain one thing. When we speak of the record, for those of you who are not familiar with our hearings, there is a recording being taken of these proceedings here and copies of the entire transcript will go to every Assemblyman and every Senator and also other interested parties. So the basis of the vote here is going

to be on the basis of this transcript, not necessarily what we hear here. So if you have a written statement, please put it on the record.

ASSEMBLYMAN MEGARO: We will take first those who would like to submit their written statements. Is there anyone here who would like to submit statements?

We want to hear everyone that is here. If you will all observe the five-minute limitation, I think we can accomplish it. Some of the Assemblymen have commitments. They have taken up time from their schedules today to be here. However, they are forced this evening to be at some affairs. Three of us will stay and hear the rest of the speakers. So if you all limit yourselves to five minutes, we can hear everybody before we adjourn.

Mr. Robert Grant will be our next speaker.

R O B E R T G R A N T: I will try to complete my statement in three minutes. I doubt if I will go much over.

Mr. Chairman, at the outset, I would like to say that I am firmly behind the concept of this particular bill to regulate, control and stabilize rents in New Jersey, for it is very badly needed.

I see no evidence offered that contradicts the statement that we have a housing crisis. The last figures I saw for the Parsippany-Troy Hills area were that we had a vacancy rate of .7. This was in 1970. The population has grown in the past two years. I would imagine that that vacancy rate has gone down in the last couple of years.

Also, if we are talking about generally-accepted guidelines of what a person should spend on housing, we find most home economic instructors will tell us that 25 per cent of income should be spent on housing. This indicates the necessity for a salary of at least \$12,000 to shelter people and their families. Most New Jersey citizens do not have that level of income.

Persons who invest their personal wealth in projects

in this society have a right to a profit so long as their product does not deal in a shortage commodity that affects basic human needs. There is a difference in kind, not degree, between someone who is selling cars and someone who has invested their wealth into the public domain in the form of housing or food or clothing or any item of necessity.

Concerning the specific aspects of this bill, I strongly support its general purpose. However, I find some things lacking in its construction. Under the proposed tax reform package, I feel the landlords will reap a benefit in reduction of property taxes and yet are under no compulsion to pass along any such reduction in their cost to the tenants. Unless this situation is corrected, rents under the leveling bill will start off at an inflationary level that will allow landlords a return on their money greater than that which is acceptable under the Federal price guidelines.

I also feel rents could be reduced to allow both the tenant and the landlord to benefit under this proposed property tax reduction.

Also - Mr. Farr alluded to this - under the language of 656, we find that a court may find that the omission in giving a tenant information was excusable, taking into consideration the owner's good faith, education and extent of ownership of property. What is said in this section of the bill is that ignorance of the law is an excuse for noncompliance. I would suggest to the members of this Committee that before the courts throw this section out for clearly not being in keeping with the legal tradition and mandate that ignorance of the law is no excuse, this section be rewritten to conform with legal tradition.

In Section 11 of the bill we find the following: "A landlord may seek a service surcharge because of substantial increases in services," etc. I would suggest that the word "substantial" be defined.

During the course of the hearing, we have heard persons allude to the possibility that we are going to

impose upon the court system influx of cases dealing with tenancy. I think the following proposal may go a long way toward solving this. I would like to suggest that you add to this bill the creation of a Landlord-Tenant Relations Board that would in addition to the powers defined in Section 10 of the bill cause to be submitted to binding arbitration, as part of the process of administrative relief, conflicts that arise between tenants and landlords, so that neither must seek relief in the courts, which is a most expensive process and is one which at times leaves a tenant with no recourse. The arbitration could be handled by the American Arbitration Association, a clearly non-partisan body and funded through the landlords by application of a small percentage of rent payments.

As I said at the outset, I am firmly behind the concepts of this bill and I urge its immediate passage.

ASSEMBLYMAN MEGARO: Thank you very much, Mr. Grant.
Any questions?

ASSEMBLYMAN VEIT: What group do you represent?

MR. GRANT: I am a member of the Troy-Hills Village Tenants' Association, but I am speaking mainly as a concerned individual.

ASSEMBLYMAN VEIT: Are you a candidate for public office? I see a McGovern button.

MR. GRANT: Yes. I am running for Congress in the Fifth District.

ASSEMBLYMAN MEGARO: Thank you, Mr. Grant.

The next speaker is Mrs. Tanner from the League of Women Voters. (Not present.)

Maurice Finichel from the Stuyvesant Tenants' Association. (Not present.)

Mr. David Mandel, New Jersey Tenants' Association, from North Bergen. (Not present.)

Mr. Leonard Stevens, Woodcliff Gardens, North Bergen. (Not present.)

Mr. Frederick Thiel, Summit Apartments, North Bergen. (Not present.)

Harriet Dolin, Verona Tenants' Organization.

H A R R I E T D O L I N: I am Harriet Dolin, 39 Lakeview Place, Verona. I am Acting President of the Verona Tenants' Organization.

Rents in all categories of multiple dwellings from severely substandard to well-maintained luxury apartments in the past few years have been experiencing sharp rises in rent and a reduction of services.

The excuses for the rent rises have been taxes. Yet, when the rent rises in 1970-1971 for a number of properties in Verona are calculated and adjusted to a monthly rent per size of apartment, one finds the rent increases cover the entire tax bill, not just the rent rise, but the entire tax bill. At the same time that these tax alibi raises escalated rents, services dropped sharply. Some of the services that have been reduced are the cleaning of public areas, illumination of public areas, inside repairs, garbage removal, driveway repairs, snow and ice removal and painting.

One once moved into an apartment because they didn't want to bother with providing their own services, such as garbage, snow and ice removal and repairs. This is now a delusion. Rents soar and services decline. Landlords who have bled their apartments and neglected repairs and not set up a repair and emergency fund cannot expect the tenants to pay for their mismanagement.

At any rent level, from apartments over stores with leaky roofs to luxury high-rise apartments, tenants are being forced out because they cannot possibly pay the rent and still live. The 25 per cent of tenants in Verona who are retired people, a large portion of which are disabled, cannot pay the sharply increasing rents or afford extra monies to pay for the services the landlord should provide. In fact, many people who rent are today paying 40 per cent or more of their income on rent. A person who is on Social Security may very well be paying all of its benefits on rent.

Monies for other necessities must come from some other source and for many there are no other sources. Moving is usually out of the question because no cheaper apartments are available for these people and the physical and monetary cost of moving is prohibitive.

Tenants at all levels are in fear of their landlords. They are afraid that if they ask for reasonable rents or services, or join a tenants' organization, their leases will be withdrawn or their rent increased. Most tenants are not familiar with the law and shy away from the trauma and expenses of the courts. They feel that their appointed legislators and other officials should protect them against the Feudal landlord.

The rights to the increases to be provided by rent leveling should be tied to the proper maintenance of a property - inside and outside of the apartments.

Even if the income tax is passed and the tenants are rebated taxes on their apartments, there is nothing to keep the landlord from raising rents to recapture this money.

It is necessary for a landlord to make a reasonable profit, say 15 per cent on his gross to include salaries of owner offices and apartments that they occupy, and for tenants to act in a responsible manner, but the landlords have no right to get fat on the food of the elderly, children and other tenants.

ASSEMBLYMAN MEGARO: Any questions?

ASSEMBLYMAN VEIT: You are from Verona?

MRS. DOLIN: Yes.

ASSEMBLYMAN VEIT: The Verona Tenants' Association?

MRS. DOLIN: The Verona Tenants' Organization.

ASSEMBLYMAN VEIT: Does Verona participate in the HUD rent subsidy program for senior citizens?

MRS. DOLIN: No. I have requested that the Mayor and Council look into this.

ASSEMBLYMAN VEIT: No matter what happens here, I would suggest very strongly you do. Because in my community

of Dumont, we adopted this program and the people that are under it are very, very pleased with it. It is for those really sorely in need.

MRS. DOLIN: I am aware of it and I have brought this to the attention of the Mayor and Council.

ASSEMBLYMAN VEIT: You mentioned that the garbage collection, etc. had dropped.

MRS. DOLIN: In the apartment that I live in, we used to have in-building storage because we have basements in our apartments that are accessible from the apartments.

Two years ago, our rent soared from 40 to 55 per cent. A manager was put in so that the owners would think that we didn't know they still owned it and managed it - a superintendent. They put in containerization of garbage that the tenants now take out. There is a constant fight to keep the containers closed to prevent odors, animals in it, etc. The tenants can't handle it if it is closed. It is that heavy. I am constantly fighting with the Board of Health on it. They tell me I am the only one complaining.

ASSEMBLYMAN VEIT: Does Verona have a local health ordinance which forbids in-house garbage storage?

MRS. DOLIN: No, it does not.

ASSEMBLYMAN VEIT: Most communities do.

MRS. DOLIN: Quite to the contrary, a maintenance code which has not passed but which is under consideration would require inside closed containers though. The containers must be covered and taken out frequently enough so there wouldn't be garbage odor.

ASSEMBLYMAN MEGARO: Any other questions? (No response.) Thank you, Mrs. Dolin.

Our next speaker is Mr. Walter Cohn.

W A L T E R R. C O H N: My name is Walter R. Cohn. I am an attorney and I appear here today representing the Property Owners' Association, an organization 20 years of age, the majority of the members being investment property owners.

They are fully aware of what a fair return on money is and I am amazed today that all of the speakers have dodged that answer.

May I say, first, to read a prepared statement after this number of hours of rhetoric is an anticlimax. I would like just quickly to throw out thoughts.

If you are going to have a rent leveling bill as a temporary expediency, tie in with it something to solve the problem. To say that we don't have a problem today is like putting our head in the sand like an ostrich. What we need are more apartments. If we have vacancies, you won't have landlords charging more than the people can afford. Do something to create more apartments.

Now we have a housing finance agency, we have an FHA. If you want to build apartments, you have to get mortgage money. The only way to get mortgage money today is to have a Federal guarantee or a housing finance agency bond issue. You just can't get those two things unless you fight for three or four years. I know. As an attorney, I have done it. If you want more apartments in this State, we have to have a statewide building code so you are not restricted by the local municipalities' stupid, irresponsible regulations in some instances. You must have a statewide zoning policy. That is a hot issue. But so is rent leveling and rent control. If you are going to take one, take the other one and put them both in the same bill. There is nothing that says if you have anything about rents you can't have anything about creating more apartment units to have those rents seek their own level. No community has the right to be told, you can or can't have any particular type of housing in the community. But it has the right to be told, if you are going to have one, you are going to have all. Don't let the communities keep their heads in the sand. Have a statewide inspection system with statewide inspection standards so that all apartment owners have one standard. Force mortgage money to be available. Have an assigned risk mortgage pool like

we finally got for insurance, like we have for car insurance. Make lenders lend. If they don't like it, put something in this bill to make lenders lend so that you can get apartment units.

That is not an inconceivable concept. If the lender knows that to do business in the State of New Jersey he must lend in Newark or East Orange or Paterson or Jersey City or even in Vineland, in some suburban community where the risk is high, and if he doesn't do that lending on an assigned risk basis, he can't do business here, you will get housing in this State. But do something about having rents seek their own level. And that has to be done, as you have heard all day long, by creating the units.

You want to know why buildings are abandoned. Sure, it may be rent control. But there are other basic reasons today in an urban community. Income doesn't meet expenses and the owner just abandons that building. There is another basic reason why buildings are abandoned. The plumbing is stolen. The water meter is gone. You go back to the junk yard and find your own water meter if you know the number on your own water meter. That is why owners in desperation give up buildings.

There must be something done to create housing units. Create them in a municipality such as Newark or any of the urban areas. Create them in the suburbs.

Let me get very quickly to this bill 656 because very few people today have talked about the various provisions of the bill.

ASSEMBLYMAN MEGARO: You have one minute, Mr. Cohn.

MR. COHN: The District Court is the place or the forum to go if you seek redress. As a practicing attorney, I can tell you in Essex County, for example, you file a suit and three years later you get to court. What is that going to do for a landlord or a tenant? The tenant disappears; the landlord has probably lost his building to the mortgagee by then if he can't get where he has to be rentwise. The mechanical operations you provide for in this bill from a

practical standpoint violate all the rules of court on service and on notification to tenants. I am pointing out some of the practical things in this bill.

You provide for home rule so the municipality can decontrol or control. If you have an apartment unit in a controlled municipality and right across the street you have another apartment unit in a decontrolled municipality, there can be nothing but problems. At least have control on a statewide basis.

You provide for increase in taxes. What about the increase in water bills and utility bills and sewer bills now in the City of Newark, for example? The sewer charges are enormous. What about the increase in fuel and insurance? You provide for an increase in taxes based upon the percentage of the square footage of the apartment building. In some communities the land is assessed for more than it is worth on a main street. You are going to have chaos if you are going to try to allocate tax increase on land in proportion to the size of the building and the dwelling units in it.

ASSEMBLYMAN MEGARO: Thank you very much, Mr. Cohn. Are there any questions?

ASSEMBLYMAN IMPERIALE: I'll bet that's the first time a lawyer has been cut short and couldn't talk any more.

MR. COHN: Oh, I am accustomed to it. Usually the judge says, "You have won your case. Sit down." I don't know whether I have won it today.

ASSEMBLYMAN MEGARO: You have made your point. Thank you, Mr. Cohn.

The next speaker will be Herman Greenberg, Property Owners' Association, Newark, New Jersey. (Not present.)

Theodore Murnick.

T H E O D O R E E. M U R N I C K: My name is Theodore Murnick and I live at 375 Mt. Prospect Avenue, Newark, New Jersey.

I am here today to speak out strongly and I hope soundly against proposed Assembly bill No. 656 - the act to regulate, control and stabilize rents in the State of New Jersey. I hope that after you have heard and carefully considered all the facts which I shall present, you will oppose this bill and let it die in Committee. I realize that there are many more tenants than landlords and therefore many more potential votes. However, in a matter of such importance I would hope you would base your decision on facts and sound reasoning rather than rhetoric and emotion.

Most of the speakers today have seen fit to cite several examples of exorbitant rent increases, however, only one man made mention of exorbitant operating expenses for property owners.

Fact: Taxes in Essex County during the past five years have increased at astronomical rates. On the four properties I own, taxes now take more than one-third of every dollar collected. On one building which I own in East Orange, I paid over \$50,000 in property taxes and collected less than \$150,000 in rents. Yet, gentlemen, there has been no action to control taxes.

Fact: In the past two years the cost of fuel oil has increased more than 50%, from 9.3¢ per gallon to 15¢ per gallon. Gentlemen, has there been any action taken to control the price of fuel oil?

Fact: On three-year insurance policies now expiring in Newark and East Orange, new policy rates have increased more than 50% - if renewals are, in fact, obtainable. Gentlemen, has there been any action to control the cost of insurance or, in fact, make it available?

Fact: Costs of repairs and maintenance in the past few years have increased more than 50%. Plumbers and electricians now charge more than \$12.00 per hour of bill time - up from \$8.00 per hour. My elevator maintenance contract was increased from \$55.00 per month to \$125.00 per month. Gentlemen, has there been any action to control cost of repairs and maintenance?

Fact: Interest costs during the past few years have gone up more than 30%. Rates of 5% to 6% are now being replaced by rates of 8% to 10%. In places like Newark and East Orange it is virtually impossible to refinance mortgages as they become due. Gentlemen, has there been any action to control interest rates or make financing available for inner city properties?

My opposition to this bill is based on two very specific concepts. First, the concept of the bill is alien to our free enterprise system and second, the specific bill itself is so ill conceived, unreasoned and naive that I, as an intelligent person, would not want my name associated with it.

To begin with, I will concede that there may be a few greedy landlords who have raised rents unconscionably. However, that is no reason to unjustly condemn and punish all landlords. For the most part property owners today are working harder for smaller returns than ever before. The fact is that operating costs in New Jersey, particularly in Essex County, have risen at astronomical rates in recent years and landlords have been forced to raise rents to meet part of these expenses.

I will try to cover my first objection to this bill as succinctly as possible since I am sure that all of the members of the State Legislature are familiar with and strongly in favor of the free enterprise profit oriented system which is responsible for the growth and strength of our democracy.

As you are all aware, controls are alien to our system of government and have and should only be invoked in periods of national emergencies, and in those cases they are sweeping across-the-board controls affecting all segments of the economy equally. Controls on one segment of the economy, particularly on a local or state level, are discriminatory, unfair and unjust. Who is to say what segment of a local economy should be subjected to controls - instead of rents why not school teachers' and municipal employees' salaries, or perhaps prices charged for hospital and medical care? What determines the subject and necessity of controls - the existence of a real emergency or the rhetoric of one man and the number of potential votes involved?

Gentlemen, I submit to you that in a free economy, controls are unrealistic and unworkable. I should think that the sad experience of rent control in New York City, with the loss of hundreds of thousands of housing units, would be enough to convince you that rent control does not solve the problems- it causes them.

ASSEMBLYMAN MEGARO: You have one minute left sir.

MR. MURNICK: May I please finish the statement? I believe I am the last or the next to last speaker and I have driven all the way from Newark.

ASSEMBLYMAN MEGARO: No. We have quite a few to go yet. We have moved ahead to let you speak first.

MR. MURNICK: It won't take that much longer I will read--

ASSEMBLYMAN MEGARO: I'm afraid we are going to have to stick to the allotted time, we have really run over the time now.

MR. MURNICK: I would sincerely appreciate it if I could finish. I have heard you say many times that someone has been keeping track of the time spent and

many speakers have been here with questions for almost one-half hour.

ASSEMBLYMAN MEGARO: We extended a courtesy to allow you to speak in order not to hold you right to the last minute.

MR. MURNICK: I will stay until 8:00, 9:00 or 10:00.

ASSEMBLYMAN MEGARO: Well, do you want us to call you back then? Can we go on to the other speakers and call you back?

MR. MURNICK: If you will stay, I will stay.

ASSEMBLYMAN IMPERIALE: No, I am sorry. Mr. Chairman, I think we have to draw a line someplace. We have been here since 10:00 this morning, trying to be courteous, and I think that the least you could do is help us out in this situation, Mr. Murnick.

MR. MURNICK: I will read as quickly as possible.

ASSEMBLYMAN IMPERIALE: You have one minute and after one minute, I am not going to listen to you anymore, sir - and I say that very respectfully.

MR. MURNICK: Mr. Imperiale, as one of your constituents living in North Newark, I don't think you are being quite fair at all.

I will submit the rest of my statement to the stenographer. However, I don't think that is the way to treat someone who has driven down here and waited until 6:30 while all day long we have had people in favor of the bill given as much time as they wanted. As one of the few people present who are in opposition to the bill, I have specific things relating to the bill which very few people have mentioned and I think as a service to the people of the State of New Jersey you should listen to the specific objections I have to the bill. I will, however, stop talking about the basic economics of price controls.

The greatest flaw in the proposed bill is in Section 8 which ties rent increases to increases in the consumer price index for northern and southern New Jersey. The consumer price index is a measure of certain standard consumer costs and is totally irrelevant to the costs of operating a property. If one considers the items used in the calculation of the consumer price index and then looks at the costs--

ASSEMBLYMAN MEGARO: We have to limit it to one minute. I am awfully sorry, we have cut the previous speaker short, it is a rule of--

ASSEMBLYMAN VEIT: If you want, you can stay to the end I'll wait around to hear you and we will get it on the record.

MR. MURNICK: That would be fine.

ASSEMBLYMAN VEIT: All right, thank you.

ASSEMBLYMAN MEGARO: Mr. Isadore Weiss, Financial Secretary, Tenants Rights Association.

I S A D O R E W E I S S: Mr. Chairman, Members of the Committee, much has been said today and in order not to repeat what was said I will just give you a few short statements.

I am Financial Secretary of the Tenants Rights Association, P. O. Box 169, Cranbury, New Jersey. This association represents tenants in East Windsor Township and the surrounding areas of Mercer County. It is in favor of Assembly bill no. 656.

Rentals in our area have increased by as much as 25% in about 2 years, before federal guidelines became effective.

Bill 656 is necessary to keep rents from going sky high when federal guidelines are removed. Our association urges all New Jersey Legislators to vote for this bill and enact it without delay. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Weiss. You have been very cooperative and we really appreciate your concern for the Legislators.

Mr. Thomas J. Dawson, Second Vice-President of the Lindenwold Tenants Association, Inc.

T H O M A S J. D A W S O N: I too will be brief.

ASSEMBLYMAN MEGARO: Thank you.

MR. DAWSON: It has been a long day.

Mr. Chairman, Members of the Assembly Committee on Municipal Government, as Second Vice-President of the Lindenwold Tenants Association, Inc., the largest tenants association in South Jersey, I have been asked by the tenants of Lindenwold and by other tenants in the South Jersey area who are presently organizing their own tenants associations and groups, to urge the passage of the emergency rent leveling act, Assembly bill no. 656, to enact statewide rent control during the period of the housing emergency.

Because of the testimony already given demonstrating the abuses of many unscrupulous landlords who are taking advantage of the housing shortage, even during a so-called period of Federal rent stabilization, and showing the need for such legislation, I will not take up more of your time on this point. But I will urge passage of Assembly bill 656 and to refer you to the testimony offered by Martin Aranow, President of the New Jersey Tenants Organization, our parent organization.

However, I do come to you in another capacity and that is as the Assistant Commissioner of Rent Control for the Borough of Lindenwold. In November of 1971 the voting citizens of the Borough of Lindenwold by a 2 to 1 margin demonstrated their desire for a municipal rent leveling ordinance. In January 1972, in response to the citizens' mandate, Lindenwold Borough Council passed a local bill establishing the office of Rent Control Officer and Rent Control Commission, empowered to investigate, review, and either allow or prohibit rent increases by landlords in the Borough during a period when the apartment vacancy rate in the Borough

is 5% or less.

Because of the Emergency Stabilization Act, however, the Commission is powerless to enforce the local ordinance until the rent stabilization provisions of the federal law are declared discontinued. Therefore, until that time comes when our own local Rent Leveling Commission may act, the Lindenwold Rent Control Commission has sought to cooperate directly with the Internal Revenue Service to speed relief to tenants in our Borough whose landlords have violated the federal law.

Now, as you may know, many municipalities, through city or borough council action, like Lindenwold, have attempted to enact municipal rent leveling laws and have set-up concurrent rent leveling commissions to stabilize rents where landlords have taken advantage of the housing shortages in their towns.

However, many of these local ordinances have been declared unconstitutional by our State Courts on the grounds that rent leveling as enacted by borough councils alone are not consistent with the State Constitution and that there are no allowances for the existence of such laws in existing State legislation.

It is true in the case of our Borough of Lindenwold that unlike all of the towns where rent leveling ordinances have been declared unconstitutional, our own rent leveling ordinance was enacted as a result of a direct mandate from the citizens of the town in the form of a referendum. Therefore, it is hinted that our local ordinance may have a chance of surviving a court contest on the grounds of constitutionality. However, as Assistant Rent Control Commissioner and also speaking for the rent control officer for the Borough of Lindenwold, I do not like the odds that are pitted against us. Like other cities and towns whose rent leveling laws have been declared unconstitutional, we also fear that the same fate awaits our own rent leveling law.

Therefore, not only do I come to you as the

Vice-President of the Lindenwold Tenants Association, Inc., to urge passage of Assembly bill 656 but I also come to you as the local Rent Control Commissioner to urge that Assembly bill 656 also include in it amending provisions to allow for the existence of local rent leveling laws and commissions to administer them, should local communities choose to enact such local legislation.

It is my belief, after working this short time on the Commission, that if a town so chooses, a local rent control board or commission can more effectively determine local apartment vacancy rates and deal more effectively with the illegal rent increases and other violations by landlords under their local jurisdiction.

Such amending provisions are not intended to detract from the powers currently proposed in Assembly bill 656. What I do suggest, however, is enabling provisions in the currently proposed legislation allowing for the existence of local rent leveling ordinances and commissions and an exemption from the State law for local rent leveling laws and boards whose towns have chosen to administer local rent leveling provisions that can better serve their citizens than perhaps a statewide rent leveling law could provide.

I would like to take issue with two things, and I will only take five seconds to do this. In response to the question concerning rent control impeding new housing construction, I would like to point out that in the Borough of Lindenwold since the time last November when our rent control law was enacted, seven new apartment complexes have begun to be constructed. Also as far as the argument that tenants are not paying their share of taxes in the Borough of Lindenwold, it has been found that--

My time is up? O.K. thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Dawson.

Are there any questions?

(no questions)

Mr. Joseph H. Martin, Appraiser and Tax Assessor
from Lawrence Township.

J O S E P H H. M A R T I N: Much of what I am going
to say to you is going to be slightly off-the-cuff
because of the lateness of the hour.

In the first place, you gentlemen are to be
commended for your patience here today, with all of this.
You remind me of myself somewhat; I do revaluations
of municipalities and after the revaluation notices go
out, we have to sit down with all of the taxpayers in
that particular municipality and explain all our actions
and we need an awful lot of patience also. If there
is anybody in this State that is more verbally abused
than politicians, and if there is anybody in this State
that is more oppressed than landlords, it is tax assessors.

I found out about this bill late last week,
really, and I made a request to present myself here today
because I am here due primarily to the fact that I do
feel very sincerely that this particular bill is going
to cause a shift in property taxation in every municipality
in which rent control is in effect and that the shift is
going to go from the uncontrolled real estate to the
controlled real estate.

I will read segments from my article on it and
I would encourage this particular committee to make spe-
cific reference to the Tax Study Committee's Report
and to the Local Property Tax Bureau and to the Assessor's
Association in this State and find out truthfully from
the professionals in the business exactly what their
feelings are on the effect of rent control upon property
value, particularly multi-housing.

I believe it is clearly established by New Jersey
Law that property shall be assessed for taxes at full
and fair value, which means the price at which the
assessor would believe the property would sell for at
fair and bona fide sale by private contract on October 1

of the pretax year. The sale should be considered as one between the willing seller and the willing buyer; that is, one not obliged to sell dealing with one not obligated to buy.

The 1947 Constitution of our State is the guiding instrument to all State Legislation, including the act dealing with local property taxation. It sets forth in Article VIII, Section I, paragraph I, "that all property shall be assessed for taxation under general laws and by uniform rules." All real ~~property~~ " - houses, apartments, industrial complexes, and commercial real estate - "shall be assessed according to the same standard of value and taxed at the general tax rate of the taxing districts, for the use of such taxing district."

The reason that I brought that out specifically in this particular report is that there have been statements here earlier in the day by Mayors who are totally confused and contradictory in this particular area. You cannot have dual assessment, it is unconstitutional under our 1947 Constitution. You cannot set a different standard of value for one class of property versus another class of property. The Tax Study Committee's report is very emphatic about what has happened in certain municipalities - the regressivity of taxation, the different coefficients that have happened in municipalities throughout the State over the years and the erosion of the tax base because of such things as this, which would further amplify the fact that property taxation as we know it on a particular class of property is going to be controlled through rent control. Hence, if you limit rent control-it must be clearly understood by this Committee today - if you limit rent income on a particular apartment project, you, by necessity - you have no choice - you are limiting the value to which the money would pay for that particular property and if you limit the value of that particular property, unquestionably you have to limit the taxability

of that particular property.

I am going to give you a quote from a particular publication called, "Appraising Apartments", published by the Society of Real Estate Appraisers in 1963:

"What does gross income have to do with that assemblage of soil and building material called an apartment? In a free society, the very existence of the apartment depends upon its inherent ability to earn an income for the one who is willing to take the risk. The entrepreneur invests his money in this sort of project with the expectancy that it will earn an adequate return. So the revenue attributable to this type of property is the key to its value.

"The public mind establishes relationships between earning power and value. In the market place, the investor is willing to pay a certain amount of money for a certain anticipated quantity and quality of income. The quantity has to do with the amount and the quality has to do with the relative certainty and durability of the income stream. The relationship set in the market place will vary with the size, type, age and location of the apartment as well as other factors. Once this relationship is established, the income tends to govern the value of the property."

The technique, etc., of income approach to value that is used in evaluating garden apartments could be easily explained but I will not do that at present. I do want to end with a direct quote from Report Number Two, New Jersey Tax Policy Committee, page 38:

"The Committee recommends that no program should be considered which would classify real property for local taxation, or further reduce the property tax base or distort its use to distribute the local tax burden. The massive reduction in overall property tax burden proposed by the Committee is intended to provide basic correction of the causes of pressure for further exemptions or subsidies for housing investment, and the

income taxes recommended by the Committee will deal equitably with owners of income-producing property."

ASSEMBLYMAN MEGARO: Thank you, Mr. Martin.

ASSEMBLYMAN IMPERIALE: I'd like to say thank you for your refreshing remarks about the Committee, we certainly appreciate it.

ASSEMBLYMAN MEGARO: Mr. William Jackson, realtor and apartment owner of New Brunswick.

W I L L I A M J A C K S O N: After listening to all the pleadings for time, I have to ask for more time on the grounds that I am the only minority that is appearing today.

(laughter)

And then should I be denied, I have to charge you all with discrimination.

(laughter)

ASSEMBLYMAN MEGARO: Listen I have enough problems with that now.

MR. JACKSON: You see, that is in lieu of being co-sponsor of the bill.

ASSEMBLYMAN MEGARO: Not to join in, but I think you are the only black person testifying today.

MR. JACKSON: That's exactly what I mean.

(laughter)

I think I can do this in five minutes; I will make every attempt to do it and stick right to the time. If you would flag me at 3½ minutes I would appreciate it, then I know when my time is over, o.k?

My name is William Jackson, I live and make my living in Middlesex County. I am opposed to this bill because it is not going to help the minority people.

I was born and raised in New Brunswick, I have lived with and been a student of the so-called urban crisis all of my life. I can't speak about those plush high rent districts up on the Palisades but I can speak with authority and experience on what is going on and

the housing problems of urban New Jersey.

I am a realtor; I also own some apartments. I have worked with tenants and landlords for most of my adult life. I have been a tenant and a landlord. I know both sides of the story and I know the problems of both.

It seems to me that rent control is an example of confused priorities. What we really need - what the minority people really need - is more housing.

It is nice to tell poor people that you are going to hold down their rents, but it really doesn't mean a damn thing if they have nowhere to live.

Rent control may be a crucial convenience for those \$400-a-month fellows up in Fort Lee, but let's not masquerade this as a salvation for the disadvantaged in New Brunswick and Asbury Park and places like that, or anywhere else in the State because their concerns are much more basic.

Minority people are first concerned about whether they have a roof over their heads, whether their homes are free of roaches and rats, whether they have adequate police and fire protection.

And maybe it's about time we looked to the employer to make sure he pays his black or Spanish-speaking help a living wage so that they can afford an equitable rent. Let's not pin the whole rap on the landlord, let's not look only to the landlord to answer for the sins of society in general.

I say rent control, particularly, is a cop-out. It will not improve the poor man's lot. It will benefit those that need it the least, those people in the high-rent districts.

You might even call rent control segregation, twentieth century style. It's a very sophisticated way of keeping black and Spanish-speaking people back down on the farm - they are locked into the ghettos more than ever before.

Why? Because rent control derails the natural mobility of our society. Poor people with a chance to make it are forced to stay put because there are no apartments available. None get built under rent control and the fat cats are not about to move because their rents are low. No construction and no movement equals no apartments for black people. And you don't have to be a Sam Spade to figure that one out.

Now what other gifts will rent control bear for the minority people. Take the landlord in a tight profit situation. Suddenly pinched by rent control, he has to cut his maintenance program in order to survive. I ask each of you if you had to make a choice between painting your house or sending your youngster to college, which would you do? So now we are stuck with cutbacks in maintenance or services, or both. The concern is more with services than raising of rents.

And what about the minority member, who somehow scratches enough together to buy a three or four-family house in one of our cities? At best his profits are marginal under ideal conditions. His mortgage payments are based on his projected income. And although rent control pretty well knocks his income projections for a loop, rent control does not control his taxes or his bills.

And who suffers most under the black market conditions created by rent control? Minority people who need apartments most. These people are least prepared to pay the under-the-table payments to the superintendents for preferential treatment.

The bottom line is that we simply need more housing - housing of all kinds. I would like to see the proposals outlined in Governor Cahill's housing message followed to reach this end.

Let's establish uniform building codes and eliminate discriminatory zoning to prime the housing

market. To date, zoning and building codes have been the chief architects of "de facto" segregation in New Jersey. These factors, more than anything else, have served to keep the minorities down on the farm. We made it to the front of the bus, but this bus doesn't stop in suburbia.

For example, New Brunswick has 5.3 square miles populated by 40,000 people. Nearby Piscataway has 18.9 square miles with about 39,000, East Brunswick has 21.5 square miles with a population of 34,000. The moral of this story is, of course, that we need zoning that would permit production of housing for all people, not just for some of the people. To put it another way, home rule should be respected when possible, however, there comes a point when regional interest is more to the public interest than home rule. Rent control does not give us the answer, it merely compounds the problems.

Certainly the subject of property tax relief has been adequately covered by the Governor, so there is no reason to verbalize anything on that score, except to say: We praise it.

To digress for just a moment, I believe that the State should also entertain training programs in the industry for minority members, to train them as professionals who would locate and arrange development of sites for lower and middle income housing. I think a large part of the problem of the shortage of minority housing lies in the fact that there is really no one truly seeking out the building opportunities for the minority communities. The State must become involved on a day to day basis through free enterprise.

In conclusion, I reiterate that despite what they think in Fort Lee, housing - not rent - is the black man's problem in New Jersey. We are falling behind by some 70,000 units each year. I say, provide

the housing first. The lack of housing supply is critical. A key solution to this rent control question is programs to save existing housing and opening the way for large numbers of new housing.

I cannot over-emphasize the need for more housing of all types, for all people. We are now paying the price for the lack of housing - now, today. With rent control we would be paying an additional price in the future - can we afford that future?

ASSEMBLYMAN MEGARO: Thank you, Mr. Jackson.

Assemblyman Veit?

ASSEMBLYMAN VEIT: I'd just like to say that most of the people that gave testimony today added some new points but your presentation was totally refreshing and gave a total new slant on the problem and I want to thank you personally.

MR. JACKSON: Could I just say one thing? You talk about the Elizabeth situation. Here is an example - and this is a tragedy all throughout New Jersey - it's high time that the legislators stop waiting for the Federal Government. Forget about the "big granddaddy." I think it is about time to look into Elizabeth, New Brunswick and Trenton and some of these other places and underwrite the cost that is needed for Elizabeth. It is as simple as that. And if you want someone to volunteer on these problems, believe me, I am available because I think we are in bad shape and there is just too damn much rhetoric and not enough action.

I have some other thoughts on the subject and I would be glad to talk with any of you some time later.

ASSEMBLYMAN MEGARO: Thank you very much.
You can take me back on Route 22, Bill.

(laughter)

Our next speaker will be Mike Leggiero of the North Hudson Community Action Corporation.

(not appearing)

Jerald H. Biener, Councilman 5th Ward, Roselle.

(not appearing)

Dennis Riley, President of the Lindenwold
Tenants Association.

(not appearing)

Hans Lechner, homeowner.

H A N S L E C H N E R: I am Hans Lechner, I used to be a real estate agent, I managed properties in New York under rent control and managed garden type apartment buildings in New Jersey and uncontrolled buildings in Philadelphia and I am today a boiler operator and I own property which would be decontrolled under this law - one and two family houses - and therefore I am not involved.

I came here because I have seen the disastrous consequences of rent control in New York and I want to warn you not to have it in New Jersey.

The majority of those who propose it come from the Northeastern part of the State where they have an influx of people from New York, who run away from New York, and they are now proposing the same thing here in New Jersey and the rest of the State should not suffer from this.

The problem here is simply this, if you have rent control you want to cut the rents down. If the same loaf of bread sells for 30¢ in Trenton and for 39¢ in Morrisville, you would have a shortage of bread in Trenton. The same thing applies to apartments. If the same apartment rents for \$90.00 in Trenton and for \$100.00 in Morrisville, you will have a shortage of apartments. You can't get around it, it is a basic issue. You can have professors or anybody tell you different but that is the way it is.

As far as the problem of all the people's concern, I want to remind you that when I was a child my grandmother lived in our house and this might go a long way to alleviate the shortage because there is nobody like a grandmother to take care of children.

Today the standard of living has come up to such an extent that every old couple wants to have their own apartment. This just can't be done; the market isn't there. The problem has come suddenly, we are not prepared for it. If these people would think what should be done then we would have a lot of problems eliminated, grandmothers would be home when mother goes out to work.

If we control rents, we should control everything else - clothing, transportation, cars and wages; one doesn't go without the other. It is a federal problem, we would have to have federal control and federal control has said that they want to get out of business when the rents have come down to 3% interest per year. Now, this will take a long time, therefore there is absolutely no need to have any standby control today because all of the disadvantages of rent control are not being solved.

You don't reduce rents until federal rent control goes out but you have the sword hanging over you and builders will not come into New Jersey, we all know that.

Rents were frozen by Federal law as of August 15, 1971, so a level as of January 1, 1972, is usually that same as that of the earlier date. Most of these rents were at a rate agreed upon in leases beginning in September 1970, or, in the case of 2 and 3 year leases, 1969 or 1968. To set rent levels for some time in the future at a level prevailing several years ago is unrealistic, and completely unfair in light of the rise in other costs. In the absence of any transitory regulations, the only acceptable rent level at which State controls could start would be the rents actually in effect on the day State controls become effective.

Any rent control law that does not decontrol vacancies is most likely to become a permanent institution. The proponents of this law have wisely inserted

Article 26, page 8. Instead of limiting the time rent control should be in effect, it would be better to decontrol a proportionate share of dwelling units every year, starting with vacancies; let us say, decontrol 1/6 of all units every year, which would lead to self-liquidation of controls without further administrative process.

I believe the definition of a two-family house is simply that if there are two kitchens in a house, it is a two-family house. Senate No. 117, page 1, sponsored by Brown, says exactly that. This definition here is very unclear.

I would mention some specific points - which are incredible - that were not mentioned before. It says here in section 15, page 6, no landlord shall charge any more rent than he has received on January 1st of the year this act was approved. If rent control goes out in three years, then we will have a rent rollback of not only three years, because the rents from January 1, 1972 correspond actually to the rents that were charged on September 1, 1970, but in other words, you would have a rollback of five years if this were to be enacted.

You must exempt all new construction, otherwise nobody will ever come in, and vacancies should be decontrolled.

I will send you a statement and I thank you very much for your time.

(see statement on page 161A)

ASSEMBLYMAN VEIT: We would appreciate that statement.

ASSEMBLYMAN MEGARO: Our next speaker will be Franklin Kartun, property owner.

(not appearing)

Is there anyone here that would like to speak?

Mr. Murnick - last but not least.

MR. MURNICK: My name is Theodore Murnick,

375 Mt. Prospect Avenue and I will continue where I left off before.

Basic economics dictate that income must equal expenses plus profit. If you control and limit the income without controlling and limiting the expenses you first reduce and then eliminate the profit and then you eliminate the business. Remember, rents are a function of costs - help control costs and rents will be controlled.

My objections concerning the specific bill in question are many and I hope that if the property owners and tenants of this State must be burdened with a law to regulate, control and stabilize rents it will at least be a well reasoned and thought out bill that is fair and equitable to both property owners and tenants alike. Frankly, the proposed bill is so bad and illogical that the best thing to do would be to start from the beginning again. However, since we must work with what is before us, I will direct my comments to it.

To begin with, although there may be a housing shortage in this State there is no housing emergency as certain people would lead you to believe. The housing stock in this State is, has been, and will continue to increase in the foreseeable future. Vacancy rates in many areas are low because comparative rents, taxes and costs of living in New Jersey are lower than in surrounding states and therefore we are attracting a new inflow of inhabitants. As the population increases in the State, largely from outside of the State, the existing supply of housing is filled up and then expanded. This situation will continue as long as the State of New Jersey is more attractive to live in than elsewhere. Since this bill is predicated on the existence of an emergency - and there actually is no emergency - the reason for the bill disappears.

The greatest flaw in the proposed bill is in Section 8 which ties rent increases to increases in the

consumer price index for northern and southern New Jersey. The consumer price index is a measure of certain standard consumer costs and is totally irrelevant to the costs of operating a property. If one considers the items used in the calculation of the consumer price index and then looks at the costs of operating property, the absurdity of the standard set forth in Section 8 becomes apparent. Compare apples and apples gentlemen, not apples and pears. An index of operating costs might be feasible - the consumer price index is ridiculous.

Another major flaw in Section 8 is that no provision is made for differentiation of properties by size, type, age, location, etc. It should be obvious that operating costs are based on many, many variables. Maintenance costs increase with the age of a building, expenses in a new garden apartment in the suburbs are less than a high rise in the city. What about properties in central cities where costs are constantly escalating because of vandalism and tenant abuse. Do you really believe there is no difference in operating costs in a 50 year old building in Newark as compared to a new garden apartment complex in the suburbs? Do you think insurance rates in Newark are tied to the consumer price index?

New York City, after many, many, years is finally abandoning rent control in favor of a maximum base rent formula designed to provide a fair return to property owners and halt property abandonment. I urge you to review the complex procedure involved in calculating the maximum base rent before you give any consideration to tying rents to the consumer price index. Among other things, the calculation of maximum base rents is tied to the age of the property, the number of stories, the number of elevators, the square footage of each apartment, the size of the staff, the location, and actual operating costs.

Another great defect in this bill is that no

provision is made for permitting a property owner a fair, or for that matter, any return on his investment. There is no provision for hardship increases to cover actual operating costs. Instead there is a hodgepodge of possible surcharges so that a tenant's rent could consist of a basic rent, a consumer price index increase - permitted by Section 8, a tax surcharge permitted by Section 9, an increase service surcharge permitted by Section 11, and a capital improvement surcharge permitted by Section 12. Each of these surcharges would require separate and complex calculations and in the case of the surcharges permitted by Sections 11 and 12 require the county district court to make the determination of the amount of the surcharge. Section 20 also places the additional duty on the district court to determine the reasonable rental value of a housing unit in which services have been decreased. Of course, this being a well thought out bill, no standards for the determination of the surcharge or the reasonable rental value are set forth.

This brings up another absurdity of this bill. At a time when our court dockets are overburdened and crowded, where cases sometimes take years to be heard, the drafters and sponsors of this bill, in their infinite wisdom, have seen fit to direct the district courts to undertake substantial additional duties which are totally outside of their expertise.

On top of involving the district courts the bill then goes on to create another state government bureaucracy - a Bureau of Rent Leveling with relatively unlimited power. Section 19 creates undue and unnecessary administrative burdens while Section 20 imposes additional burdens on both the property owner and the district courts.

Gentlemen, I would like to summarize my opinion

of Assembly bill 656. First, there is no reason or justification for singling out rentals to be regulated, controlled, or stabilized in our free enterprise system. Controls are alien to our American private property system and should not be imposed on only one segment of the economy. However, if because of political pressures or otherwise, you deem it necessary to discriminate against the property owners in the State of New Jersey and decide to regulate, control or stabilize rents, it should be done in a thoughtful, realistic and reasonable manner.

The proposals contained in Assembly bill 656 are totally unrealistic and unreasonable for the reasons stated above and should not even be considered. After carefully reading the proposed bill it is obvious that little if any thought was given to the property owners' problems, while much thought was given to the potential votes of tenants. I urge you to let this bill die the death it justly deserves. Thank you.

ASSEMBLYMAN MEGARO: Thank you, Mr. Murnick.
Are there any questions?

(no questions)

That concludes our hearing.

RENT SURVEY - May, 1970 - April, 1972

TENANTS ASSOCIATION OF ELIZABETH, NEW JERSEY

571 Newark Avenue, Elizabeth	\$130.00-	\$185.00	---	55.	-	45%
138 Westfield Avenue " "	135.00	185.00	---	50.	-	40%
631 No. Broad " "	140.00	190.00	---	50.	-	40%
1 Templeton Arms " "	120.00	165.00	---	45.	-	37%
644 Salem Avenue " "	245.00--	300.00	---	55.	-	22%
539 No. Broad St. " "	170.00 -	200.00	---	30.	-	19%
519 Westfield Ave. " "	139.00 -	190.00	---	51.	-	37%
943 No. Broad St. " "	142.00 -	165.00	---	23.	-	18%
233 W. Grand St. " "	140.00 -	188.00	---	48.	-	35%
923 Westfield Ave., Rahway	115.00 -	128.00	---	13.	-	10%
553 Newark Avenue, Eliz.	120.00 -	160.00	---	40.	-	38%
653 -N. Broad St., "	180.00 -	230.00	---	50.	-	30%
657 N. Broad St. "	165.00 -	175.00	---	10.	-	10%
920 N. Broad St. "	137.00 -	160.00	---	23.	-	23%
801 N. Broad St. "	205.00 -	243.00	---	38.	-	22%
625 N. Broad St. "	165.00 -	235.00	---	70.	-	40%
775 N. Broad St. "	125.00 -	161.00	---	36.	-	30%
850 W. Grand St.	150.00 -	215.00	---	65.	-	40%
415 Cherry St.	177.00 -	210.00	---	33.	-	20%
750 N. Broad St.	284.00 -	360.00	---	76.	-	35%
220 Parker Rd.	163.00 -	190.00	---	27.	-	20%
585 Newark Ave.	223.00 -	295.00	---	72.	-	35%
610 Salem Ave.	110.00 -	150.00	---	40.	-	40%

RENT SURVEY (CONT'D).

-2-

307 W. Jersey - Eliz.	120.00 - 175.00	55. - 45%
652 Salem Ave. - "	105.00 - 153.75	48.75 - 45%
912 No. Broad	95.00 - 125.00	30. - 35%
220 W. Jersey	280.00 - 360.00	80. - 30%
821 Jersey Ave.	185.00 - 200.00	15. - 8%
849 Jersey Ave.	135.00 - 175.00	40. - 30%
465 Morris Ave.	137.00 - 165.00	28. - 20%
639 Salem Ave.	130.00 - 165.00	35 - 28%
321 Elmora Ave.	105.00 - 135.00	30 - 28%
434 Vine St.	115.00 - 179.38	64.38 - 58%
30 North Ave.	140.00 - 165.00	25.00 - 18%
1380 North Ave.	189.00 - 242.00	53.00 - 29%
1 Tudor Ct.	140.00 - 185.00	45. - 33%
117 W. Jersey St.	150.00 - 180.00	30. - 20%
1 DeWitt Rd.	145.00 - 175.00	30. - 21%
1254 Clinton Pl.	220.00 - 290.00/	70. - 32% + Taxes
47 Elm St.	90.00 - 175.00	85. - 90%
335 Chilton St.	120.00 - 135.00	15. - 12%
357 West End Ave.	135.00 - 167.00	32. - 24%
1266 Clinton Pl.	170.00 - 190.00	20. - 12%
21 Hays Ave.	125.00 - 150.00	25. - 20%
830 Westfield Ave.	165.00 - 189.00	24. - 25%
137 Berwick St.	120.00 - 155.00	35. - 30%
431 Madison Ave.	108.00 - 140.00	32. - 30%
140 Elmora Ave.	80.00 - 100.00	20. - 25%
405 Westminister Ave.	189.00 - 225.00	36. - 19%
246 Edgar Pl.	145.00 - 165.00	20. - 15%
1259 Waverly Pl. -	135.00 - 171.00	36. - 28%
530 Westminister Ave.	138.00 - 190.00	52. 37%

RENT SURVEY (CONT'D.)

19 Pingry Pl. Eliz.	85.00 - 107.63	23. - 27%
363 West End Ave.	119.00 - 167.00	48. - 40%

MR. CHAIRMAN:

THANK YOU FOR PERMITTING ME TO OFFER SOME OBSERVATIONS ON THE PLIGHT OF TENANTS IN NEW JERSEY:

WE HAVE WITNESSED OVER THE LAST DECADE A VISE-LIKE SITUATION IN WHICH THE TENANT HAS BEEN TRAPPED. EVERY YEAR RISING COSTS AND INFLATION TIGHTEN THE VISE A LITTLE FURTHER.

THERE ARE FEW TENANTS IN THE GARDEN STATE WHO AT THIS POINT AREN'T IN FINANCIAL DIFFICULTIES.

AS EARLY AS 1970, I RECOGNIZED THAT THE DELICATE, FREE-MARKETPLACE RELATIONSHIP BETWEEN LANDLORD AND TENANT HAD BECOME HEAVILY WEIGHTED IN FAVOR OF LANDLORDS.

TENANTS, HISTORICALLY, HAD BEEN AT A DISADVANTAGE. BUT, NOW, THEY WERE BEING GOUGED AND LEFT AT THE MERCY OF A RENTAL-APARTMENT CRUNCH THAT RIVALED THE WORST DAYS OF WORLD WAR II.

SOME POSITIVE DEVELOPMENTS HAVE COME ABOUT FROM A BAD SITUATION, THOUGH. FOR INSTANCE, TODAY'S TENANT IS MORE ACTIVE, MORE AWARE OF HIS RIGHTS, MORE CONCERNED AND MORE VOCAL. TENANTS ARE ORGANIZING AND MOBILIZING. HEARTENING AS THIS MAY BE, IT STILL ISN'T ENOUGH. LEGISLATIVE HELP IS NEEDED TO GIVE THIS PROTEST THE PROPER FRAMEWORK AND IMPETUS.

AS I SAID, IN 1970 I PROPOSED WHAT I THOUGHT WAS, AND STILL THINK IS, THE MOST MEANINGFUL APPROACH TO EXPEDITING THE EQUITABLE RESOLUTION OF GRIEVANCES BETWEEN TENANTS AND LANDLORDS, AND ESTABLISHING AN EQUITABLE SYSTEM FOR BOTH PARTIES WHERE RENT INCREASES ARE CONCERNED. THE FIRST ASPECT OF THIS TWO-PART GOAL, AS OUTLINED IN MY BILL, S-⁵⁶⁷~~972~~, WOULD INVOLVE THE CREATION OF A LANDLORD-TENANT AGENCY. THE AGENCY WOULD HEAR AND SETTLE DISPUTES IN THE FOLLOWING AREAS:

WHEN THE TENANT COMPLAINS ABOUT THE CARE AND MAINTENANCE OF THE BUILDING OR CHARGES THAT THE LANDLORD HAS:

1. INCREASED RENTS UNJUSTIFIABLY DURING A "HOUSING STATE OF EMERGENCY;"
2. IMPOSED RETALIATORY RENT INCREASES;
3. MADE RETALIATORY EVICTIONS, INCLUDING INADEQUATE NOTICE OF EVICTION;
4. REFUSED TO RENEW A LEASE AS A RETALIATORY GESTURE.

OR,

WHERE THE LANDLORD COMPLAINS THAT THE TENANT HAS:

1. USED THE PREMISES UNPROPERLY OR ILLEGALLY;
2. DISTURBED OTHER TENANTS OF THE BUILDING OR TENANTS AND PROPERTY OWNERS IN ADJACENT BUILDINGS;
3. DAMAGED THE BUILDING,

OR,

WHERE EITHER PARTY FEELS AGGRIEVED AND ASKS THE AGENCY TO INTERPRET PROVISIONS OF A LEASE OR OTHER RENTAL AGREEMENT.

MY BILL CALLS FOR THE APPOINTMENT OF A DIRECTOR OF THE LANDLORD-TENANT AGENCY WHO WOULD SUPERVISE A NETWORK OF COUNTY DEPUTY DIRECTORS. DECISIONS OF THE DIRECTOR OR DEPUTY DIRECTORS WOULD HAVE THE SAME EFFECT AND WOULD BE ENFORCED IN THE SAME MANNER AS A COUNTY DISTRICT COURT ORDER.

NOW, TO THE SECOND PART OF MY BILL.

THIS WOULD ESTABLISH PROCEDURES FOR RENT INCREASES DURING A "HOUSING STATE OF EMERGENCY." IT WOULD BE THE DUTY OF THE DIRECTOR OF THE LANDLORD-TENANT AGENCY TO DETERMINE ANNUALLY IN EACH COUNTY WHETHER A HOUSING STATE OF EMERGENCY EXISTS. THIS WOULD CONSTITUTE A VACANCY RATE OF 5 PERCENT OR LESS.

WHEN A HOUSING STATE OF EMERGENCY IS DECLARED IN ANY COUNTY, THE FOLLOWING PROVISIONS WOULD TAKE EFFECT 30 DAYS LATER:

1. IF THE LEASE OF A REGULAR TENANT EXPIRES, OR THE LEASE OF A PERIODIC TENANT IS TERMINATED, THE LANDLORD COULD NOT REQUEST OR RECEIVE A PERCENTAGE INCREASE IN RENT WHICH IS GREATER THAN THE COST-OF-LIVING INCREASE OVER THE PERIOD FROM THE TIME THE LEASE WAS ENTERED INTO AND 30 DAYS PRIOR TO ITS EXPIRATION OR TERMINATION.

2. THE LANDLORD MUST NOTIFY THE TENANT OF SUCH A LEGAL INCREASE. FAILURE TO DO SO WITHIN 30 DAYS AFTER THE EFFECTIVE DATE OF THE INCREASE WOULD VOID THE INCREASE. THE TENANT WOULD BE ABLE TO RECOVER ANY INCREASE PAID, UNLESS THE DIRECTOR DETERMINED THE FAILURE WAS EXCUSABLE. LANDLORDS, DURING A HOUSING STATE OF EMERGENCY, COULD MAKE UP FOR INCREASED PROPERTY TAXES BY OBTAINING A SURCHARGE FROM THE TENANT TO BE DETERMINED ON THE FOLLOWING BASIS:

1. THE LANDLORD WOULD DIVIDE THE INCREASE IN PROPERTY TAXES BY THE NUMBER OF ROOMS IN THE BUILDING TO OBTAIN THE TAX INCREASE PER ROOM.

2. THE LANDLORD WOULD INFORM THE TENANT OF THESE CALCULATIONS WITHIN 30 DAYS AFTER THE EFFECTIVE DATE FOR PAYMENT OF THE SURCHARGE. FAILURE TO DO SO WOULD CANCEL THE SURCHARGE, AND THE TENANT COULD RECOVER ANY OF THE EXCESS FUNDS PAID PREVIOUSLY.

3. THE SURCHARGE WOULD BE PAID ON MONTHLY INSTALLMENTS AND WOULD NOT BE CONSIDERED RENT FOR THE PURPOSE OF COMPUTING COST OF LIVING INCREASES. I THINK IT IS MORE COMPREHENSIVE AND MORE EQUITABLE THAN THE PIECE OF LEGISLATION BEING CONSIDERED TODAY AT THIS HEARING. IT SERVES THE INTERESTS OF BOTH TENANT AND LANDLORD. AND IT PROTECTS THE INTERESTS OF BOTH IN THE EVENT A LANDLORD IS SUCCESSFUL OR NOT SUCCESSFUL IN APPEALING HIS INCREASED TAX ASSESSMENT.

AND JUST A WORD ABOUT LANDLORDS.

I KNOW IT IS POPULAR TODAY, TO MALIGN LANDLORDS AS A CLASS OR A GROUP. BUT THEY ARE ALSO UNDER INORDINATE PRESSURES. THEY, TOO, HAVE BEEN HIT BY INFLATION AND SPIRALING TAXES. MOST LANDLORDS I KNOW ARE DECENT, CONCERNED BUSINESSMEN. THEY DO HAVE THE BEST INTERESTS OF THEIR TENANTS AT HEART. THE BILL THAT I PROPOSED AND AM EXPLAINING TODAY WOULD PROTECT THESE MEN AND WOMEN AND ASSURE THEM OF A FAIR RETURN ON THEIR INVESTMENT.

THIS MEASURE WOULD BRING THE BAD LANDLORD INTO LINE AND ACT AS A RESTRAINT ON ANY FLAGRANT VIOLATION OR ABUSE PERPETRATED ON THE TENANT. DURING A HOUSING STATE OF EMERGENCY, THE LANDLORD WOULD BE REQUIRED TO MAINTAIN THE SAME STANDARDS OF SERVICE, MAINTENANCE, FURNITURE, FURNISHING AND EQUIPMENT. IF HE DOES NOT, THE TENANT MAY APPEAL TO THE COUNTY DEPUTY DIRECTOR WHO WOULD DETERMINE A REASONABLE RENT WHICH WOULD BE PAID UNTIL THE DEFICIENCY WAS CORRECTED.

MY DISTINGUISHED COLLEAGUE IN THE ASSEMBLY, THOMAS KEAN, HAS PROPOSED LEGISLATION WHICH EMBRACES MANY OF MY ORIGINAL RENT-LEVELING CONCEPTS. AS I SEE IT, THOUGH, THE MAJOR FLAW IN HIS MEASURE RELATES TO THE MECHANISM FOR ADJUDICATING THESE DISPUTES.

MR. KEAN WOULD ESSENTIALLY RETAIN THE COUNTY^{District} COURTS AS THE MAJOR FORUM IN LANDLORD-TENANT DISPUTES. I DO NOT REGARD THIS AS SALUTARY FOR A NUMBER OF REASONS.

FIRST, THE COURTS, ESPECIALLY COUNTY^{District} COURTS, ARE CLOGGED TO THE LIMIT. WHY CONTINUE TO BURDEN THEM WITH THE EVER-INCREASING NUMBER OF CASES IN THIS AREA?

SECONDLY, I THINK MOST PEOPLE, IN THIS CASE, TENANTS, ARE A BIT PUT OFF BY A COURT OR APPREHENSIVE ABOUT THE FORMALIZED ATMOSPHERE.

THIS MIGHT DETER THEIR FILING GRIEVANCES, AS I'M SURE IT HAS IN THE PAST.

MY LEGISLATION OFFERS A MORE EFFECTIVE METHOD FOR WORKING OUT THESE DIFFERENCES. THE COUNTY DEPUTY DIRECTORS AND THEIR STAFFS WOULD HOLD HEARINGS THAT WOULD BE JUST AS IN-DEPTH AND PRECISE AS ANY COURTROOM PROCEDURE. BUT THE ATMOSPHERE WOULD BE MORE CONDUCTIVE TO SETTLEMENT. AND THIRDLY, MY BILL OFFERS, I BELIEVE, THE FASTEST WAY TO SETTLE THESE DISPUTES. I AM SURE THAT IN THE OVERWHELMING MAJORITY OF THESE CASES, THE DEPUTY DIRECTOR COULD RENDER A DECISION ON THE SPOT. AND YOU ALL KNOW HOW LONG THIS OFTEN TAKES IN COURTROOM PROCEEDINGS. BUT, MR. CHAIRMAN, IN THE FINAL ANALYSIS, I DO NOT INTEND FOR THIS STATEMENT IN ANY WAY TO DOWNGRADE THE VERY FINE KEAN BILL. I JUST WANT TO STRESS THE REASON I BELIEVE MY BILL IS A MORE WORKABLE SOLUTION TO THE PROBLEM. BUT IF THE KEAN MEASURE REACHES THE STATE SENATE, I ASSURE YOU I WILL VOTE FOR IT. THANK YOU FOR HEARING MY VIEWS.

Dan Gaby for U.S. Senator

84 Carroll Place, New Brunswick, N.J. 08901
(201) 828-6150

Statement by Daniel M. Gaby
May 31, 1972
Rent Stabilization

I meet with you here today after more than two years of effort, working alongside citizen-action groups such as the New Jersey Tenants Organization, to get a fair shake for the beleaguered tenants of our state. Every day, as rents, prices and taxes continue to rise life gets more and more difficult for the tenants. I think we all better listen to their complaints, because there are limits to how much people can take.

In late 1970, as Chairman of the Democratic Policy Council of New Jersey, I called for support of a package which I felt would assist tenants who are being severely hurt by the rise in rents, and would protect tenants in a time when decent housing in safe neighborhoods is in such demand. When the vacancy rate fell below 3%, the Governor would declare a housing emergency, which would set into motion a rent leveling process on a temporary basis. Landlords would be permitted to increase rent equal to an increase in the cost of living, as determined by the Bureau of Labor Statistics. Landlords would also be permitted to increase rents in the event of a property tax increase. They could also reclaim the cost of any capital improvements that were made to better the condition of the housing.

This formula is not anti-landlord. It is aimed at limiting rent increases to demonstrable increases in costs, and it was presented in order to protect the tenant against rent gouging at a time, such as the present, when demand far exceeds supply. People must not be taken advantage of, in a time of housing scarcity. We need rent stabilization legislation to protect tenants against this possibility.

I stress that rent stabilization is a temporary emergency measure, for protection against abuse. But the real crisis in housing won't be alleviated until there is an increased supply of decent housing in decent neighborhoods in New Jersey. To do this, we must reduce the property tax in this state. Unduly restricted zoning must be eliminated. These are the reasons we are not getting enough building done.

As supply begins to meet demand, and a free housing market is encouraged to exist, emergency protective measures such as rent leveling will no longer be necessary. Tenant and landlord will no longer face each other with hostility. No one group will hold economic power over another.

Dan Gaby for U.S. Senator

84 Carroll Place, New Brunswick, N.J. 08901
(201) 828-6150

Page Two

Rent Stabilization

I hope too, that this committee will recognize that tenants should get the same tax break awarded to homeowners. Tenants are entitled to deduct from the state income tax whatever portion of their rent is attributable to property tax for their principal residence. The average rent includes a substantial percentage in money paid to the landlord to compensate for property tax. I think the tenants of our state deserve the same tax break as homeowners receive, and a deduction on this portion of their rent would go a long way toward easing financial pressures in many households across the state.

STATEMENT OF MICHAEL LEGGIERO

My name is Michael Leggiro, Planning Coordinator for the North Hudson Community Action Corporation and I am here on behalf of Nicholas Mastorelli, Executive Director.

I am here today because in our work we are constantly called upon to mediate disputes between tenants and landlords.

Many times we have seen right on both sides - more often we have seen the tenants gauged, brow-beaten and extorted.

The only relief in sight is the passage of a Rent Stabilization Bill.

My only regret is that I cannot speak Spanish to you, because many Latin American groups are the victims of exorbitant rents.

There must be a redress in the state of affairs, when good housing is simply not available to even a majority of the residents of this state.

In the 1930's government intervened to alleviate the exploitation of labor by industry, now in the 1970's New Jersey must intervene to provide better housing for its exploited citizens.

With me today are many concerned tenants whose only hope of keeping a roof over their heads is a clamp on the ever rising cost of Housing.

We recognize that the average owner is also confronted with ever rising expenses but he is better able to afford it than low and middle income tenants who are the principle victims of rent increases.

Victims, because they are less mobile and burdened with larger families on the average. Not even mentioned are the elderly and disabled living on a fixed income.

Gentlemen: There will be many more speakers today, therefore, I am cutting short my remarks with just one message.

Rising rents ^{ARE} counter productive because it robs the poor and middle class of an ever increasing percentage of disposable income without any counter balancing benefits.

Here are 15,000 signature saying "PLEASE HELP US".

STATEMENT

BY

TEX WEINER, FORMER CHAIRMAN
NEW JERSEY BUILDERS ASSOCIATION
APARTMENT HOUSE COUNCIL

ON

RENT CONTROL
(A-656)

BEFORE

ASSEMBLY COMMITTEE ON MUNICIPAL GOVERNMENT
TRENTON, NEW JERSEY

MAY 31, 1972

Gentlemen:

My name is Tex Weiner, I am a member of the New Jersey Builders Association, a former chairman of the Apartment House Council, have been a builder for twenty years, and own and manage apartment complexes.

A great number of erroneous statements have been made about landlords, some deliberate and without knowledge of the management problems we have. There is a lot more to this business than just renting an apartment to a tenant. It has become a complex business.

The biggest hue and cry is rent gouging. Alright. As Al Smith used to say, "Let's look at the record." Rents go up because my costs go up. Let's take taxes. One project I own has had terrific tax increases every year. Let's start with 1967 - just the past five years.

1967 taxes were \$42,000.00

1968 increased to \$44,800.00 up \$2,800.00

1969 increased to \$49,000.00 up \$4,200.00

1970 increased to \$56,900.00 up \$7,900.00

1971 increased to \$62,125.00 up \$5,225.00

1972 increased to \$66,584.00 up \$4,459.00

A total increase of \$24,584.00 in five years. And in another project we own I will shock you with a staggering tax increase.

A \$19,700.00 increase just for the year of 1972. This is not a large complex. Only 104 units. The tax rise is an increase of \$19.40 per apartment per month.

This tax rise was so high that it caused a 96-unit apartment house, only two years old, just a half mile down the road from mine, to go into bankruptcy. Amazing isn't it? Just look at the record. It's the Imperial Gardens in Jackson Township. You might wonder about my project. Well, it's in the red. And we have borrowed to keep it going. But how long - if we don't get tax relief - who knows?

We paint each apartment before a tenant moves in. Paint and supplies are up 18% in just three years. Not every tenant cleans the stove, so our maintenance crew has to clean it up. Stove cleaner is up 12% in just three years.

Locks - that's when tenants walk off and don't return the keys or even if it breaks from ordinary wear and tear. Up 37% in just three years.

Toilet Seats - Everybody needs one of these. The most indispensable item in every man's library. Up 19% in just three years.

Want a drink of water? - You need a faucet for cooking. Up 20% in just three years.

Light fixtures up 24% in just three years.

And television - next to beer this is the most important item in the house - Master antenna, tubes and service up 40% in just three years.

And while you watch your favorite TV program you demand your landlord

keep your apartment cool. Well, how much has this increased? Relax, replacement of air conditioners, maintenance of air conditioners etc. - up only 67% in three years.

Our tenants want their lawns green and neat. And that costs money. Seed, fertilizer, lawn equipment - and like everything else, this went up 32% in just three years.

Alright, you've got a picture of maintenance costs and that's only a smattering of them.

On June 1st, our service electricity - electricity for parking areas, porches and inside hallways - will go up again - this time 6%. But in 1970 it went up 7% and late in 1970 it went up another 9% - a total of 22% in just two years. Plus a kicker. It can go up every month now. The PUC has granted the power companies the right to raise the cost monthly if fuel costs go up. And you know they're going to go up.

And what about the increase of water? Why in just two years it went up 150% - quite an increase. And I might add that some time within the next two years a new Bayshore Sewer System is being put into effect and we will have to pay at least \$65.00 to \$85.00 a year an apartment for sewer use. Who is going to absorb this?

Garbage: There's an interesting item. How to get rid of it. The tenant tosses it into a dumpster and we pay for it. The town doesn't pick it up - the apartment house owner pays a private scavenger to the tune of an increase of 47% in just two years.

We know everyone wants heat in the winter. The Natural Gas industry wants a hike (there's a shortage) of over 4 billion dollars all over the United States. We know we're going to get another increase - over the 18% we have already gotten.

Some owners use oil to heat apartments. In 1970 we were paying 5½ cents a gallon and now we're paying 14¼ cents a gallon. An increase of 65%. Some of this cost reflects an order from the Department of Community Affairs to use a low sulphur oil - a good law. Ecology. We're cooperating, but it costs money.

Besides all these items there's a welter of costs that are not demonstratable but they exist. Legal, accounting, insurance, office supplies, auto expenses - they have gone up consistently in the past three years.

LOSSES: Yes, we have losses too. The skip outs! When a tenant just tears up his lease and leaves. Oh, sure you have his security, but who pays the damages. Sue him you say. Of course, why not? But we don't. If the damage is \$125.00, we have to pay the lawyer \$90.00 and waste a half day in court - for what? Just to get \$35.00 - So we absorb the loss of the whole \$125.00.

I haven't mentioned salaries. Well, our employees' increases in the past three years were 25%, not including the Blue Cross and Major Medical that they get and I hear Blue Cross is looking for another increase.

And look at these increases we have had to absorb up to 1970. The

Apartment House Council of the New Jersey Builders Association has in the past year made significant contributions in cooperating with the Legislature and the Governor. We approved and championed

A bill for 1½ months security with interest returned to the tenant;

A bill for no lock outs unless due process is followed; and

A bill for no constable distraint of furniture.

Please do not confuse good apartment house owners who take pride in their property and want to keep their property in good condition with slum lords. After all, it's not a hobby with us - it's the way we make a living too. And if anyone complains his apartment is not kept up - well, there's a law on the books for that too. The Department of Community Affairs inspects apartments at least once in every five years and we, the owners, pay for those inspections - so all you have to do is to call this phone number (609) 292-5984 or call the Apartment House Council of the New Jersey Builders Association, phone number (201) 687-5310.

So gentlemen, we're already burdened with controls and paper work and if you want rent control in this state let me give you a bird's-eye view of the forms that are now in existence in New York City - a city that has had a gloriously successful adventure in rent control.

There are over 200 rent control forms to fill out. Do you realize what kind of an office staff we'll have to employ to fill out all these forms? Do you really think another bureaucratic agency in New Jersey will make these forms simpler? Gentlemen, if you don't let us have

enough money to pay for these maintenance items and many more that time will not permit me to show - to keep up our apartments like we would like to and keep our tenants happy with service - take all this away from us with rent control and you'll get abandoned buildings all over New Jersey.

Thank you for your courtesy.

HANS LECHNER
15 MADISON STREET
PRINCETON, NEW JERSEY 08540

AREA CODE 609 924-7034

June 8, 1972

STATE OF N.J.
LEGISLATIVE
SERVICES

'72 JUN 13 AM 9 22

Honorable Sir:

I am taking the liberty of sending you a copy of the remarks I made at the public hearing regarding rent control on May 31, 1972. On this page I list the major points that I made. An amplification of several of the points follows on pages 2 and 3.

- A. Rent control is considered to be a contributing factor in the deterioration of the inner cities.
- B. This is a very important piece of legislation. Before enacting it, impartial information on it should be obtained from a competent source.
- C. Rent increases require approval by a rent control board, but the law is so complicated that administration will bog down. An article should be inserted stating that if the authority has not acted within 90 days of application, the increase requested is automatically granted.
- D. The law fails to contain a fair return formula, and has practically no transitory regulations.
- E. Article 15, page 6, sets a rent rollback to levels of Jan. 1, 1972, but in effect would usually roll the level back to that prevailing in September, 1970.
- F. If this law is enacted as a standby law to take effect at the expiration of Federal controls, let us say in 1974, then according to the proposed language of Article 15, rents in 1974 would be rolled back to levels of several years earlier.
- G. Article 16, page 6, excludes decontrol of vacancies. This should be changed.
- H. This rent control law would result in an increase of real estate taxes for owners of one family dwellings.
- I. The political advantage that might be gained because of the fact that there are more renters, who might find a short-term advantage, than landlords, is offset by the fact that there are more small property owners, to whom the law would be a disadvantage, than tenants.
- J. This is a standby law. It settles nothing as long as Federal controls are in effect, but creates fear and unsettled conditions on the construction market.
- K. Rather than alleviating housing shortages, this law will create additional shortages of housing units by eliminating incentives to build or repair.
- L. The definition of a 2 family house is unclear.
- M. Rent control leads to subterfuge and dishonesty through sale of apartments.

HANS LECHNER
15 MADISON STREET
PRINCETON, NEW JERSEY 08540

AREA CODE 609 924-7034

N. Control of rents is not justified unless other costs, such as food, clothing, cost of transportation, wages, etc., are also controlled.

O. Most proponents of rent control come from the northeastern part of the State, where victims of the effects of New York's rent control law have settled. Conditions in the rest of the State are different.

Amplification of some of the points made above:

A and B. The Sternlieb Report (Rutgers University) brings valuable information. Research on this subject has been made by the Price Commissions Rent Advisory Board, 2000 M Street NW, room 2108, Washington, D.C. 20508, phone 202-254-8830.

C. The formula for rent increases is unnecessarily complicated. Unused space should be completely omitted from the formula. Approval for increases is required which would necessitate a sizable staff. Since administration of rent control in New York is supposed to cost over \$14 million, it is unlikely that the New Jersey legislature will provide sufficient funds for the administration of this law. Decisions will therefore be unduly delayed, and the same 90 day cut off date that is in effect for Planning Board procedures should be incorporated into this law for court and administrative decisions.

E and F. Rents were frozen by Federal law as of August 15, 1971, so a level as of January 1, 1972, is usually that same as that of the earlier date. Most of these rents were at a rate agreed upon in leases beginning in September, 1970, or, in the case of 2- and 3-year leases, 1969 or 1968. To set rent levels for some time in the future at a level prevailing several years ago is unrealistic, and completely unfair in light of the rise in other costs. In the absence of any transitory regulations, the only acceptable rent level at which State controls could start would be the rents actually in effect on the day State controls become effective.

G. Any rent control law that does not decontrol vacancies is most likely to become a permanent institution. The proponents of this law have wisely inserted Article 26, page 8. Instead of limiting the time rent control should be in effect, it would be better to decontrol a proportionate share of dwelling units every year, starting with vacancies; let us say, decontrol 1/6 of all units every year, which would lead to self liquidation of controls without further administrative process. >

H. Assessment for multiple dwellings are based on a multiple of gross rent. If, during inflationary times, values of one family houses increase, but rents are held on an artificially low level, then the small property owner has to pay a larger share of all real estate taxes collected. The tax base for cities erodes.

I. The best known proponent of rent control, Mayor Lindsay, lost in the Florida primary decisively. He lost worst in Miami, where a lot of his former constituents who know him live.

J. Article 26 should be changed to include further extensions of P.L. 91-379. At present we have Federal rent control. It is the expressed policy of Federal authorities to discontinue rent control when rent increases on a national level are brought down to 3% yearly. If this should happen, then no rent controls of any kind would be needed.

HANS LECHNER
15 MADISON STREET
PRINCETON, NEW JERSEY 08540

AREA CODE 609 924-7034

K. If rents in New Jersey are held down artificially, then a shortage will be created through stifling of building of new units. If the same apartment costs \$90.00 in Trenton and \$100.00 in Morrisville, you will have a shortage of apartments in Trenton. Building could be encouraged through tax incentives. If an old building is razed and a new building with more units renting at moderate levels put up, then a law could be formulated assessing the new building in the first year at the old assessment, in the second year at the old assessment plus 1/10 of the difference between the old and the new assessments, and so forth, until after 10 years taxes are being paid on the full value of the real estate. The city would not get less than before, and builders would have an incentive to build or improve.

L. A two family house is a house with two kitchens. The shorter and more concise a definition the better, as in Senate No. 117, sponsored by Senator Brown, page 1, article 2.

Hans Lechner



Kenneth A. Gibson

MAYOR

NEWARK, NEW JERSEY

07102



M E M O R A N D U M

**TO: ASSEMBLY COMMITTEE ON COUNTY AND
MUNICIPAL GOVERNMENT**

FROM: KENNETH A. GIBSON, MAYOR

RE: EMERGENCY RENT LEVELING ACT A-656

DATE: MAY 31, 1972

GENTLEMEN:

Assembly Bill A-656, entitled the "Emergency Rent Leveling Act" which is the subject of this public hearing today, is a bill which the City of Newark has analyzed very carefully.

80 percent of the citizens of Newark live in rental units. Therefore, it goes without saying, that my administration would support legislation aimed at bringing relief to our already overburdened citizens. It is with great disappointment then, that upon close scrutiny we see that assembly bill A-656 is not an urban oriented bill.

In general this bill is directed toward the suburbanite living in relatively new facilities that require little in the way of capital improvement and where the upward levels of rent potential are substantial. It has little bearing, and very little merit for the tenement dwellers of the older cities. Here our major problem is landlords going out of business. At the same time there is substantial exploitation of tenants and there is little in this bill which is going to put an end to it.

The capital improvements provisions are indicative of the fact that this bill basically is designed for the suburban garden apartment dweller not for the central cityite. In the latter case what we desperately need is more money coming in the way of rehabilitation and capital improvement. The formula proposed here would put a complete end to all rehabilitation, whether private or public in that the levels of return and the maximum are completely unrealistic.

TO: ASSEMBLY COMMITTEE ON COUNTY AND
MUNICIPAL GOVERNMENT

MAY 31, 1972

Page 2

The latter, for example, are one and a half percent of the present rent, at maximum. If we assume a realistic 60 month pay back period, that means that there would be no capital improvement greater in total than a month's rent. I think this is clearly ill-advised from the viewpoint of Newark and the older cities. The service provisions suffer from the same inadequate think-through.

There are two things that would occur assuming the positions outlined in A-656 were adopted and neither of them is very pleasant. The first of them is a complete cessation of new construction, since I think you'd find great difficulty getting mortgaging for structures which after a free first rent would thereafter fall under a rent control proviso. (particularly one which has no realistic increase in methodology) Secondly, and perhaps even more significant, is the fact that since the first rent is not controlled, but subsequent increases are, you'll find that whatever new construction you do secure is going to come in not merely at a rate calculated to yield a normal rate of return but rather at an increased face figure. The landlord will be taking out insurance against subsequent difficulties in raising rents. Even in New York new construction has been left out of the rent network.

The provisions incorporated into this bill for the maintenance of standards are very, very thin and again this is one of the principal difficulties with rent control in general, it requires a much higher level of supervision and basic data banking.

The choice of the Cost of Living Index is very obscure. There is a specialized cost of operating and maintaining rental housing in the New York metropolitan area which is maintained by the Bureau of Labor Statistics which probably would make a lot more sense. It should be noted that the use of the Cost of Living Index over the last several years would have resulted in the windfall for landlords since (though it may be hard to believe) rents rose less sharply than the balance of the elements in the Cost of Living Index.

Whoever wrote this piece obviously did not have a typical walk-up tenement in mind. It would mean that the person who rents the least desirable apartment, i.e., top of a five floor walk-up, would be hit with the same dollar increase as a function of tax increases as someone on the second floor in an apartment perhaps worth twice as much. The prorating as proposed is strictly on the square foot, it has nothing whatsoever to do with desirability. A much more adequate formulation would be as a percentage of rent increase across the board.

TO: ASSEMBLY COMMITTEE ON COUNTY AND
MUNICIPAL GOVERNMENT

MAY 31, 1972

Page 3

The use of the courts as proposed is completely unrealistic. So overwhelming would be the caseload that I'd think you'd find that there would be absolutely no tenant protection whatsoever. That certainly has been the experience elsewhere; the courts have been simply overwhelmed by housing cases.

Postal vacancies (proposed on page 2, line 3) to initiate the system are completely inadequate. This is particularly true in hard-core slum areas where their use in parallel with FHA work has been proven to result in high level of inaccuracy. A state-wide survey by county which is proposed annually, is no small activity. There are no adequate lists of rental housing units available. Setting up the study, therefore, involved substantial costs. In addition, since this vacancy rate must be established for each of the 21 Counties the size of sample, if high levels of accuracy are required, is very substantial indeed. Clearly the cost is not overwhelming but I see no provision for costs in the bill.

A-656 contains no analysis of the type of enforcement mechanism or the costs that are required in order to implement the proposal. For example, the New York City rental housing stock which is under the old control measures is slightly smaller than the New Jersey equivalent. The annual operating costs of the rent controlled system are between ten and twelve million dollars a year. This is before the cost of special surveys of vacancy rates and the equivalent. It also does not reflect the enormous costs attendant upon the setting up of the system since this was conducted back in 1943. For effective rent control this involved the posting of every apartment unit. The basics of setting up a file of this kind, which includes the measures of service, rent levels, etc. will cost a minimum of \$10 per apartment.

It is clear and very unfortunate that A-656 is inadequately drawn. As Mayor of the City of Newark, I would like to offer an alternative proposal for the Legislature's consideration:

Because A-656 is designed to become effective only if and when Federal rent provisos become null, immediate Legislative Action could take the form of a State Legislative Study Commission. The Commission could include members of municipal government and urban analysts who are most familiar with New Jersey's housing shortage

TO: ASSEMBLY COMMITTEE ON COUNTY AND
MUNICIPAL GOVERNMENT

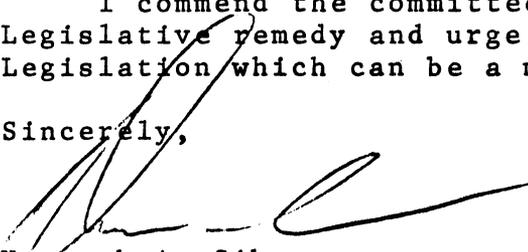
MAY 31, 1972

Page 4

problems. The Commission would be able to compile an up-to-date "date bank", a work-up of estimated costs, and a realistic administrative process, all of which are essential if New Jersey is to adopt useful and workable rent control measures.

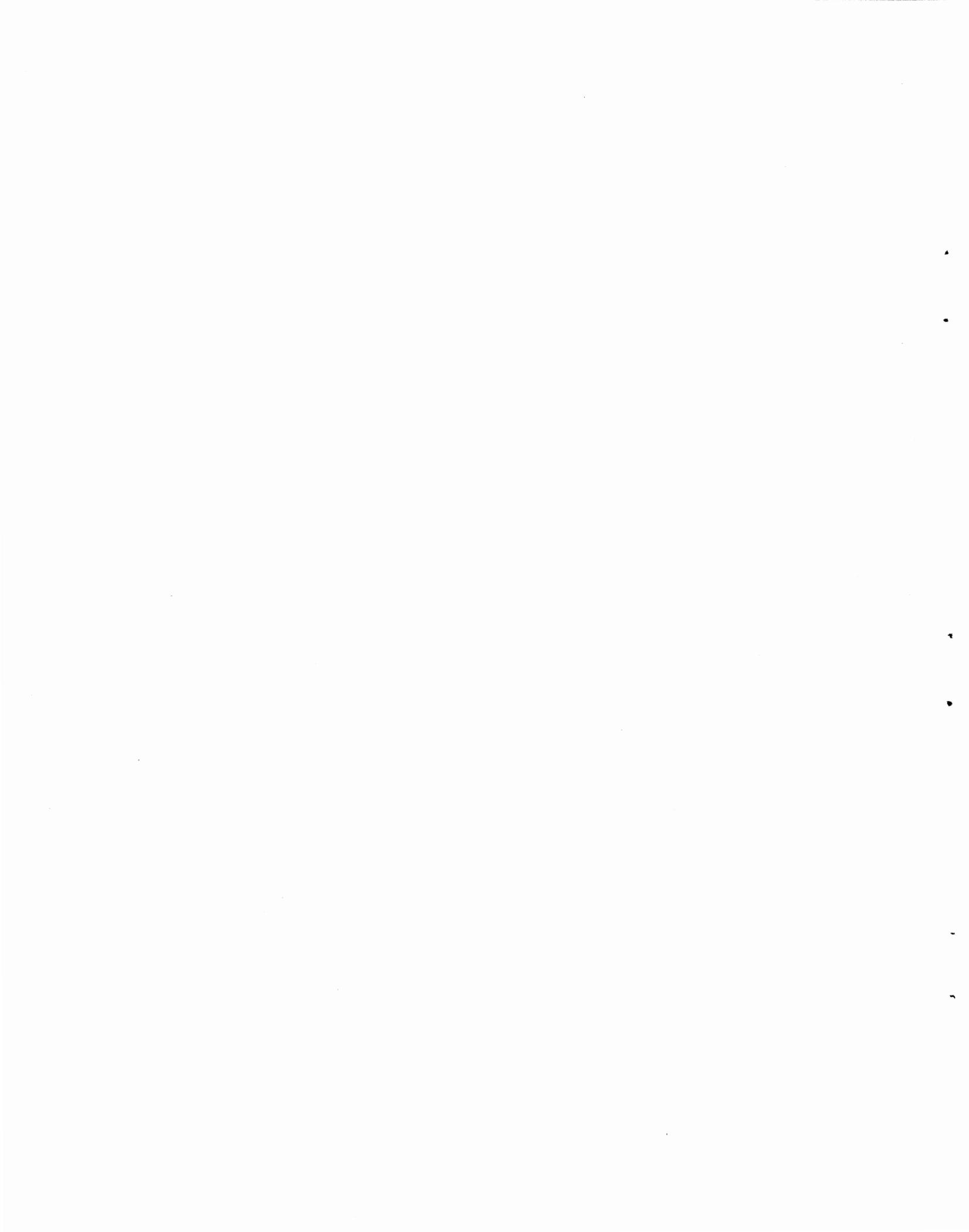
I commend the committee for your interest in this much needed Legislative remedy and urge you to continue your efforts to design Legislation which can be a model for other states to imitate.

Sincerely,



Kenneth A. Gibson
MAYOR

KAG:sh





LEAGUE OF WOMEN VOTERS OF NEW JERSEY

460 BLOOMFIELD AVENUE, MONTCLAIR, NEW JERSEY 07042 TELEPHONE 746-1465 AREA CODE 973

TESTIMONY ON A.656 -- RENT LEVELLING Wednesday, May 31, 1972

The League of Women Voters of New Jersey supports the concept of rent levelling in a situation of scare supply of rental housing. Most of the approximately 10,000 members of the League in this state are neither landlords nor tenants, we approach the problem as people without a vested interest. Our concern is for an adequate supply of decent housing to insure an equal opportunity for all citizens to live where they choose.

We would support a Bureau of Rent Levelling in the Department of Community Affairs as a possible means of protecting people who are very vulnerable in the current situation of scare supply. We would prefer that this agency be given judicial as well as administrative powers. We suggest that instead of merely supplying information and assistance to tenants and landlords, the Bureau should be given exclusive jurisdiction in proceedings between them, with the power to settle disputes now vested in the County Courts. We are afraid that A.656 as now written will add considerably to the burden of the already overcrowded courts. Experience in civil rights cases, particularly fair housing complaints, shows that both parties to a dispute may suffer during the time decisions are made.

We testified in favor of some form of rent control last year. Since the June 1971 welfare changes we are further concerned for those people who are now receiving a flat welfare grant to cover all their living costs, without regard for the amount of rent they must pay in order to find any housing at all. Action brought by a welfare client to recover excess rent already paid will not feed his children during the process. Further, the low-income citizen is usually reluctant to go through the judicial process and would be more inclined to deal with an administrative agency.

Experience of the New Jersey Division of Civil Rights has shown that affirmative action must be taken to protect citizens, that the Division must seek out violations rather than wait for complaints. We would hope that the Bureau of Rent Levelling would do more than determine the vacancy rate in each county, issue rules, and supply information and assistance; that they would have some staff actively overseeing lease agreements.

(more)

We realize that regulation of rents in this critical housing shortage will not create more housing, but we hope that the Bureau would help tenants not only to retain but to obtain such units as are available without unjustifiable rent increases. We believe the bill offers substantial protection to the landlord against improper use or damage to his premises, and adequate opportunity to increase rents as his costs rise; or to be reimbursed for service or capital improvements. There should be no necessity for him to seek a tax surcharge from the tenant because of an increase in municipal property taxes if the New Jersey Legislature enacts tax reform legislation as proposed by the Governor.

TESTIMONY OF MAURICE M. VENERI
IN FAVOR OF ASSEMBLY BILL A-656

Mr. Chairman and members of the New Jersey Senate, my name is Maurice M. Veneri. I am President of the New Jersey Industrial Union Council, AFL-CIO, representing 130,000 workers in the factories, mills and offices of our State.

I want to say from the outset, that my organization is solidly behind A-656 because our members demand that something be done, here and now to halt the escalation of rents in spite of a freeze on wages and supposed controls of rents.

We are all-out in support of A-656, because we want to stop rent gouging.

We want passage of A-656 so that people who rent apartments won't have to live in dread of the time that their leases expire and be faced with a 20% - 50% rent hike.

Everyone agrees that as far as the apartment vacancy rate is concerned, New Jersey is in a state of emergency. Our vacancy rate is less than one percent. Government experts define an emergency when the rate is below 5%, so we can see how far behind we are.

It is precisely because of this acute emergency that many landlords have acted to take advantage of the shortage and raise rents to an unconscionable degree.

Our members report rent hikes of 25% -- 30% -- and 40%. Our members include your people who are starting families and who are renting their first apartments. They are being hit with rents of \$200 a month and over for mediocre housing which they cannot afford.

Our members include senior citizens who are starting to draw their retirement checks and Social Security pensions. Their income is fixed. Their lives are tightly budgeted. How in the world can they afford rent increases of \$35 and \$40 a month? Where can they go? Whom can they turn to?

Our members include minority group members, thousands of blacks and Spanish-speaking men and women, hard-working people, who are stuck in the slums through no fault of their own. They have been asked to pay exorbitant rent increases for housing, which has deteriorated beyond the stretch of the imagination.

These citizens need the protection of A-656.

Why should they have to face eviction proceedings because they have been forced to withhold rents in a desperate effort to get the landlord to go along with reasonable rent increases, rather than the sky-high hikes they have been seeking.

The rent leveling formula which A-656 provides, is eminently fair to tenant and landlord alike. This formula permits rent increases at the time of the expiration of a lease at the same rate which the U.S. Department of Labor's Consumer Price Index increased during the period of the old lease.

If the index shows a 4% hike, then rents will be permitted to be increased 4% and not 25% or 30%. In addition, landlords will be able to add on a pro rata share of any tax increases imposed on him by the municipality where the apartment is located. It also allows for a fair distribution of the cost of capital improvements, in the form of higher rents, with the cost spread out over the life of the improvement and shared equitably by the tenants.

As you can see, A-656 has been written in such a manner as to insure equitable treatment for tenant and landlord alike.

My organization believes that by passage of A-656, the New Jersey Legislature will signal the entire nation that here in the Garden State in 1972, we took a first meaningful step to halt inflation.

It has been said that passage of rent leveling will be a signal for builders to stop construction. We don't believe it. We can't believe that in order to remain in the building business, there has to be rent gouging.

Under rent leveling, landlords will retain the level of rents, which are at the highest point in history. They will be able to augment this with periodic rent increase based on cost increases.

Certain landlords feel that while their tenants are saddled with wage controls they have the divine right to exorbitant incomes.

We say no. We feel that A-656 will enable construction of new buildings to go on in the knowledge that there will be a fair return in the interest of the whole economy.

In conclusion, I want to lay to rest the claim of certain

builders, that labor is responsible for present housing shortages and raised rents because of high pay scales in the construction trades.

Government figures show that an average-priced home, costing \$9,700 in 1949, cost \$21,500 in 1970, an increase of over 100%. Of this \$11,700 increase actual dollar increase in labor only amounted to \$500.

However, finance charges rose 100%, the cost of land rose 100%, while labor costs dropped 15%. This was made possible because of the wide-spread use of labor-saving devices.

As far as labor being responsible for higher rentals due to increased maintenance costs, figures show that landlords are paying 41% for debt retirement; 14% on taxes; 9% for utilities; 13% for administrative costs; 16% for vacancies, bad debts, and profits; and only 7% for labor costs.

We hope that the legislature will reject any plea for the continuation of rent gouging in our state and instead pass A-656 in this session.

Governor Cahill has moved in the right direction in amending the Sears Committee tax proposals, by asking for a return to the tenant of 75% of all property tax reductions which is provided for in the Tax Reform Program.

Rent leveling is an important companion piece to the Cahill Proposal. The time for tenant justice is at hand.

STATEMENT OF THE ASSOCIATED PROPERTY OWNERS
OF NEW JERSEY, INC. BEFORE PUBLIC HEARING
HELD ON MAY 31, 1972, on A656.

The Associated Property Owners of New Jersey, Inc. is a group of owners of multiple family residential properties primarily in the Paterson, New Jersey, area. It is our opinion that enactment of A 656 would turn a housing shortage in some areas of the State into a housing disaster for all of New Jersey.

Rent Control Shrinks the Housing Supply

A 656 is a rent control bill. It seeks to impose artificial limitations upon apartment rentals. The terms "rent leveling" and "stabilization" are euphemisms. This is a rent control bill.

The Act is grounded on the basis of a housing emergency; that there exists a critical shortage of housing space. The obvious solution is to stimulate the construction of new apartments and preserve the existing housing stock. Rent control has the opposite effect. It discourages new investment in residential property and accelerates the rate of abandonment of inner-city housing where the need is greatest.

Rent control discourages new construction of apartment units. Whether they are building for investment or for resale, builders know that a rent controlled area is not a healthy one for construction. They will, to a great extent, divert their efforts to the construction of single family dwellings, condominium units, commercial and industrial properties. A significant portion of residential construction is conducted by national building firms that can easily shift their activities to neighboring states.

Section 17 of the Act exempts newly constructed housing and dwelling space from the application of the Act. Certainly, this is express recognition of the depressive effect of rent control on new construction. Despite the existence of this provision, new apartments will have to compete in the rental market with existing apartments that are subject to rent control and rentals that are below what the apartments would bring in the free market. Moreover, builders and investors will not lose sight of the fact that once the initial rent is set, rent control will apply.

Mortgage lenders throughout the State have expressed great concern about A 656. They know that rent control in New York City has resulted in many mortgages that have been defaulted upon. Rent control increases the risk in apartment house mortgages. An increased risk will limit the supply of mortgage money vital for

construction and raise the rate of mortgage interest on new construction loans and existing building refinancing. Ultimately, the increases in mortgage interest will be passed to the tenants in terms of increased rental. A mortgage guaranty plan or an assigned risk plan for inner-city apartment house mortgages (similar to the FAIR plan for inner-city fire insurance) would be far better ways for the Legislature to deal with a housing shortage than rent control legislation.

We would not be foolish enough to contend that the enactment of rent control legislation would bring apartment house construction to a complete stop. Nor should anyone be foolish enough to think that the imposition of rent control will not have a substantial deterrent effect on new construction of apartments.

Other Weaknesses of A 656

Rent adjustments under A 656 would be based on increases in the consumer price index as published by the Bureau of Labor Statistics. Many of the items which are used in determining the consumer price index, such as the cost of clothing and food, are totally irrelevant to a landlord's cost. On the other hand, the cost of fire and liability insurance, fuel oil, maintenance and repair services and other costs which directly affect landlords have skyrocketed in the past few years at a rate greatly in excess of the increase in the consumer price index.

While A 656 does contain a provision whereunder a landlord can recover the costs of capital improvements, it contains no provision whereby the landlord can recover the increased maintenance costs resulting from such capital improvements. A landlord who installs a swimming pool has the additional cost of maintaining it, providing a life guard, etc. A landlord who converts a cold water flat to a heated apartment should be able to recover the cost of fuel oil or heating gas.

The Act provides for the application of rent control on a county-wide basis. Many of the counties in our State are so diverse that a housing shortage might exist in one part of a county while a housing surplus exists in another part of a county. Unfortunately, all projections are for a perpetual housing shortage in Newark, Camden, Paterson and other inner-cities. The influx of the rural poor, clearance for urban renewal, properties destroyed by fire and not replaced, and a number of other causes not found in the suburbs all contribute to a housing crisis that seems to have no solution. However, in the same county, there are often middle income and luxury units in the suburbs that have a vacancy rate of 7% or 8%. Should apartment rentals in Maplewood, Bloomfield and Fairfield be frozen because a housing shortage exists in Newark?

The Act does not exempt luxury units. Is it desirable that rent control apply to the pent house apartments in Horizon Towers in Fort Lee, and similar units which offer spectacular facilities, tennis and health clubs and similar amenities at rents in excess of \$1,000 per month?

The provisions permitting a landlord to increase rents during a so-called housing state of emergency would be almost impossible to administer. Landlords and tenants alike would have to call on accountants and lawyers to interpret the complexities of the law and determine just what the proper rent is. Municipal and state taxes are not finally determined until well into the calendar year. The amount of increase is not payable until the second half tax bills are received. How does a landlord recover the tax increase applicable for the first half of a calendar year from a tenant whose lease expired and who moved out on June 1st?

Control Over One Sector of the Economy is Unfair

The shrinkage in the value of the dollar is a great cause for concern for all Americans. Increased rents are only one phase of the problem. Clothing, food, transportation and medical services are rising just as rapidly. Federal Wage-Price Controls apply to all segments of the economy. Constitutionally, the State of New Jersey has very little power to control prices in areas of the economy other than housing. To pick one segment for control is arbitrary and unfair.

Federal Rent Regulation

After considerable study, extensive Rent Regulations designed to reduce the average rate of rent increases while allowing the landlord to maintain a reasonable rate of profit have been promulgated and apply to virtually all of the housing units that would be covered by A 656. At the present time, even the advocates of A 656 would have to admit that the Act is unnecessary and causes a confusing duplication of effort.

Constructive Approaches to the Housing Shortage

If the problem is a housing shortage, the answer is for the Legislature to enact programs that will stimulate new construction and eliminate the abandonment of existing units. There are many proposals presently before the Legislature that will do this. The reforms proposed by the New Jersey Tax Policy Committee which would remove the crushing onus of real property taxes would be a great step in the right direction. Programs which would encourage mortgage financing, particularly in the inner-cities, would be another.

Elimination of unrealistic zoning and building requirements which make the construction of new apartment units economically unfeasible is yet another answer.

Is Rent Control a Dirty Trick on the Poor?

Rent control works hardest on the inner-city poor by causing an actual contraction of the housing stock. In the suburbs, the rate of growth in the housing stock may be slowed but there will be few abandonments of apartment units by landlords who can not keep up with expenses. The most vocal advocates of rent control legislation are middle class suburban tenants who are more interested in their own pocketbooks than in the terrible effect that rent control legislation has had around the country on the urban poor.

The New York City Disaster

Just across the Hudson River lies New York City which has had a long experience with rent control. Before voting on A 656, each member of the Legislature owes it to himself and his constituents to take a drive into New York City and see what effect rent control has had. Rent control in New York City has been a total economic, social and community disaster. The proponents of A 656 argue that rent control under the proposed Act is "different" but can we take a chance that our experience may only be half as bad as that in New York City? Consider the case of Cambridge, Massachusetts, where rent control was so terrible that it was unanimously repealed only one year after it was enacted.

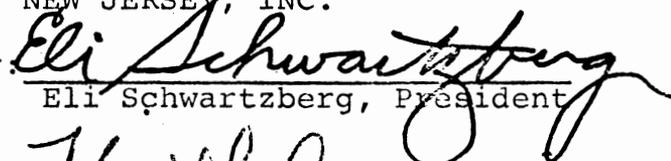
Legislative Courage

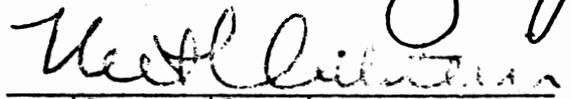
This is an election year. There are more tenants than landlords and tenant lobbyists are very quick to point that fact out. However, the New Jersey Legislature has never knuckled under to this type of pressure. We are confident that the Legislature of the State of New Jersey will have the honesty and courage to tell these tenant groups that rent control is not in their long-run interest because it will create a perpetual housing shortage to the detriment of all.

Respectfully submitted,

ASSOCIATED PROPERTY OWNERS
OF NEW JERSEY, INC.

By


Eli Schwartzberg, President


Neil I. Kilstein, Counsel

QUAKER HOUSE

New Jersey Friends Center Committee

33 Renssen Avenue, New Brunswick, N.J. 08901

(201) 515-8283

SUBMITTED BY: Donald E. Reserve, Program Dir.
Quaker House
33 Renssen Ave.
New Brunswick, N.J. 08901

DATE: June 14, 1972

I feel that this is basically a good bill that should be supported but I do have several comments on its implications and also a few new provisions that I feel should be added. As a trained architect and also being familiar with some of the housing problems in New Brunswick, New Jersey, and in general, I support Assembly Bill A656 and encourage the study committee to indorse it and recommend its enactment by the Assembly.

WHY THIS BILL IS NEEDED

One of the major problems with housing is that the business interests involved are concerned with making a profit and a good return on their investments. I question the idea of making a profit on money or property without providing any services or benefits in return. The extra dividends of large landowners are not a payment for something provided but an added return for doing nothing really. Any return on investments is not a 'fair return'. This is an example of the power and privilege that tenants do not have but that landowners do. I question a system that allows profits to be made on wealth and thus allowing the investor or property holder to accumulate more wealth for no effort on their part.

The law of supply and demand does not work for housing because the construction industry is based on profit motives and not on what is demanded or needed from the industry to give everyone a decent home. A decent home for all was first voiced by the government in a 1949 Housing Act and the market has not 'worked itself out' yet in the interests of the general health safety and welfare. A shortage of housing may indeed be calculated to raise the demand and therefore inflate the rents or it may be a attempt to keep certain 'undersirable' people out of a community such as the Black and poor. The landlords already have many rights and tax benefits that tenants do not. The market has already been

tampered with in favor of the owners and real estate interests. Now these business interests are using their wealth and power to see that the market is not tampered with in favor of the tenant. If the general welfare is not protected or provided for privately, which it probably never will be in America given the racism and private interests, then it is the business of government to serve the general public by passing bills such as Assemblyman Thomas Kean's Rent Stabilization Bill No. A656. The business of government is not business but in serving people.

IMPLICATIONS AND PROBLEMS FOR COMMUNITIES LIKE NEW BRUNSWICK

A description of the present situation in New Brunswick may help in understanding the bill and the implications of continuing present circumstances. At present, a number of conditions cause the inflated rents in New Brunswick as just one of many problems. My comments can be substantiated by studying the reports of either the Middlesex County Planning Board or the Planning Board of the City of New Brunswick.

There is a great deal of competition for the existing housing units in New Brunswick. This search for housing and the demand for more units comes largely from Rutgers State University students and the poor or less fortunate. The critical shortage of rental units, with a vacancy rate of less than 2%, and the growing age and deteriorating conditions of many of the rental units, make it more difficult for the Blacks, Puerto Ricans, the poor, the elderly, and recent immigrants to secure safe sanitary dwellings at reasonable prices.

The recent George St. Urban Renewal Project, that is relocating 182 families into existing housing stock, and the past projects of the Plaza Site, which is mainly a parking lot where housing used to be, and the Route 13 project, which also tore down old houses for a road and inaccessible park, have made the situation more critical. The people who had to vacate their residences for government projects are in a more critical housing situation now, instead of the renewal efforts actually eliminating the housing crisis and supplying these groups with decent housing. A recent large project called New Brunswick Homes is an example of the vertical ghettos that the poor are the victims of when new housing is built.

The neighboring townships have not taken their share of federally aided low-moderate income housing but instead, they sell out to developers and other profit interests that turn their landscapes into the suburban sprawl of spread city. A town like New Brunswick does not have its needs met by this type of suburban development because those who suffer most from the critical supply of rental units can not afford to buy their way into these restrictive and discriminatory communities. The supply of new homes, townhouses, etc. plus the problems and prejudices the upper-middle class have against urban areas, sends the well-to-do running out of the cities. The poor and black especially are then left

STUYVESANT TENANTS ASSOCIATION
1860 MANOR DRIVE
UNION, NEW JERSEY 07083

May 31, 1972
PUBLIC HEARING IN TRENTON ON RENT LEVELING
AND OTHER TENANT LEGISLATION

I am the president of the Stuyvesant Tenants Association of Irvington and Union. I represent 1,200 families. Most of these people are senior citizens living on fixed retirement or Social Security income. At one time their rent was increased a few dollars at a time. But now they receive 10 and 20 and 30 dollar increases every few months. Essential repairs and maintenance are criminally neglected. The landlord's attitude is "if you don't like it leave." The opponents to rent legislation cannot deny that these tenants are suffocating so they are using false arguments and fear tactics. Let us examine the opposition step by step.

1. Rent control -- They point to New York and say look at all of the abandoned buildings because of rent control. Nonsense -- There are plenty of abandoned buildings in Newark and other parts of New Jersey without rent control. But even if rent control does cause buildings to be deserted, we are not faced with this. We are not asking for rent control. Rent control in New York means that the rent cannot be raised for any reason until the administration decides to allow an increase. Because of this, landlords were not able to even recover rising costs of repairs, maintenance, taxes, mortgages, etc. In New Jersey we are not asking for rent control -- we are asking for rent leveling. Rent leveling is a concept which is not -- I repeat -- not rent control. It permits a landlord to increase rent to cover costs of repairs, maintenance, improvements, mortgage, cost of living increases, plus a fair percentage of profit. I repeat - this is not rent control -- it is an attempt to allow landlords to earn a reasonable profit instead of the present system of the sky's the limit.

Therefore, with this consideration, more provision should be made for the enactment of the bill in individual municipalities where it is deemed necessary for their general welfare. Basically, I feel that some form of rent control or stabilization should be applied universally because the problems of excessive and unfair rent increases do not just occur where there is a shortage but wherever the landowner wants to make a high return of the investment.

I would add one more provision to section 12 of the bill. That is one that would make inspections necessary when a housing unit goes on the market and when there is a turnover of tenants. Many communities are lax in making inspections but this provision would protect both the landlord, in terms of abuse to the property, and the tenant, from being rented a unit with building or health code violations.

With these few additions, I repeat my recommendation that the bill be passed by the assembly and enacted in the near future. Thank you for giving my remarks consideration.

Donald E. Moore

Assembly Committee on Municipal Government
Public Hearing on A-656
May 31, 1972

My name is Paul J. Krebs, and I offer this testimony in support of Assembly Bill 656, the Emergency Rent Levelling Act.

I wish to express my support for this bill in the strongest possible terms, because it will provide for harassed and exploited tenants a measure of protection they require from the real estate ~~work~~ operators and speculators who seek to profiteer upon the plight of low- and middle-income tenants.

A-656 specifies that when a landlord's operating costs and taxes go up, he is free to raise his tenants' rents a corresponding amount, an eminently fair provision.

Tenants have no objection to paying their share of increased costs, just as they are going to insist upon sharing any decrease in real estate taxes, if the Legislature should enact a bill to reduce property taxes in New Jersey.

But, tenants are justified in their determination to avoid being gouged by greedy landlords who will use a 2 ½ % increase in operating costs as an excuse to double, or even triple their rents.

Many New Jersey landlords appear stung by the accusation that their opposition to rent levelling legislation is based exclusively upon greed. These landlords have an opportunity now to dispel this notion by withdrawing their opposition to this wise, and necessary piece of legislation.

The long-range solution for the plight of harassed and exploited tenants, of course, is a vigorous program of federally-funded public housing, at rents which American workers can afford to pay. If I am elected to the United States Senate, I will support such a program.

But, even if this program should start tomorrow morning, it would take 10 years for sufficient housing to be constructed. In the meantime, the rent levelling legislation under consideration today is an absolute requirement for the tenants of our state, so many of whom are low- and middle-income workers, senior citizens, and minority group members.

STUYVESANT TENANTS ASSOCIATION

1860 MANOR DRIVE

UNION, NEW JERSEY 07083

May 31, 1972

~~ROBERT GARDNER, President~~

MAURICE FENICHEL, President

FAYE SILVERSTEIN, Treasurer

ANN FAND, Recording and Financial Secretary

SOPHIE MITZMACHER, Corresponding Secretary
201 - 371-3566

PUBLIC HEARINGS IN REPLY TO HURT SWELLING
AND OTHER TENANT LEGISLATION
(MAY 31, 1972)

AFFILIATED WITH
NEW JERSEY TENANTS ORGANIZATION

I am the president of the Stuyvesant Tenants Association of Irvington and Union. I represent 1,200 families. Most of these people are senior citizens living on fixed retirement or Social Security income. At one time their rent was increased a few dollars at a time. But now they receive 10 and 20 and 30 dollar increases every few months. Essential repairs and maintenance are criminally neglected. The landlord's attitude is "if you don't like it leave." The opponents to rent legislation cannot deny that these tenants are suffering so they are using false arguments and fear tactics. Let us examine the opposition step by step.

1. Rent control--They point to New York and say look at all of the abandoned buildings because of rent control. Nonsense--there are plenty of abandoned buildings in Newark and other parts of New Jersey without rent control. But even if rent control does cause buildings to be deserted we are not faced with this. We are not asking for rent control. Rent control in New York means that the rent cannot be raised for any reason until the administration decides to allow an increase. Because of this landlords were not able to even recover rising costs of repairs, maintenance, taxes, mortgage, etc. In New Jersey we are not asking for rent control--we are asking for rent leveling. Rent leveling is a concept which is not--I repeat--not rent control. It permits a landlord to increase rent to cover cost of repairs, maintenance, improvements, mortgage, cost of living increases, plus a fair percentage of profit. I repeat--this is not rent control--it is an attempt to allow landlords to earn a reasonable profit instead of the present system of the sky's the limit.

STUYVESANT TENANTS ASSOCIATION
1860 MANOR DRIVE
UNION, NEW JERSEY 07083

We are told that the main problem is that there is a shortage of apartments and we have to construct more. And if we pass rent leveling legislation, this will discourage the badly-needed construction. There are two answers to this:

First, rent leveling permits a fair profit, so why should this deter honest construction; and Secondly - it will take years for the construction to get caught up with need and tenants need a life preserver right now.

3. There is a group in New Jersey that you may have heard of -- they pretend to represent the Homeowners. As far as I can see, they do not represent anyone except a few wealthy landlords who are pretending to represent an imaginary, non-existent group of homeowners. The message they are sending to all Homeowners is that rent leveling is rent control. They are trying to convince homeowners that rent leveling will cause reduction in taxes for landlords and that homeowners who are not landlords will pay higher taxes to make up this deficit. Some homeowners actually believe this. They don't realize that even by stretching the imagination, you cannot really show how rent leveling will lower taxes for landlords. The only connection between rent leveling and taxes is that it permits the landlord to include taxes in his rent.

4. Next, we have those who say that the Governor's tax package allows tenants to deduct rent from the proposed income. This is like telling a low income family that they can deduct a \$1,000 contribution to charity from their federal income tax. I am sure you realize that you do not get \$1,000 back by deducting it but merely recover the percentage of that 1,000 dollars represented by your tax bracket percentage, say

STUYVESANT TENANTS ASSOCIATION
1860 Manor Drive
Union, New Jersey 07083

Robert Gardner, President
Maurice Fenichel, Vice-President
Faye Silverstein, Treasurer
Ann Fand, Recording & Financial Secretary
Sophie Mitzmacher, Corresponding Secretary
201-371-3566

Affiliated with
New Jersey Tenants
Organization

20% for the poor family. The same holds true for the proposed state income tax. The allowable deduction for rent would not only be less than it appears but it would encourage landlords to raise rents to even more exorbitant levels. The truth is that in reality a state income tax will help the poor tenant little more than does the Federal Income Tax.

5. An argument used by opponents to this cry for help for the exploited tenants is that homeowners have roots in the community and thus contribute more to it, whereas tenants are more transient, less permanent members of the community. To begin with, almost half of New Jersey's residents of 7 million + are tenants and using the 1,200 families in our garden apartment-complex as an example: many have lived there over 6 years, they have friends and other relationships in the community, their children attend the schools, and they consider themselves as permanent members of the community as do any homeowners.

6. A final voice of opposition I would like to mention is the cry that this is supposed to be a free enterprise system - and they are right. But, whether we are talking about United States imports or great monopolies or tenants, there are times when emergencies make it necessary for people to be protected from dangerous threats to their very survival.

MY CONCLUDING STATEMENT IS THIS: Right now rent increases are limited by the terms of phase 2 of the President's economic freeze program, but millions of landlords are planning to increase rents in leaps and bounds the moment the freeze is lifted.

Maurice Fenichel, President

May 27, 1972

Members of the Legislature,

Gentlemen;

I wish to express my opposition to ASSEMBLY BILL #656. Without going into all the details of the bill, I wish to express opposition to the recommendations on the grounds that they are generally impractical and appear to be discriminatory against HOMEOWNERS.

Perhaps if rent control is necessary, a bill should be composed that is more specific . The blanket recommendations are, as I interpret them, to be protective of all tenants, especially those *whose* incomes are higher than many homeowners incomes.

Some legislation is needed to prevent the minority group of RENT GOUDGING LANDLORDS from existing and at the same time PROTECT THE HOMEOWNERS FROM BECOMING UNWILLING HOSTS who must bear the brunt of costs for maintainng the property and PROTECT HOMEOWNERS FROM BECOMING VICTIMS of the rising costs of living, while the tenants live securely, untouched by increased expenses and ~~protected~~ by legislation from sharing their rightful responsibility .

Very Truly Yours,

Mrs. Lillian Single
Mrs. Lillian A. Single



HACKENSACK HOMEOWNERS ASSOCIATION

P. O. Box 2,
Hackensack #07602, N.J.

Newsletter

Dedicated to the Betterment of Hackensack

May 29, 1972

Hon. Frank Megaro,
Chairman of the Committee on Municipal Government,
State House,
Trenton, N.J.

Dear Sir:

We, the undersigned, President and Vice-President of the Hackensack Homeowners Association oppose Assembly Bill #656 for the following reasons:

The multiple dwelling taxes in the City of Hackensack are based on income only. The rent control would reduce the yield of taxes and as the cost of public services continue to rise, the individual homeowners will be forced to absorb the additional tax burden.

We oppose the enacting of any rent control as we believe that it would place an unfair burden on homeowners and fail to produce the housing which New Jersey desperately needs.

Very truly yours,

Hans Kobin
Hans Kobin - President

William R. Nielas
William R. Nielas V. Pres.

5/31/72

Mr. Chairman, Members of the Committee

A previous speaker, Mr. Levine of Lakewood, has pleaded for prompt action on 656. May I, as a representative of the Mayor and Council of the Borough of Roselle, heartily concur. We have made this scene before. Our community officials have so many times in the past, exercised all the means at our command to bring about some form of tenant relief in the area of rent stabilization. We have requested enabling legislation; we attempted to pass our own ordinance, recognizing the futility of this action; we have sent resolutions supporting a long line of previous bills aimed at some form of rent stabilization; and I myself spoke at last year's hearing conducted by Sen. Rinaldo.

Everything else failing, our Council, in an attempt to emphasize our objection to those landlords whose unconscionable rent increases began wrecking economic havoc among many of our tenants, directed those departments having jurisdiction, namely the building inspector, fire safety inspector and health officer, to follow up every legitimate tenant complaint and make strict and regular inspections, demanding total and immediate landlord compliance with any and all violations. Perhaps, one would consider this form of pressure on a landlord as immoral, but when one is playing against a stacked deck, it behooves him to use all proper means at his disposal. As an aside, this program has been successful in negotiating one lease and in other instances, at least securing those proper services and conditions for which the tenants had been dearly paying. -Don't force those of us on the municipal level to have to deal in this fashion.

From all of this, you would gather I come from a town with a very large percentage of apartment dwellers. Not so, our town is basically composed of private residences with a moderate number of apartment dwellers. However, our problem is compounded by a practically zero per cent vacancy rate and a lack of buildable land. In fact, one of the last sites was recently deeded by the borough for the erection of a Sr. Citizens apartment unit which will begin construction this summer.

Economically, the majority of our tenants fall into two distinct categories, those living on fixed incomes, and those of the newly married generation, both of whom can least afford the exorbitant rent increases of the past years, and who look to you for some form of security under a fair and equitable rent stabilization program

Give us this bill.

Jerald H. Biener
Councilman-Fifth Ward
Roselle, N. J.

39 Ramapo Hill Blvd
Oakland, N. J.

Dear Sir,

Our Family is deeply concerned as homeowners about bill #656 which will produce rent control and thus impose additional taxes on us. We vehemently oppose this bill!

Sincerely,

Mrs. Edward Grauger

343 Calvin Court
Wyckoff, N. J. 07481

Mr. Frank Megaro, Chairman
Committee on Municipal Government
State House
Trenton, New Jersey 08625

Sir:

I join the many New Jersey homeowners who are opposed to Bill #656 which provides for rent controls. Rent control will put the burden of rising costs on the homeowner and property taxes will skyrocket. Also, this is just one more government control measure and will lead us one more step nearer to socialism.

Please do all you can to prevent the passage of this bill.

Very truly yours,

(Mrs.) Wilma C. VanderHoven

343 Calvin Court
Wyckoff, N. J. 07481
May 26, 1972

Mr, Frank Megaro, Chairman
Committee on Municipal Government
State House
Trenton, New Jersey 08625

Dear Mr. Megaro:

Bill no. 656, which provides for rent controls, will be a detriment to the State of New Jersey if it is passed. This bill will place the burden of increased costs directly on the middle-class hard-working homeowner who will have to pay additional property taxes.

The middle-class person is becoming fed-up with supporting local, state and federal schemes. The burden is becoming too great!

It would be appreciated if you would do your utmost to prevent passage of bill no. 656,

Very truly yours,

John W. Vander Hoven

678 Mountain Ave.
Wyckoff, N. J. 07481

Mr. Frank Megaro
Chairman: Committee
or Municipal Government
State House
Trenton, New Jersey 08625

Dear Sir:

As a New Jersey homeowner, I am opposed to Assembly Bill #656 and all of its rancifications! As a member of the John Birch Society I believe that any kind of Government Control put on individuals is extremely dangerous and will lead to eventual total government control or totalitarianism.

Very truly yours,

Mrs. Janet Williams

330 Calvin Court
Wyckoff, N. J.

Mr. Frank Megaro, Chairman
Committee on Municipal Government
State House
Trenton, New Jersey

Sir,

I join the many New Jersey homeowners who are opposed to Bill #656 which provides for rent controls. Rent Controls will put the burden of rising costs on the homeowners and property taxes will skyrocket. Also, this is just one more government control measure and will lead us one more step nearer socialism.

Please do all you can to prevent the passage of this bill.

Very truly yours,

Mrs. Paul L. Culler

